



Request for City Council Committee Action from the Department of Community Planning & Economic Development

Date: May 2, 2006

To: Council Member Lisa Goodman, Community Development Committee
Council Member Paul Ostrow, Ways & Means Budget/Committee

Subject: Central Avenue Lofts TIF Public Hearing

Recommendation:

- 1) Approve the attached City Council Resolution adopting the Central Avenue Lofts Tax Increment Finance (TIF) Plan, Modification No. 6 to the Central Avenue Redevelopment Plan, and Modification No. 107 to the Common Development and Redevelopment and Common Tax Increment Financing Plans;
- 2) Approve the attached City Council Resolution authorizing the issuance of a "Pay-As-You-Go" Tax Increment Financing Note to Central Avenue Lofts Limited Partnership in a principal amount not to exceed \$1,100,000;
- 3) Approve the proposed redevelopment contract business terms as described in this report;
- 4) Authorize the appropriate City officials to execute a redevelopment contract with Central Avenue Lofts Limited Partnership, with Sherman Associates, Inc. as general partner, based on the terms contained in this report and all other necessary documents related to the above recommended actions.

Previous Directives:

In November, 2004, the City Council approved a \$133,429 allocation of 2005 Low Income Housing Tax Credits. In December, 2004, the City Council approved a \$400,000 Affordable Housing Trust Fund loan. In October, 2005, the City Council approved a \$352,217 allocation of 2006 Low Income Housing Tax Credits. In December, 2005, the City Council authorized staff to continue analysis of the Central Avenue Lofts development proposal and Housing TIF application; to negotiate terms and conditions of a redevelopment contract with Central Avenue Lofts Limited Partnership; and prepare a redevelopment plan/modification and a tax increment financing plan/modification for Central Avenue Lofts, subject to the final determination of project eligibility as a Housing TIF District, required reviews, public input, notices and hearings.

Prepared by: Donna Wiemann

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Approved by: Elizabeth Ryan, Directory of Housing Policy & Development _____

Permanent Review Committee (PRC) Approval Not Applicable

Note: To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

Presenter in Committee: Donna Wiemann

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the Capital Budget or Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: Action is within the plan. Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: The Holland Neighborhood Association reviewed and approved the proposed Central Avenue Lofts project in November, 2005.

City Goals: Foster the development and preservation of a mix of quality housing types that are available, affordable, meet current needs, and promote future growth.

Comprehensive Plan: Section 4.10: Minneapolis will increase its housing that is affordable to low and moderate income households.

Zoning Code: C2 and R5

Other: None

Background/Supporting Information

Sherman Associates, Inc. proposes to redevelop a 2.25 acre site on the southwest corner of Central Avenue NE and 24th Avenue NE. Currently, there is an existing two-story building on the property that is a US Bank branch office (including a drive through facility for the bank) and a surface parking lot. The building is mostly vacant. US Bank wants to physically downsize at this location.

Sherman Associates proposes to construct a mixed use, mixed income project located at 2316-2338 Central Avenue NE, 900 – 24th Avenue NE and 2323 Jackson Street NE. The project will consist of the construction of a four story building with 66 rental housing units on the second through fourth floors, approximately 15,000 square feet of ground floor commercial, an underground parking garage with 68 parking spaces, surface parking with 42 parking spaces, and seven (7) for sale town house units. The town house units will be named Jackson Street Town Homes and face Jackson Street.

The rental apartments will be a combination of one, two, and three bedroom units and 80% will be affordable to households at 30%, 50%, and 60% of income. Eight (8) units will be Project Based Section 8. The seven (7) town house units will have sale prices of \$225,000 to \$250,000. Each unit will have three bedrooms and be approximately 1,700 square feet in size.

The proposed development will address an underutilized site located on a major transit and commercial corridor (Central Avenue NE). Higher density housing in relation to transit services help to support transit service demand. The inclusion of the bank into the redeveloped project will provide one component of project stability. The redevelopment of this site has been a priority for the Holland neighborhood for many years.

Project Financing and TIF Approval

Sherman Associates, Inc. is requesting “pay-as-you-go” tax increment financing to help pay for the affordable housing component of the project. The proposed project qualifies as a Housing Tax Increment District under State Statutes. “Housing District” means a type of tax increment financing district which consists of a project, or a portion of the project, intended for occupancy, in part by persons or families of low and moderate income.

The purpose of the TIF Plan is to authorize the use of tax increment revenue to pay for public redevelopment activity – including new construction, administration, and other project costs eligible to the needs of the project. It is anticipated that public redevelopment costs will be financed in part with “pay as you go” tax increment financing. In addition to the TIF Plan, Modification #6 to the Central Avenue Redevelopment Plan authorizes creation of a new TIF District, Modification #107 to the Common Development and Redevelopment Plan and Common TIF District authorizes these redevelopment activity to occur within the Common Project plan.

The project financing will be supported in part with a TIF “pay-as-you-go” note in an amount not to exceed \$1,100,000 which will be an additional source of repayment of the mortgage provided by US Bank. The term of the proposed TIF will be 25 years. With “pay-as-you-go” tax increment financing, the developer finances eligible public redevelopment costs under contract with the City in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the project. The developer is fully reimbursed only if sufficient tax increment revenue is actually generated by the new development.

The total development cost of Central Avenue Lofts, the mixed use rental and commercial development, is estimated to be \$13,783,545. Tax increment generated within the TIF District will be one source of funds used to pay a portion of the public redevelopment costs. The estimated sources of the Central Avenues Lofts are: \$5,876,500 first mortgage from US Bank supported by the project income, \$1,100,000 supplemental mortgage from US Bank supported by tax increment financing, \$5,700,000 of syndication equity from the sale of low income housing tax credits, \$400,000 Affordable Housing Trust Fund monies (CDBG), \$357,000 from MHFA, and \$349,545 deferred developer fee. The total development cost of the Jackson Street Town Homes is estimated to be \$1,885,000.

Refer to attached Project Data Worksheets for additional project details.

Proposed Redevelopment Contract Terms

1. 20% of the units must be affordable to and occupied by households at 50% of median income for the duration of the project.
2. The TIF Note repayment period will be 25 years. If the annual tax increment payments are insufficient to satisfy the repayment of the TIF Note, the City is not obligated to make additional payments. The TIF district will be decertified and terminated.
3. Annual TIF admin fee to the City from available TIF - First 10%. Up to 100% of the next 90% for payment of the TIF Note annually. Annual excess tax increment not needed to pay the 10% admin fee and the annual TIF repayment will be used to pay down the TIF Note.
4. If the actual amount of the syndication proceeds is more than the currently estimated amount of \$5,700,000, the City must approve the use of the additional funds in the project. Potential acceptable uses are project construction costs, reserves, and paying down the \$400,000 AHTF Loan.
5. The term of the \$400,000 AHTF (CDBG) loan will be 1% simple interest and a deferred payment for a minimum term of 30 years.

6. The affordability of the rental units will be as stated in the Central Avenue Lofts PDW.
7. The City and the developer will split the surplus profit of the Jackson Street Town Houses 50-50. The profit shall be determined upon the sale of the last town house and the developer will retain a certified public accountant acceptable to the City to prepare the profit calculation.