Marshall River Run
Tax Increment Finance Plan

June 11, 2004

Minneapolis
City of Lakes

Prepared by the Development Finance Division
Crown Roller Mill, 105 5th Avenue S., Minneapolis, Minnesota 55401

Marshall River Run Tax Increment Finance Plan
June 11, 2004

TABLE OF CONTENTS

Introduction

I. Tax Increment District Boundary
II. Statement of Objectives
III. Development Program
  A. Description of Development Program
  B. List of Property That May Be Acquired
  C. Development Activity for Which Contracts Have Been Signed
  D. Other Development Activity
IV. Description of Financing
  A. Project Costs
  B. Bonded Indebtedness to be Incurred
  C. Sources of Revenue
  D. Original Net Tax Capacity
  E. Estimated Captured Net Tax Capacity
  F. Duration of District
  G. Fiscal Disparities Election
  H. Original Tax Capacity Rate
  I. Permit Activity and Prior Planned Improvements
  J. Affordable Housing and expenditures Outside TIF District
V. Type of Tax Increment Finance District
VI. Estimated Impact on Other Taxing Jurisdictions
VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance

Exhibits

1 Boundary/Acquisition Map
2 Project Area Report
3 Site Plan

Marshall River Run Tax Increment Finance Plan

June 11, 2004

Introduction

Two plan documents have been prepared that are related to a proposed affordable rental and market rate townhome ownership project: Modification No. 3 to the Grain Belt Brewery Redevelopment Plan, and this Marshall River Run Tax Increment Finance Plan (the "Plans"). The ownership component is comprised of 11 townhome units, and the rental component of the project will be located behind the townhomes and includes 74 units affordable to families at or below 60% of the Metropolitan Median Income (MMI).

Background

Previously a proposal by Sherman Associates and Marchant Investment involved a larger site that included properties to the north, and included the development of rental and ownership units. However, the developer determined that it would not be able to negotiate the purchase of these properties, and the project was reduced in size to two properties and changed to an all-rental project. Since then Sherman Associates and Marchant Investment initiated discussions with the neighborhood group regarding their concerns, and offered the possibility of further changes in the proposal to obtain neighborhood support. It is now a lower density project with both rental and homeownership, but the site is burdened by a substantial contamination cleanup cost. The developer has submitted applications for additional funding through several sources for contamination cleanup funding from the State.

Anticipated public redevelopment activities include property acquisition, relocation, demolition, public utilities, administration, and other related activities. These actions are being undertaken for the purpose of removing blight, and promoting community development and neighborhood stabilization by the provision of affordable rental housing units and the provision of townhome ownership units.

This plan document, the Marshall River Run Tax Increment Finance Plan, authorizes the creation of a new redevelopment tax increment financing district to finance the anticipated costs of public redevelopment activities, establishes a preliminary budget for the project, and designates property that may be acquired.

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary

This plan establishes a new redevelopment tax increment financing district to be designated as the Marshall River Run Tax Increment Financing (TIF) District. The proposed TIF District is located in the Sheridan Neighborhood and Northeast

Community in Ward 3 of Northeast Minneapolis. The TIF District includes two tax parcels located at 14th and Marshall Street, within the boundary of the Grain Belt Brewery Redevelopment Project Area.

The tax parcels included in the Marshall River Run TIF District are:

Property Identification Number	***Address***
15-029-24-11-0009	1448 Marshall St. NE
15-029-24-11-0174	1424-28 Marshall St. NE

Adjacent land uses include commercial/industrial uses to the north and south along Marshall Street, residential uses including several parks to the east, and the Mississippi River to the west.

A map showing the boundary of the proposed Marshall River Run TIF District has been attached as Exhibit #1 to this Plan. The Project Area Report, which provides a more detailed description of the existing property conditions and documents the eligibility of this site for the establishment of a Redevelopment TIF District, is attached as Exhibit #2 to this Plan.

II. Statement of Objectives

The objectives for this project are described in Section I. B. 3. of the Grain Belt Brewery Redevelopment Plan. In April 2000, The Grain Belt Development Objectives Committee, created in 1996, reconvened to work on an amendment to these objectives to address the need for housing development in the Grain Belt area. The amendment to the Grain Belt Development Objectives was approved at the regular meeting of the Minneapolis City Council on August 11, 2000. At the same time, Modification No. 1 to the Grain Belt Brewery Redevelopment Plan was approved. This modification added the Grain Belt Brewery Area Development Objectives as a guide for the development of property within the Grain Belt Brewery Redevelopment Project Area. In addition, the Modification added the following objectives to the Grain Belt Brewery Redevelopment Plan:

- increase housing choices by promoting new mixed-income ownership and rental housing development
- increase the number and quality of affordable homeownership and rental housing opportunities
- encourage appropriate residential development that maximizes the value of the riverfront amenity and historic setting.

