



**Van Cleve Apartments East
Tax Increment Finance Plan**

March 16, 2007

Prepared by the Development Finance Division
Finance Department, City of Minneapolis
105 5th Avenue S., Minneapolis, Minnesota 55401

**Van Cleve Apartments East Tax Increment Finance Plan
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Van Cleve Apartments East Tax Increment Finance Plan

March 16, 2007

Introduction

Four plan documents have been prepared that are related to a proposed multi-phased rental and homeownership housing project in the Como neighborhood in southeast Minneapolis: the Van Cleve Redevelopment Plan, and three Van Cleve Tax Increment Finance ("TIF") Plans (the "Plans").

The Van Cleve Redevelopment Plan establishes a new redevelopment project area encompassing the development site, establishes objectives for redevelopment, and identifies future land uses for the project area.

This plan document, the **Van Cleve Apartments East Tax Increment Finance Plan**, creates a new housing tax increment financing district within the redevelopment project area to finance the anticipated costs of public redevelopment activities, and establishes a project budget.

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary

This plan establishes a new housing TIF district to be designated as the Van Cleve Apartments East TIF District. The proposed TIF District is located in the Como Neighborhood and University Community in Ward 2 of Southeast Minneapolis. The TIF District includes portions of 4 tax parcels located within the boundary of the newly created Van Cleve Redevelopment Project Area.

The portions of the tax parcels included in the Van Cleve Apartments East TIF District are generally described as the eastern portion of 932 12th Avenue SE lying north of Brook Avenue SE and east of 12th Avenue SE, and westerly portions of 917-19 13th Avenue SE, 935 13th Avenue SE, and 941 13th Avenue SE lying north of Brook Avenue SE:

<i>Property Identification Number</i>	<i>Address</i>
24-029-24-13-0010	917-919 13 th Avenue SE*
24-029-24-13-0011	935 13 th Avenue SE*
24-029-24-13-0012	941 13 th Avenue SE*
24-029-24-13-0013	932 12 th Avenue SE*

* Replat (reconfiguration of parcels) in process

A map showing the boundary of the proposed Van Cleve Apartments East TIF District has been attached as Exhibit 1 to this Plan. The Project Area Report, which documents the eligibility of this site for the establishment of a Housing TIF District, is attached as Exhibit 2 to this Plan.

II. Statement of Objectives

The objectives for this project are described in Section II. B. of the Van Cleve Redevelopment Plan. The City of Minneapolis seeks to achieve the following objectives through the Van Cleve Redevelopment Plan:

- 1) Eliminate blighting influences which impede potential development
- 2) Alleviate a shortage of decent, safe and sanitary housing for persons of low or moderate income and their families.
- 3) Increase the number of housing units and choices within the city.
- 4) Remediate site contamination in accordance with state and federal regulations.
- 5) Support strong and diverse neighborhoods where people choose to live.

Public purposes of the Van Cleve Redevelopment Plan include accommodation of growth/density along an identified corridor, facilitation of improved access to public transportation, and the City's goal of creating affordable housing.

- redevelopment of a vacant, underused, blighted area
- provision of affordable rental and homeownership opportunities
- job creation
- property tax generation
- pollution remediation
- adaptive reuse

III. Development Program

A. Description of Development Program

The purpose of this plan is to authorize the use of tax increment revenue to pay for public redevelopment activity – housing construction and eligible administration costs.

Project for Pride in Living, Inc. (PPL) has proposed to be the master developer for the redevelopment of the Bunge Grain Elevator site. The entire project is a three-phase income-integrated development that may eventually include 236 housing units, consisting of rental and condo apartments and townhouses (85 rental and 151 ownership). PPL is planning the adaptive reuse of the landmark “headhouse” (a rectilinear vertical structure used for grain distribution) for housing and will also be

constructing four new residential buildings as part of this development. The project will have 85 rental units affordable at or below 50% of Metropolitan Median Income (MMI) and 5 Habitat for Humanity townhomes, which exceeds the 20% requirement under the City Affordable Housing Policy.

Van Cleve Apartments East will consist of 35 rental units (identified as “Building B” on the site plan Exhibit #3) and will be undertaken by the Van Cleve Apartments East LLC, a partnership of PPL and Cabrini House¹.

Eight of the 35 units will serve as permanent supportive housing for the long-term homeless and will be affordable at 30% of MMI. Cabrini House has applied for rental assistance for these eight (8) units through HUD’s “Shelter Plus Care” (SPC) program, and its application was approved. The remaining 27 units (18 two-bedroom and 9 three-bedroom) will be affordable at 50% of MMI.

