



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

Date: June 21, 2005

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Prepared by: Theresa Cunningham, Senior Project Coordinator Phone (612.673.5237)

Presenter in Committee: Theresa Cunningham, Senior Project Coordinator

Approved by: Chuck Lutz, Deputy CPED Director _____
Elizabeth J. Ryan, CPED Director of _____
Housing Policy and Development _____

Subject: Resolution preserving the right to create a redevelopment tax increment district in Near North & Willard-Hay Neighborhood

RECOMMENDATION: That the City Council adopts a resolution to preserve the right of the City to create a redevelopment tax increment financing district in the Near North & Willard-Hay Neighborhoods to be named the Karamu Tax Increment Financing District.

Previous Directives:

1. On April 20, 2004, the City Council approved and authorized the acceptance and appropriate of MN Department of Employment and Economic Development Contamination Cleanup Grant for the Karamu West Project on Plymouth for \$262,500.
2. On October 28, 2003, the City Council approved and authorized staff to apply to the MN Department of Employment and Economic Development (DEED) through its' Contamination Cleanup Grant Program for an environmental remediation grant to be used at the Karamu West Site on Plymouth Avenue North.
3. On April 8, 2003, the City Council approved and authorized the MCDA/City staff to apply to the State and Metropolitan Council for Environmental Remediation Grants for spring 2003.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):

___ Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 5

Neighborhood Notification: Not applicable

City Goals: Not applicable

Comprehensive Plan: Not applicable

Zoning Code: Not applicable

Living Wage/Job Linkage: Not applicable

Background/Supporting Information

Northside Residents Redevelopment Council (NRRC), as the recognized neighborhood organization for the Near North and Willard-Hay neighborhoods of North Minneapolis, is working with others to form a development team that is proposing various redevelopment opportunities along Plymouth Avenue North. Mississippi Pathway Development Company, LLC (MPDC), the for-profit development affiliate of NRRC, was created in 2003 to separate NRRC's community development functions from those of its community representation responsibilities.

The development team consists of MPDC, as lead developer, providing overall project coordination, finance assembly, tenant selection, and NRRC, which will be responsible for community review & participation. Legacy Management is acting as co-developer responsible for project management, assembling financing, bidding and contract negotiations. BKV Group is architect for the development and is responsible for overall project schematic design and construction management. Master Civil & Construction Engineering, Inc., acting as lead construction manager, is assisting with finance assembly.

On April 20, 2004, the MCDA Board of Commissioners approved the sale of 2201 and 2215 Plymouth Avenue North and 1245 Penn Avenue North to MPDC for \$176,000. As a result of action referenced under the above at *Previous Directives #1*, the City of Minneapolis entered into a Contamination Cleanup Program Grant Agreement with the MN Department of Employment and Economic Development (DEED) on December 31, 2003, which is set to expire June 30, 2005.

The proposed redevelopment of the Karamu West site at 2201, 2215 Plymouth and 1245 Penn Avenue North is scheduled to begin construction upon completion of remediation work on the site. CPED staff is contracting with an independent remediation company to complete the environmental remediation work. CPED staff has requested from DEED a 90 day extension of the Grant Agreement to complete the

remediation work by September 30, 2005; however, at the time of writing this report, approval has not yet been received.

Upon completion of the environmental remediation, MPDC proposes to purchase the cleaned site from the City and construct a 63,000 square foot, 4-story building with one level of underground parking. The building will feature approximately 9,500 square feet of commercial retail space on the main level with the remainder of the main level and the upper three levels including up to 52 for-sale units with 1 and 2-bedrooms (plus den) condominiums and walk-up loft type units, one 3-bedroom unit, 54 underground restricted parking stalls for residents and 8 on-site surface parking spaces for commercial tenants and resident visitors.

The residential units will feature from 750 to 1,475 square feet of living space with estimated sales prices ranging from \$120,000 to \$210,000. Commercial/retail space will be subdivided and sold as condominiums at approximately \$145 per square foot. NRRC will purchase and occupy approximately 4,000 square feet of the commercial space for its neighborhood office.

Total development cost is estimated at approximately \$10.4 million. This includes hard construction costs of approximately \$7.5 million. NRRC has secured approximately \$9.4 million, creating an approximate \$1 million gap. Attached is a Project Data Worksheet which provides in more detail the sources and uses of financing, unit mix and income levels of potential homebuyers.

NRRC feels that it has exhausted most potential financial resources and now plans to submit an Application for Public Financial Assistance in the form of a Pay-As-You-Go Tax Increment Financing Revenue Note. The financing terms for the Pay-As-You-Go TIF Note have not yet been determined.