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 - including property acquisition, relocation, demolition, public utilities, administration, and other project costs eligible to the needs of the project.

These public redevelopment activities are necessary to facilitate the provision of affordable rental units, homeownership units, and pollution cleanup of the site. The new development will require higher level of public financial assistance because it is a lower density project and burdened by a substantial contamination cleanup cost. Sherman Associates has submitted applications for gap funding through the MHFA/Family Housing Fund and City Affordable Housing Trust Fund (AHTF). The developer has already received preliminary approval for the use of housing revenue bond financing for this project from the City's 2003 Entitlement allocation. Sherman Associates has also submitted applications for contamination cleanup funding to the State Department of Employment and Economic Development (DEED), the Metropolitan Council, and Hennepin County to help fund approximately $300,000 in contamination cleanup costs. Tax increment assistance will be in the form of a pay-go note that the developer plans to use as an additional revenue source for payments on the proposed housing revenue bonds.

Marshall River Run will have a total of 85 housing units. The unit composition and rent levels for the rental building are shown below.

Unit Type	# of Units	Sq. Ft.	Gross Rents	% of MMI
One bedroom	3	608	$600	50%
One bedroom	6	608	700	60%
Two bedroom	20	858	925	60%
Two bedroom	8	960	925	60%
Two bedroom	20	860	935	60%
Three bedroom	16	1,165	Section 8	30%
Three bedroom	1	1,202	1,050	60%
Total Units	74			

The 74-unit rental apartment building will have 9 one-bedroom units, 48 two-bedroom units, and 17 three-bedroom units, with the rents and affordability levels shown above. The 11 ownership townhomes will sell for approximately $250,000 and will be market rate. Since there will be 19 units at or below 50% of MMI, this project complies with the City Affordable Housing Policy, which would require at least 17 affordable units (i.e. 20% of 85).

Resident amenities will include a building security system, laundry facilities on each floor, individualized control of heating and air conditioning, pre-wiring for internet and satellite access, balconies for each unit, community rooms, a library, bike parking and storage, and a gazebo west of the rear entrance. The development plan for the project will allow public access to the site and toward the river from the neighborhood and will also accommodate future connections to public trails and bikeways along the riverfront. The rental building will have 84 underground parking spaces, and the townhomes will have 2-car tuck-under garages. There will also be 34 surface spaces for resident and guest parking. The ownership units will be two and one half stories high with tuck-under garages. The rental component will be a three-story, u-shaped apartment building. A lovely green space area will be created by the opening of the u-shape towards the river, in which a tot lot will be located.

B. List of Property That May Be Acquired

By including in this Plan a list of property that may be acquired, the City is signifying that it is interested in acquiring the property listed, or portions thereof, subject to limitations imposed by availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the City to acquire a property. The Marshall River Run TIF District contains the following parcels that are included in this Plan as property that may be acquired:

Property Identification Number	*Address*
15-029-24-11-0009	1448 Marshall St. NE
15-029-24-11-0174	1424-28 Marshall St. NE

Conditions Under Which Property May Be Acquired

State law authorizes the City to acquire property either on a negotiated basis or through the use of its power of eminent domain, if necessary, to carry out a redevelopment plan. The City will seek to acquire property from willing sellers whenever possible, but may use the power of eminent domain and its condemnation authority to acquire property identified as “property that may be acquired” when necessary.

C. Development Activity for which Contracts Have Been Signed

As of the date of the preparation of this 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 Sherman Associates, Inc. or an affiliated limited partnership.

D. Other Development Activity

No other future redevelopment activity has been identified at this time. Any activities or expenditures not identified in this plan, 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

The purpose of this plan is to authorize the use of tax increment revenue to pay for public redevelopment activity - including property acquisition, relocation, demolition, public utilities, 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.

The figures, sources and methods of financing identified in this preliminary 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 Marshall River Run TIF District are estimated at $1,331,000. These costs include acquisition, relocation, demolition, public utilities, administration and other related project costs. Total estimated expenditures over time are estimated at $3,200,000; which include Pay-As-You-Go Note Principal, Pay-As-You-Go Interest and Administration.