There will be one level of underground parking, accessed from the existing alley. The facility has 38 spots, which will provide direct access to the 35 units in this phase.

The entire project requires multiple funding sources including tax increment financing. PPL has successfully developed similar projects and has demonstrated an ability to work with the City. PPL’s mission is to assist lower-income individuals and families to work toward self-sufficiency by providing housing, jobs and training, utilizing a variety of several integrated programs. Environmental remediation of the site will be required, utilizing grant funds that have been secured from the Metropolitan Council and Hennepin County. PPL was awarded \$1,334,323 in Livable Communities funds (LCDA) from the Metropolitan Council for infrastructure costs.

Van Cleve Apartments East

Unit Composition	# of Units	Affordability Level
One bedroom	8	30% MMI
Two bedroom	18	50% MMI
Three bedroom	9	50% MMI

Total units 35

The 35-unit rental apartment building will have 8 one-bedroom units, 18 two-bedroom units, and 9 three-bedroom units, with the rents and affordability levels shown above. Since there will be 35 units at or below 50% of MMI²,

¹ PPL and Cabrini House have signed a Memorandum of Understanding to undertake this project and to form the Van Cleve Apartments East LLC as co-general partners. PPL will function as the developer partner, and Cabrini will be responsible for planning and serving as the provider of the supportive services.

² Metropolitan Median Income

this project complies with the City Affordable Housing Policy, which requires at least 7 affordable units (i.e. 20% of 35). There will be 8 units affordable at or below 30% of area median income for a total of 35 low income units.

A rezoning of the site was approved at City Council on January 22, 2007 to add the (Industrial Living Overlay District) to the existing I-1 Industrial base zoning in order to allow for the residential uses proposed by this development. The remainder of the land use approvals were approved by the City Planning Commission on December 18, 2006.

The Heritage Preservation Commission (HPC) reviewed the project on November 14, 2006 and approved issuance of a Historic Resource Demolition permit.³ A federal environmental assessment for the project was conducted related to federal assistance that will be provided to this project and it has been submitted to HUD. Phase I and II environmental site assessments to assess soil pollution and environmental noise due to the proximity of the railroad have also been conducted.

B. List of Property That May Be Acquired

No property within the Project Area has been identified for acquisition by the City of Minneapolis. The PPL-Cabrini partnership purchased the property for the Van Cleve project from the Bunge Corporation in May 2006 in anticipation of this redevelopment.

C. Development Activity for which Contracts Have Been Signed

As of the date of the preparation of this TIF plan, the City of Minneapolis has not yet entered into any redevelopment contracts related to these activities. It is anticipated that a development agreement will be executed with PPL for the entire Van Cleve Redevelopment Plan area and development of the Van Cleve Apartments East phase would be assigned to Van Cleve Apartments East LLC, a partnership of PPL and Cabrini House and/or its subsidiaries.

D. Other Development Activity

Other future redevelopment activity will take place in stages within the Van Cleve Redevelopment Project Area, and are described in the accompanying plans related to the separate developments. Any activities or expenditures not identified in these plans, or consistent with the plan objectives and budget included herein, would require a modification of this plan, pursuant to Minnesota Statutes Section 469.175, Subdivision 4.

IV. Description of Financing

³ A Memorandum of Agreement has been entered into by the City, the HPC, SHPO, PPL and the Southeast Como Improvement Association regarding historical review.

The purpose of this plan is to authorize the use of tax increment revenue to pay for public redevelopment activity – housing construction and eligible administrative costs of the project.

It is anticipated that public redevelopment costs will be financed in part with pay-as-you-go tax increment financing from the Van Cleve Apartments East tax increment financing district.

The figures, sources and methods of financing identified in this finance plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of this TIF Plan, or result in an increase in the project costs or bonded indebtedness of this project beyond the amounts listed herein, a modification to this plan might be necessary. Such a modification would require the same approval process as the original approval of this TIF Plan.

A. Project Costs

Total up-front project costs for the Van Cleve Apartments East TIF District are estimated at \$415,000. These costs include housing construction costs. Total estimated expenditures over time are estimated at \$1,090,000 which include Pay-As-You-Go Note Principal, Pay-As-You-Go Interest and Administration.