In view of the short timeline to complete the environmental remediation work on the site within the next 90 days, and the estimated timeframe of 120 days to create the TIF District, the City must preserve its right to create a redevelopment tax increment financing district in the Near North & Willard-Hay Neighborhoods. The City staff proposes to establish the Karamu Tax Increment Financing District by approving the attached resolution. Approval of the resolution will allow the environmental remediation work to move forward and also qualify the parcels identified in the resolution as a redevelopment tax increment financing district. Under these circumstances, the Minnesota Tax Increment Financing Act allows for the inclusion of parcels within a redevelopment tax increment financing district after the substandard building or buildings (or improvements, such as the parking lot located on the site) have been demolished or removed by complying with Minnesota Statutes Section 469.174, Subd. 10(d). The intent of the attached resolution is to comply with that statute and preserve the City's right to create a redevelopment tax increment financing district in Near North and Willard Hay neighborhoods of North Minneapolis.

Should the Karamu Project not proceed, the City will be under no obligation to proceed with the creation of a Redevelopment Project and TIF District including the site.

**Adopting Resolution to
Preserve the Right of the City to Create a
Redevelopment Tax Increment Financing District
in the Willard-Homewood Urban Renewal Project Area**

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

Section 1. Recitals.

1.01 Pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, the City of Minneapolis (the "City"), acting by and through its department of Community Planning and Economic Development ("CPED"), has been granted the authority to propose and implement City development districts, housing and redevelopment projects and tax increment financing districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.134, and 469.174 through 469.179, as amended, and other laws enumerated therein (collectively, the "Project Laws").

1.02 That in 1971, the City approved the Willard-Homewood Urban Renewal Plan, and subsequent resolutions modifying the Willard-Homewood Urban Renewal Plan in 1972, 1984 and in 1990; all pursuant to and in accordance with the Project Laws.

1.03 It has been proposed that the City preserve the right of the City to create a redevelopment tax increment financing district that includes five parcels located within the Willard-Homewood Urban Renewal Project Area, all pursuant to and in accordance with the Project Laws.

1.04 The City has caused to be prepared, and this City Council has investigated the facts with respect to an analysis of the five subject parcels.

1.05 The City has performed all actions required by law to be performed, including, but not limited to, an analysis of the site conditions after inspections of the property, all pursuant to and in accordance with the Project Laws.

1.06 The City Council hereby determines that it is necessary and in the best interests of the City at this time to preserve the right of the City to create a redevelopment tax increment district financing district that includes these parcels, as needed, within three years of demolition, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10.

Section 2. Findings.

2.01 The City Council hereby finds, determines and declares that the parcels identified as property identification numbers 20-029-24-11-0020 (an abandoned boarded, dilapidated church and sideyard), 10-029-24-11-0040 (vacant, boarded condemned double bungalow), 20-029-24-11-0001 (vacant parking lot), 20-029-24-11-0129 (vacant paved parking lot), and 20-029-24-11-0002 (vacant parking lot) contain blighting influences of obsolete, blighted, and deteriorated substandard structures requiring substantial renovation or clearance, including a church in very poor condition, vacant, paved parking lots, and a condemned boarded double bungalow, and exhibit deficiencies in other categories including, but not limited to suspected pollutants and contaminants at or beneath the surface of one or more of the parcels, are incompatible with zoning codes, infringe on adjacent property, are underutilized and functionally obsolete in substandard condition. The structures do not meet Uniform Building Codes or Minnesota Energy Codes, contain evidence of fire or other damage, contain lead based paint, with peeling paint, damaged, cracked and missing stucco, deteriorated roofs, and rotten fascia and soffits.

2.02 The City Council further finds, determines and declares that more than 70 percent (100%) of the area of the proposed district is occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent (100%) of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

2.03 The City Council further finds, determines and declares that the area to be considered for inclusion in a future tax increment financing district is a blighted area consistent with the undertaking of a redevelopment tax increment financing district, pursuant to the Project Laws; and that the tax increment financing district to be established, if necessary, would meet the criteria of a redevelopment district, as defined in Minnesota Statutes, Section 469.174, Subdivision 10, based upon detailed and documented parcel-by-parcel interior and external inspections of the properties to be included in the TIF district; that exterior surveys were conducted for all properties; and that the reasons and supporting facts for these determinations are retained and available from the City.

2.04 The Council further finds, determines and declares that the area includes parcels occupied by structurally substandard buildings, and it is the intent to authorize clearance of these parcels while establishing and preserving the right of the City to create a redevelopment tax increment financing district that includes these parcels, as needed, within three years of demolition, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10.

2.05 The City Council further finds, determines and declares that the subject property is unused, underused or inappropriately used, and is a deteriorating and deteriorated area and a redevelopment area within the meaning of the Project Laws.

Section 3. Approval.

3.01 Based upon the findings set forth in Section 2 hereof, this action presented to the City Council on this date, is hereby approved and shall be placed on file in the office of the City Clerk.