TIF District Budget
Marshall River Run TIF District

Sources	**Up Front**	**Over Time**
Developer Funds	$ 1,331,000	---
Tax Increment	---	$ 3,200,000
Other	---	0
Total Sources	$ 1,331,000	$ 3,200,000
Uses		
Acquisition	$ 1,150,000	---
Relocation	50,000	---
Demolition	75,000	---
Public Utilities	56,000	---
Pay-As-You-Go Note Principal	---	$ 1,331,000
Pay-As-You-Go Note Interest	---	1,549,000
Affordable Housing Outside TIF District	---	0
Administration	---	320,000
Total Uses	**$ 1,331,000**	**$ 3,200,000**

B. Bonded Indebtedness to be Incurred

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. It is not anticipated that any tax increment bonded indebtedness will be issued by the City for the Marshall River Run project.

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. 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 Marshall River Run Project. Other sources of funds available to pay project costs may include federal and state funds, MHFA/Family Housing Fund and City Affordable Housing Trust Fund (AHTF), contamination cleanup funding from the State Department of Employment and Economic Development (DEED), the Metropolitan Council, and Hennepin County, or other sources of revenue legally applicable to the Project and TIF District.

D. Original Net Tax Capacity

It is currently projected that the Estimated Market Value (EMV) of taxable property in the TIF District will be approximately $838,000. The Original Net Tax Capacity of the TIF District is therefore projected to be approximately $16,010.

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 $2,545,500 to approximately $8,485,000. This represents an increase of 5,939,500; and will generate a total net tax capacity of approximately $99,600, and an estimated captured net tax capacity of $90,117.

F. Duration of District

The Marshall River Run TIF District is a Redevelopment Tax Increment Financing 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 Marshall River Run TIF District. The election provided in Minnesota Statutes Section 469.177, Subdivision 3, Paragraph (a) of the Minnesota Tax Increment Financing Act is elected.

H. Original Tax Capacity Rate

It is anticipated that the Original Tax Capacity Rate for this district will be the local tax capacity rate for taxes payable (TP) 2005, which was not known at the time this TIF Plan was prepared. For tax increment projection purposes, a tax rate of 147.000% has been used. For impact purposes (see Section VI), the tax rate for taxes payable in 2004 (147.756%) 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.

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, Subd. 3.

J. Affordable Housing and Expenditures Outside TIF District

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.173, Subd. 2, paragraph (d), which states that such expenditures must:

(1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);

(2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and

(3) be used to:
- (i) acquire and prepare the site of the housing;
- (ii) acquire, construct, or rehabilitate the housing; or
- (iii) make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or project area, but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to M.S. Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenses are considered expenditures outside of the district, except that such administrative expenses can be considered expenditures inside the district, if the only other expenses outside of the district are for affordable housing purposes as described above.

Pursuant to the provisions, requirements and restrictions noted above, the City elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district.

V. Type of Tax Increment Financing District

The proposed Marshall River Run TIF District is a redevelopment district pursuant to Minnesota Statutes Section 469.174 Subdivision 10(a)(1). Additional information about the physical conditions in the District and the eligibility of this area for inclusion within a redevelopment TIF district can be found in the Project Area Report and Documentation of Blight, which is 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:

	Tax Capacity Rate Payable 2004	Property Tax Revenues Resulting from $ 99,600 Captured Tax Capacity

City of Minneapolis	64.538%	$58,160
Hennepin County	41.932	$37,788
Special School District #1	32.373	$29,174
Other Taxing Jurisdictions	8.913	$ 8,032
Total	**147.756%**	**$133,154**

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. The assumptions utilized for this analysis are shown on the schedules presented in this plan document for the Market Value test. This was the best information available at the time that this plan was prepared.

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 tax increment financing 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.

Rents and the prices of the for-sale units, as well as the high costs of contamination cleanup, are not sufficient to amortize the entire cost of this development. The proposed project meets a need for provision of affordable rental housing, the provision of homeownership opportunities, eliminates the blighting influences of deteriorated and substandard structures, and contamination cleanup. Since there will be 19 units at or below 50% of MMI, this project complies with the City Affordable Housing Policy, which would require at least 17 affordable units (i.e. 20% of 85).