Van Cleve Apartments East TIF District Budget

Sources	Up Front	Over Time
Developer Funds	\$415,000	--
Tax Increment	--	\$1,090,000
Total Sources	\$415,000	\$1,090,000
Uses		
Housing Construction	\$415,000	
Pay-As-You-Go Note Principal		\$415,000
Pay-As-You-Go Note Interest		566,000
Administration		109,000
Total Uses	\$415,000	\$1,090,000

B. Bonded Indebtedness to be Incurred

The City of Minneapolis does not anticipate issuing any tax increment bonds for this TIF district. It is anticipated that public redevelopment costs will be financed through the City's issuance to the developer of a pay-as-you-go tax increment financing note.

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, from the tax increment revenue generated by the project. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

C. Sources of Revenue

Tax increment generated within the TIF District will be one source of public funds used to pay a portion of the public redevelopment costs associated with the Van Cleve Apartments East Project.

D. Original Net Tax Capacity

The current estimated market value of the tax parcels included in the TIF district is \$335,380. This will result in an original net tax capacity of approximately \$4,192, upon property reclassification.

E. Estimated Captured Net Tax Capacity at Completion

Upon completion of the development, it is anticipated that the estimated market value of taxable property in the District will increase from \$335,380 to approximately \$2,800,000. This represents an increase of \$2,464,620 and will result in a total net tax capacity of approximately \$35,000 and an estimated captured net tax capacity of \$30,808.

Based upon a total local tax rate of approximately 119.000%, this will generate an estimated annual gross tax increment payment of \$36,662, excluding the deduction for the State Auditor fee.

F. Duration of District

The Van Cleve Apartments East TIF District is a Housing TIF District. Tax increment can be paid to the City for up to twenty-six years of increment collection, or such period as is authorized by law and is necessary to complete financing of the eligible project costs.

G. Fiscal Disparities Election

It is the intent of the City of Minneapolis that the entire fiscal disparity contribution required of the City for development occurring within this district be taken from outside the Van Cleve Apartments East TIF District. The election provided in Minnesota Statutes Section 469.177, Subdivision 3, Paragraph (a) of the Minnesota Tax Increment Financing Act is elected. Due to the level of required subsidy for this project, choosing election (b) i.e. using a portion of the tax increment generated from this project to pay fiscal disparities, is not financially viable and would stop the proposed project from developing.

H. Original Tax Capacity Rate

The Original Tax Capacity Rate for this district will be the local tax capacity rate for taxes payable (TP) 2007, which was not known at the time this TIF Plan was prepared. For tax increment projection purposes, a total tax rate of 122.00% for taxes payable in 2008 and 119% for taxes payable in subsequent years has been used in the TIF Plan. For project and impact purposes (see Section VI), the tax rate for taxes payable in 2006 of 127.980% has been used.

I. Permit Activity and Prior Planned Improvements

The TIF District does not include any "prior planned improvements" as that term is described in Minnesota Statutes, Section 469.177, Subd. 4.

Prior to approval of this plan by the City of Minneapolis, the developer applied for and received a permit to demolish a portion of the site containing the hazardous grain elevators. These remediation and demolition permits alone will not add any value to the base value of the parcel.

The letter requesting certification by Hennepin County of the TIF District will be accompanied by a list of all of the building permits issued for the property included in this TIF District during the eighteen months immediately preceding approval of this TIF Plan, as mandated by Minnesota Statutes, Section 469.175, Subdivision 3.

V. Type of Tax Increment Financing District

The proposed Van Cleve Apartments East TIF District is a "Housing District" as defined in Minnesota Statutes Section 469.174 Subdivision Minnesota Statutes Section 469.174, Subdivision 11 and 469.1761, Subdivision 1 and 3.

Section 469.174 Subdivision 11 "Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and

moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts and that satisfies the requirements of section 469.1761. Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

Section 469.1761, Subdivision 1. (a) In order for a tax increment financing district to qualify as a housing district: (1) the income limitations provided in this section must be satisfied; and (2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses. (b) The requirements imposed by this section apply to property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions of this section do not apply to districts located in a targeted area as defined in section 462C.02, subdivision 9, clause (e).

Section 469.1761, Subdivision 3. Rental Property For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The requirements of this subdivision apply for the duration of the tax increment financing district.

Additional information about the eligibility of the project for inclusion in a housing TIF district can be found in the Project Area Report and Documentation of Eligibility, attached as Exhibit 2 to this Plan.

VI. Estimated Impact on Other Taxing Jurisdictions

It is the position of the City of Minneapolis that the redevelopment of the property included in this TIF District would not occur as proposed without the tax increment financing assistance to be provided.

Nevertheless, if it is assumed for the purpose of analysis that the proposed development described herein would occur without tax increment financing assistance and that the estimated captured tax capacity generated by the development would under those circumstances be immediately available to the taxing jurisdictions, then the estimated annual impact on the taxing jurisdictions would be as follows:

Taxing Jurisdictions	Tax Capacity Rate Payable 2006	Property Tax Revenues Resulting from \$30,808 Captured Tax Capacity
City of Minneapolis	58.433%	\$18,002.04
Hennepin County	36.394%	11,212.26
Special School District #1	25.574%	7,878.84
Other Taxing Jurisdiction	7.579%	2,334.94
Total	127.980%	<u>\$39,428.08</u>

Fiscal calculations contained in this Plan are based upon the current property tax formulas and property values, and an estimate of the likely assessed market value of the proposed new development. This was the best information available at the time that this plan was prepared.

Fiscal and Economic Implications of Proposed TIF District

The estimated amount of total tax increment that would be generated over the life of the district is \$1,090,000, assuming a 1.5% inflation rate.

A description of the probable impact of the district on city-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the district is projected to be minor due to the small size of the project.

The estimated amount of tax increment generated over the life of the district that would be attributable to school district levies, assuming the school district's share (19.98%) of the total local tax rate for all taxing jurisdictions remained the same is \$217,782 assuming a 1.5% inflation rate.

The estimated amount of tax increment generated over the life of the district that would be attributable to county levies, assuming the county's share (28.44%) of the total local tax rate for all taxing jurisdictions remained the same is \$309,996, assuming a 1.5% inflation rate.

As of the date of this TIF Plan, neither the County or School District have requested any additional information which could assist them in determining additional costs that may accrue due to the development in the TIF district.

VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance

Minnesota Statutes, Section 469.175, Subdivision 3, provides that prior to the approval of a TIF plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

It is the position of the City of Minneapolis that the private redevelopment of the property included in the TIF District could not occur without public participation and financial assistance. This conclusion is based upon the following factors.

If tax increment financing is not provided, the project both in the short term and the long term would face detrimental delays and would likely not move forward. The project budget demonstrates the critical need for TIF financing. Specifically, the budget shows costs in excess of project revenues. In order to complete the project, funding from a variety of public sources must be committed.

There are several project features, unrelated to the building decisions, which are resulting in higher development costs. The first of these is the "redevelopment nature" of the project. It is without question more costly to redevelop an existing industrial parcel than to work with undeveloped land. The acquisition of existing buildings, the assembly of a parcel of sufficient size, the increased environmental testing and remediation, and the demolition of the existing buildings all add to the cost of the project. By enlarging the size of the project and including for-sale units in the mix, those substantial costs were spread out over a larger number of units and have significantly mitigated the site cost to the housing units. Nonetheless, these costs have driven the costs higher than traditional developments.

A second feature of the development which is increasing the cost is the need for substantial environmental testing and remediation.

This project will also involve changes to the existing infrastructure-- building roads, sidewalks, alleys, lighting, and adding sewer and water connections.

Finally, the constrained nature and high cost of the site and its location in a neighborhood with little opportunity for street parking have made underground parking the only viable option for the project. Underground parking has the advantages of allowing the non-built parts of the site to be developed as landscaping rather than asphalt, and of permitting easy access to the apartments by handicapped or mobility-impaired residents or visitors.

As stated, these costs exceed the project revenue. Furthermore, the costs outlined above would be faced by any redevelopment project at this site. Therefore, in order to stimulate development at this distressed site, public subsidy must be provided.

Given the necessity for public investment, if TIF financing were not provided, the proposed redevelopment of the site would not move forward as planned. PPL and Cabrini Partnership have obtained funding from a multitude of sources. Yet, there is still a large amount of TIF financing needed in order to make the project viable. If TIF financing is not

approved, it is not possible for PPL and Cabrini Partnership to raise the needed revenue from other sources. Therefore, the project would have to be abandoned. Since PPL and Cabrini Partnership own the project site, they would optimize a resale, and proceed with plans to tear down the elevators. They have been advised that removing the elevators will increase the site value, and they would be attempting to recover acquisition and demolition costs. They confront a timing constraint in the use of low income housing tax credit syndication proceeds for Van Cleve Apartments East, and must commit to construction of this building early in 2007. If it is necessary to begin this building and TIF is not approved, PPL and Cabrini Partnership will need to find alternate funds for the bridge funding they are providing. If TIF financing was denied after the construction of the first rental building began, PPL would have to sell the remaining parcels, recouping as much of their initial investment as possible. Affordable rents are not sufficient to amortize the entire cost of this development. The proposed project meets the need for provision of affordable rental housing.