The City of Minneapolis is fully developed and must use redevelopment and infill development to meet its life cycle and affordable housing needs. The 2000 Census revealed that the City had a loss of 4,060 housing units since the 1990 Census, while the population had increased by 14,235. The City has adopted an Affordable Housing Policy as a part of its Housing Policy to ensure this trend does not continue. This Policy 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”. Additionally, the City has a specific goal to increase affordable rental housing production in non-impacted areas. The River Run Apartments site is located in a non-impacted area and will provide housing across income levels, with a mixture of Project Based Section 8 units, as well as units affordable at 50% and 60% of MMI.

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 a great school system, and adjacent to the Mississippi riverfront. The site is ideally located near jobs, transportation and existing services, and is within walking distance of schools, parks, and businesses. Access to Bottineau Park, East Side Neighborhood Services, and the new Pierre Bottineau Public Library will be emphasized.

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 Marshall River Run TIF District could not occur without public participation and financial assistance within the foreseeable future.

River Run TIF District

EMV Test

	Pay 2005	Pay 2006	Pay 2007
Total Estimated Market Value (EMV)	$0	$0	$0
Less: Original EMV	0	0	0
Captured EMV	$0	$0	$0
Total Net Tax Capacity (NTC)	$22,273	$73,750	$73,750
Less: Original NTC	7,063	7,063	7,063
Captured NTC	$15,210	$66,687	$66,687
Times: Projected Total Tax Rate	0.000%	0.000%	0.000%
Gross Tax Increment	$0	$0	$0
Less: State Auditor's Fee (.5%)	0	0	0
Tax Increment Distributed to CPED	$0	$0	$0

26 Years of TI Collection

Years of TIF Collection	Payable Year	Tax Increment Distributed To CPED
---	2003	$0
---	2004	0
1	2005	0
2	2006	0
3	2007	0
4	2008	0
5	2009	0
6	2010	0
7	2011	0
8	2012	0
9	2013	0
10	2014	0
11	2015	0
12	2016	0
13	2017	0
14	2018	0
15	2019	0
16	2020	0
17	2021	0
18	2022	0
19	2023	0
20	2024	0
21	2025	0
22	2026	0
23	2027	0
24	2028	0
25	2029	0
26	2030	0
		$0
P.V. @	**5.00%**	**$0**

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

(b) Original estimated market value

(c) Increased estimated market value without the use of tax increment = (a) - (b)

(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.":

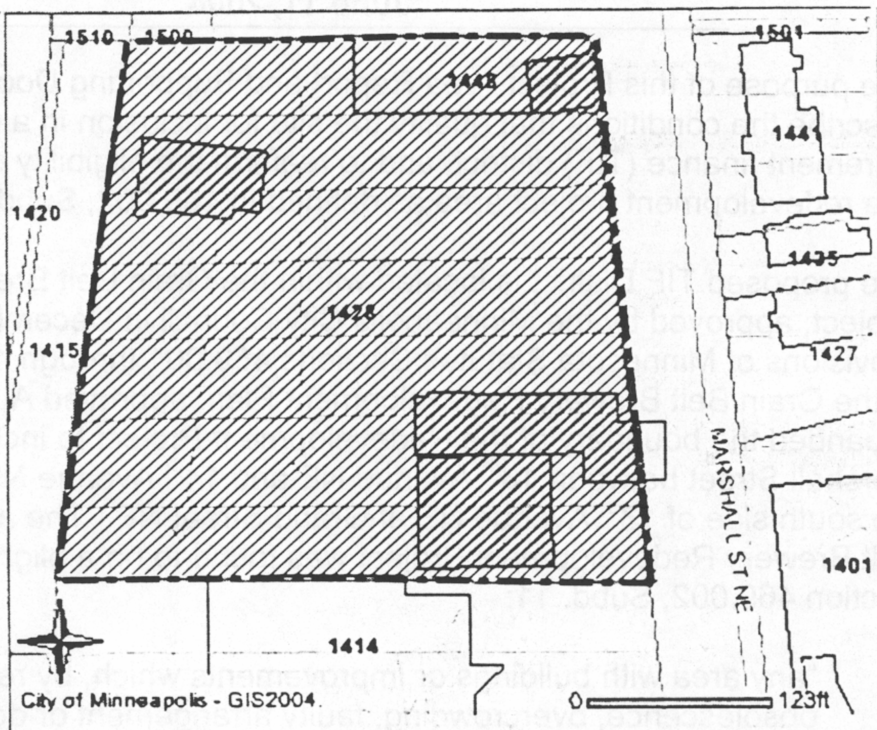
(d) Increase in the estimated market value of the completed development.

(e) Present value of the projected tax increment for the maximum duration of the district

(f) Difference = (d) - (e)

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

Exhibit # 1



Minneapolis
City of Lakes

Marshall River Run Tax Increment Finance Plan
Boundary/Acquisition Map
June 11, 2004

Marshall River Run TIF District Boundary

Property That May Be Acquired

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

Exhibit # 2

PROJECT AREA REPORT AND SUPPORTING DOCUMENTATION

Marshall River Run Tax Increment Finance Plan and Modification No. 3 to the Grain Belt Brewery Redevelopment Plan

June 11, 2004

The purpose of this Project Area Report and Supporting Documentation is to describe the conditions that qualify the site for inclusion in a redevelopment tax increment finance (TIF) district, and to reaffirm the eligibility of the site for inclusion in a redevelopment project area as defined in 469.002, Subd. 11.

The proposed TIF District is located within the Grain Belt Brewery Redevelopment Project, approved by the Minneapolis City Council in December 1986, under provisions of Minnesota Statutes Sections 469.001 through 469.047. A modification to the Grain Belt Brewery Redevelopment Plan, approved August 11, 2000, expanded the boundary of the Redevelopment Project to include the half block along Marshall Street between 13th Avenue NE and 14th Avenue NE, and two parcels on the south side of 13th Avenue NE at Grand Street NE. The area added to the Grain Belt Brewery Redevelopment Project was found to be a blighted area, as defined in Section 469.002, Subd. 11:

> "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."

Description of the Neighborhood The proposed development is located on the East Bank of the Mississippi River in Northeast Minneapolis[1]. The area is ideally located near jobs, transportation and existing services. Adjacent land uses include commercial/industrial uses to the north and south along Marshall Street, residential uses including several parks to the east, and the Mississippi River to the west. The residential neighborhood was developed in the 1930s and 1940s, and is generally single-family story and a half, brick or stucco revivalist homes with some ramblers added in the 1950s and 1960s. There are also some multifamily structures of two to three stories.

[1] The Minneapolis Plan, the City's Comprehensive Plan, and the Above the Falls Master Plan identifies the river corridor as a study area where future changes can be anticipated and shows the upper river as sites that should see significant housing development in the future.

Description of the Site The approximately 2.5-acre Marshall River Run site is currently occupied by two commercial buildings and a residential duplex located at 14th and Marshall Street NE in the Sheridan Neighborhood of Northeast Minneapolis in the 3rd Ward. There are two parcels consisting of four buildings. One parcel is a 2-unit duplex residential parcel that contains a vacant unit on the first floor. The other parcel contains a commercial vehicle repair facility and a warehouse/office building currently occupied and used for storage by a textile printing entity, and one building is a storage building that is fire damaged and unoccupied. The buildings in the proposed district were found to have numerous defects or deficiencies.

An interior inspection of the properties revealed the presence of the following deficiencies: The commercial property does not comply with the Uniform Building Code (UBC) because the building lacks: fire rated separation between the adjoining structure, sanitary and bathroom facilities, adequate insulation, required roof insulation, foundation, and wall insulation. The entire exterior thermal envelop must be sealed with ridge wind barriers. Lead-based paint is presumed to be present based on the age of the structures of both building interior and exterior. There are environmental concerns with petroleum product fluids, oily rags and debris, and no dedicated refuse containment area was present[2].

The commercial warehouse/retail and office structure is wood framed, and does not comply with the UBC due to the lack of the following requirements: smoke detectors are required at each floor level, fire blocking and fire suppression systems are required, structural components are either inadequate or are deteriorating and rotting, roof insulation, foundation and wall insulation requirements not met; interior finishes, walls, ceilings and floors must be structurally sound and safe for human occupancy, wood floors are deteriorating and unleveled and contain rotten wood; ceiling is water damaged and there is falling gypsum, walls have sustained water damage, fire separation and smoke dampers not present where required; exterior wood siding has peeling paint and deteriorating wood. The building lacks adequate ventilation, staircase to second floor is hazardous, steps missing components, lacks illumination. Means of egress through hallways is hampered, boxes and clothing stored within hallways and offices are cluttered with textiles and garments all stored in a disorderly fashion, creating a fire hazard. Building contains broken, leaky and