The project is consistent with development objectives set forth in the Minneapolis Tax Increment Policy in that it will expand the City's tax base, provide for new and unique affordable housing that is consistent with the desire of the neighborhood leadership, will be developed on an otherwise vacant and currently contaminated site, and will create jobs. The proposed development will address an underutilized site located close to a major transit bus line⁴.

The developer believes the amount of tax increment financing requested is reasonable when compared to the expenses for the project, and believes that they have explored all other options to secure financing for these costs prior to making the request for tax increment financing from the City.

Without tax increment financing, the project cannot proceed as a result of a gap due to the affordability of the rental units. Since there will be 27 units at or below 50% of MMI, and 8 units at or below 30% of MMI, the Van Cleve Apartments East project complies with the City Affordable Housing Policy, which requires at least 7 affordable units (i.e. 20% of 35).

The Unified Housing Policy adopted by the City recognizes the serious shortage of affordable housing in Minneapolis and puts forth the goal to "grow the population and to have no net loss of housing across all income levels". The Unified Housing Policy also states the City will focus on linking incentives to

⁴ The University of Minnesota/SEMI area is a designated Growth Center and 16th Avenue SE and Como Avenue SE is a designated Neighborhood Commercial Node in the City's comprehensive plan. As a Growth Center, the comprehensive plan supports increased housing types and densities in the neighborhoods in and around the University of Minnesota. Increased housing density and a mix of housing types with both owner-occupied and rental units at this location will help to bring a greater range of housing options to the neighborhood and will help to support the small-scale commercial node at 16th and Como. The proposed project is also located within a block of a high-frequency bus line and will help to encourage transit ridership.

housing opportunities in proximity to jobs and transit. Development of the project will benefit residents by providing more housing choices as the affordable housing component will provide new quality housing to low to moderate income residents at a location with access to employment opportunities, public facilities, and transportation. The site is ideally located near jobs, public transportation, the University of Minnesota, and existing services, and is within walking distance of schools, parks, and businesses.

A potential tax increment financing district site must also pass a "market value" test in order to make a finding that development could not occur without tax increment assistance. The calculations necessary to pass this test are contained on the following page of this plan. As shown there, the public redevelopment activity, expenditures, and market values associated with the development that is proposed in this plan results in a series of calculations and figures that clearly pass the market value test.

It is the position of the City of Minneapolis that the private redevelopment of the property included in the Van Cleve Apartments East TIF District could not occur without public participation and financial assistance within the foreseeable future.

Van Cleve Apartments East TIF District

Valuation and Tax Increment Assumptions

	Pay 2008	Pay 2009	Pay 2010
Total Estimated Market Value (EMV)	\$338,734	\$1,540,000	\$2,800,000
Less: Original EMV	335,380	335,380	335,380
Captured EMV	\$3,354	\$1,204,620	\$2,464,620
Total Net Tax Capacity (NTC)	\$4,234	\$19,250	\$35,000
Less: Original NTC	4,192	4,192	4,192
Captured NTC	\$42	\$15,058	\$30,808
Times: Projected Total Tax Rate	122.000%	119.000%	119.000%
Gross Tax Increment	\$51	\$17,919	\$36,662
Less: State Auditor's Fee (.5%)	0	65	132
Tax Increment Distributed to City	\$51	\$17,854	\$36,530

26 Years of TI Collection

Years of TIF Collection	Payable Year	Tax Increment Distributed To City
---	2006	\$0
---	2007	0
1	2008	51
2	2009	17,854
3	2010	36,530
4	2011	37,152
5	2012	37,783
6	2013	38,425
7	2014	39,076
8	2015	39,736
9	2016	40,407
10	2017	41,089
11	2018	41,779
12	2019	42,481
13	2020	43,192
14	2021	43,914
15	2022	44,648
16	2023	45,392
17	2024	46,147
18	2025	46,914
19	2026	47,693
20	2027	48,483
21	2028	49,284
22	2029	50,098
23	2030	50,924
24	2031	51,762
25	2032	52,614
26	2033	53,477
		\$1,086,905
P.V. @	5.00%	\$526,489

Market Value Test

Analysis Required by M.S. Section 469.175, Subd. 3 (2)

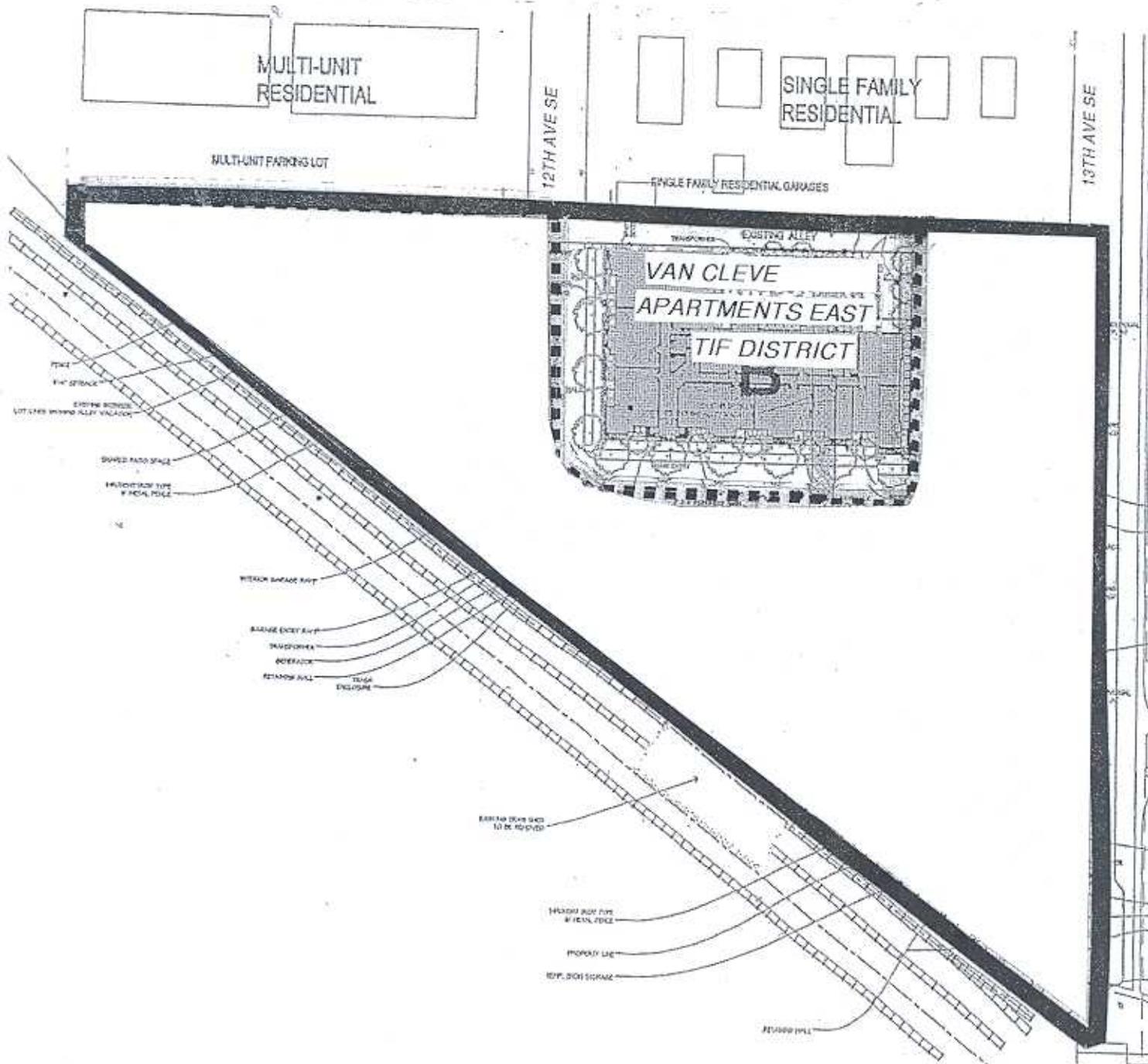
(1) "... the increased market value of the site that could reasonably be expected to occur without the use of tax increment ...";

(a) Projected estimated market value without the use of tax increment	\$335,380
(b) Original estimated market value	335,380
(c) Increased estimated market value without the use of tax increment = (a) - (b)	\$0

(2) "... increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan.";

(d) Increase in the estimated market value of the completed development.	\$2,464,620
(e) Present value of the projected tax increment for the maximum duration of the district	526,489
(f) Difference = (d) - (e)	\$1,938,131

(3) Since (c) is less than (f), the proposed development or redevelopment passes the test.