---

[2] A Phase I Environmental Site Assessment was completed by GME Consultants, Inc. in March 2003. Their assessment revealed recognized environmental conditions including the use and storage of petroleum products, solvents, and automotive fluids in the commercial buildings, gasoline stored and dispensed from a 1,000-gallon above ground storage tank, and kerosene stored and dispensed from a 55-gallon drum in the parking area; soil samples with a slightly elevated photoionization detector readings, and soil and groundwater impacts identified in samples analyzed from the geotechnical borings; the dispensing of gasoline from a 550-gallon underground storage tank that may still be located approximately 50 feet west of the wood-framed warehouse; the former presence of a crude oil vessel; former storage and sale of coal coke and fuel oil from the property; former use of the property for metal fabrication and a pallet construction company that stored potentially hazardous chemicals; and further environmental field screenings of geotechnical borings were conducted, as well as a Phase II ESA report. Recommendations to be followed during excavation activities and areas to be remediated were made in a report dated August 28, 2003.

boarded windows. The property contains defects in structural elements, essential utilities and facilities, light, ventilation, and fire protection, is in need of major repair, is physically obsolete, in deteriorated condition, and is functionally obsolete and not feasible for rehabilitation to accommodate appropriate land use.

The 2-unit duplex structure is a two-story wood framed, masonry veneer built building in poor condition that does not comply with the UBC because of the following: the building lacks an emergency basement escape window or door required for all basements and below grade spaces, and two means of egress is required from basements; the building structural support system is inadequate and does not meet code; the building has illegal and outdated plumbing, lacks back-siphon devices, lacks code drain waste and vent lines; lacks adequate smoke detectors at each floor level, and in all bedrooms of both apartments; foundation damp proofing and sump pump is required; complete fire and draft blocking is required; structural components are either inadequate or deteriorating; roof insulation foundation and wall insulation requirements not met for residential occupancy; the entire exterior thermal envelop must be sealed; ridged wind wash barriers are required at all overhangs; lead-based paint is not permitted; lead solder is not allowed in any of the mechanical systems; damaged roofing and deteriorated roof components are present; deteriorated masonry and trim and paint surfaces; a variety of poorly maintained exterior components and obsolete type materials are present; broken and boarded windows; various debris on site. Wall and ceiling surfaces are not in sound condition; as well as floor and subfloor. Windows must have an R value of 2.7 or higher. Lack of prime doors with required thickness, missing storm doors, and rain gutters and components are deteriorated or missing. The property is functionally obsolete (bathrooms are located off of the kitchen, bedrooms off of the living room with no hall separation, some bedrooms lack closets), in deteriorated condition, incompatible with surrounding uses, and contains numerous structural defects and lacks essential utilities and facilities. The property is not feasible for rehabilitation to accommodate appropriate land use.

TIF Eligibility Findings The parcels are found to be blighted and substandard to a degree requiring substantial renovation and the parcels show signs of deficiencies in other categories such as lacking essential utilities, (heat, light, ventilation etc.) facilities, fire protection, additional factors such as asbestos and lead containing materials, and basic energy conservation code requirements under statutory criteria, Minnesota Statutes Section 469.174, Subdivision 10 (a).

> "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:
>
> (1) Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the

buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

"Structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15% of the cost of constructing a new structure of the same square footage and type on the site.

The estimated cost to bring these structures into compliance with the building codes exceeds 15% of the cost of constructing a new structure on the site with the same square footage and type. The subject properties are blighted properties to a degree requiring substantial renovation or clearance and exhibit deficiencies in other categories such as lacking essential utilities (heat, light, ventilation, domestic water, etc.), facilities, fire protection, and unknown factors such as asbestos and lead containing materials, basic energy conservation code requirements, and cannot be altered to an appropriate reuse.

More than 50% of the free standing buildings were found structurally substandard due to a combination of building code defects that are of sufficient total significance to justify substantial renovation or clearance, and the buildings qualify as eligible under the statutory criteria and formula for inclusion in a redevelopment tax increment finance district. The number of buildings and parcels and ancillary features meet the 70% occupied test. The structures were in poor or marginal/blighted condition; none of the properties inspected were found to be in compliance with present Uniform Building and Mechanical Codes, Energy Codes, and the Minneapolis Maintenance Codes and Ordinances.

Interior and exterior inspections of the property to be included in the proposed redevelopment tax increment financing district were conducted by Jan Posus-Ryan, Construction Management Specialist III, in 2003. Documentation supporting these findings is on file in the office of the Development Finance Division, Crown Roller Mill, 105 5th Avenue South, Minneapolis, Minnesota.

The public purposes achieved by the adoption of these plans include the provision of housing for persons of all incomes, including low and moderate income residents, and the clearance and redevelopment of blighted areas.

See Attachments (Site Plan and Elevations)