**Van Cleve Apartments East
Tax Increment Finance District
Boundary Map**

March 16, 2007

Boundary



Prepared by Development Finance Division
105 5th Avenue S., Minneapolis, Minnesota

**PROJECT AREA REPORT
AND DOCUMENTATION OF ELIGIBILITY**

Van Cleve Apartments East Tax Increment Finance Plan

The conditions that qualify the Van Cleve site for inclusion in a redevelopment project area are described in the Van Cleve Redevelopment Plan.

The Van Cleve Redevelopment Project was found to be a blighted area, as defined in Minnesota Statutes §469.002, Subd. 11 and Subd. 14:

“any area with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community.”

"Redevelopment project" means any work or undertaking:

- (1) to acquire blighted areas and other real property for the purpose of removing, preventing, or reducing blight, blighting factors, or the causes of blight;
- (2) to clear any areas acquired and install, construct or reconstruct streets, utilities, and site improvements essential to the preparation of sites for uses in accordance with the redevelopment plan . . .

Description of the Site

The site of the proposed development is located on the west side of 13th Avenue SE in east central Minneapolis. The property is bordered by a semi-active railroad corridor to the south, Van Cleve Park to the east, Interstate 35-W to the west and apartment buildings to the north. Although the site is zoned for light industrial uses, the majority of the surrounding neighborhood is residential. The industrial uses follow along the corridor but are not significant. The south side of the railway corridor is zoned R5 for multiple family development. To the immediate north, land is zoned R4. The University of Minnesota East Bank is located to the south. The Bunge Elevator Company property has been operated as a grain elevator since 1935. The buildings no longer contribute any value to

the property and are obsolete. The property has been purchased by Project for Pride in Living, Inc. (PPL) in anticipation of redevelopment. PPL intends to demolish the existing improvements and construct for sale and for rent residential housing.

Tax Increment Finance District Eligibility

The Van Cleve Apartments East TIF District is to be a housing TIF district as defined in the Minnesota Statutes, Section 469.174, Subdivision 11, and 469.1761 which states:

"Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts and that satisfies the requirements of section 469.1761.

In order for a tax increment financing district to qualify as a housing district: (1) the income limitations provided in this section must be satisfied; and (2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses¹.

There are two specific questions that must be answered in order to confirm the eligibility to establish a Housing TIF District to finance eligible public redevelopment costs of the Van Cleve Apartments East Project.

- 1) Does the project comply with the income restrictions for rental housing projects identified in Minnesota Statutes, Section 469.1761, Subdivision 3?
- 2) Does the square footage of the buildings that receive assistance from tax increments consist of no more than 20% of commercial, retail, or other nonresidential uses in the district?

Income Restrictions^{2, 3} Moderate-income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the metropolitan median family income. Low-income housing is defined as housing affordable to families with incomes below 80 percent of the metropolitan median (MMI) family income.

¹ Minnesota Statutes, 84th Legislative Session (2005-2006)

² The FY2006 Median Family Income Metro Area, State of Minnesota is \$78,500 as estimated by HUD

³ The MMI for Tax Credit Income Limits for 2006 is \$77,000 effective date 3/8/06

The proposed rental project must satisfy the income requirements for a Housing Tax Increment Finance District as stated in the Minnesota Tax Increment Act (Minnesota Statutes, Section 469.1761, Subdivision 3). Subdivision 3 states that rental housing must meet one of the following tests in order to qualify as a Housing Tax Increment District:

1. At least 20 percent (7) of the units must be occupied by individuals whose income is 50 percent or less of the Metropolitan area median gross income (27 of 35 units are available at or below 50% and 8 units are available at or below 30% of the Metropolitan area median gross income); or
2. At least 40 percent (14) of the units must be occupied by individuals whose income is 60 percent or less of the area median gross income (35 units are available below 60%).

The proposed project meets both of the income requirements for a Housing TIF District. Income guidelines will be monitored for the life of the district, as the requirements of this subdivision apply for the duration of the tax increment financing district. The proposed TIF district includes new construction of 35 rental units. Eight of the 35 rental units will have project-based Section 8 assistance affordable at or below 30% of MII, and 27 units will be affordable to families at or below 50% of MMI. Since all 35 units are below 60% of MMI, the project complies with the City Unified Housing Policy, which would require at least 7 affordable units (20% of the total).

Square Footage Test

The entire Van Cleve Apartments East project is rental residential.

Minneapolis Housing Policy

The principal goals of city housing policy are to improve choices, both for households with constrained choice and for households with many choices. The Zoning Code allows developers of affordable housing to construct more housing units than would otherwise be allowed in instances where a proposed development includes affordable housing units. Previously city housing policy was contained in a number of documents which were approved at various times for specific reasons. Council action on June 18, 2004 adopted a Unified City of Minneapolis Housing Policy. This Policy shall be consistent with The Minneapolis Plan, goals 4.9.1 through 4.19.

The Van Cleve Apartments East project is consistent with the following policy statements:

- 4.9 Minneapolis will grow by increasing its supply of housing.

- 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households.
- 4.11 Minneapolis will improve the availability of housing options for its residents.
- 4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens.

Minneapolis Tax Increment Finance Policy

The Minneapolis City Council approved the Minneapolis Tax Increment Policy to guide staff in forming recommendations regarding the use of tax increment financing and negotiating contract terms with developers; to provide a framework within which the City Council and Mayor can evaluate and compare proposed uses of tax increment financing; and to inform the public of the City's position on the use of tax increment financing and the process through which decisions regarding the use of the tool are made. Objectives that will be accomplished through the Van Cleve Apartments East tax increment financing district are:

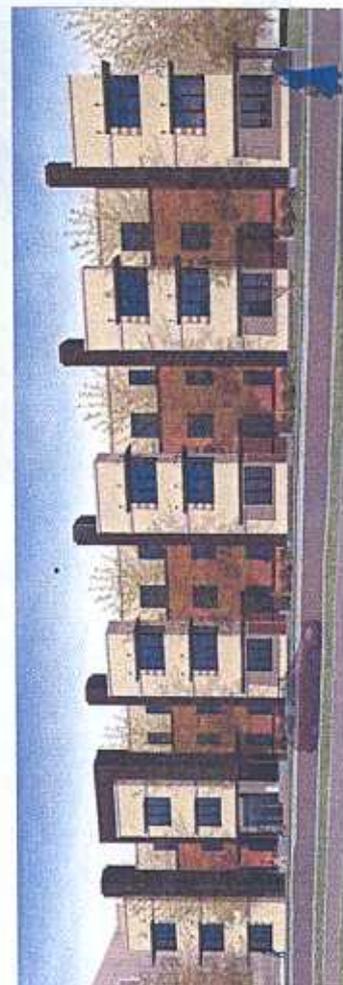
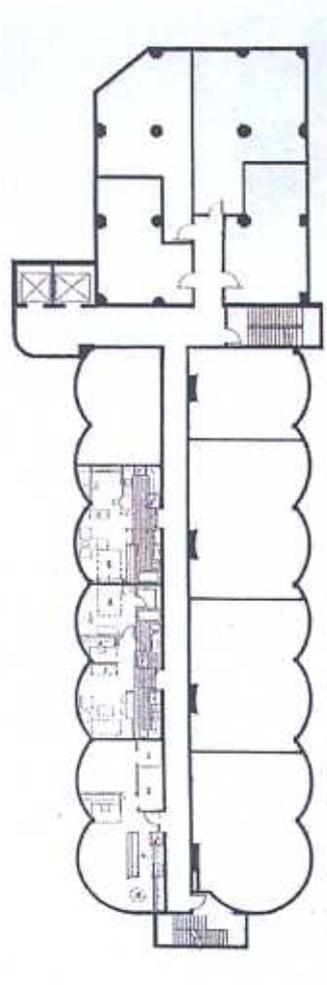
- Provide an array of housing choices that meet the needs of current residents and attract new residents to the city, with an emphasis on providing affordable housing.
- Eliminate blighting influences throughout the city.

Eligibility Findings The proposed Van Cleve Apartments East project qualifies as a Housing Tax Increment Financing District under Minnesota Statutes. Documentation supporting these findings is on file in the office of the City of Minneapolis Development Finance Division, Crown Roller Mill, Room 575, 105 5th Avenue South, Minneapolis, Minnesota.



LEGEND

- For Sale Condos - Reuse of Existing Building
- Rental Apartments
- For Sale Townhomes - Habitat for Humanity
- For Sale Townhomes



Van Cleave Redevelopment

Minneapolis, MN 10.06.2006

Site Plan 1








Van Cleve Apartments
Minneapolis, MN 10.12.2006

View Down Brook Avenue

1



CABRINI
HEALTHCARE

PPL

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URBANWORKS
ARCHITECTURE



Van Cleve Apartments
Minneapolis, MN 10.12.2006

View Down 12th Avenue SE
3

