

Adopting the Van Cleve Redevelopment Plan, the Van Cleve Apartments East Tax Increment Finance (TIF) Plan, the Van Cleve Apartments West TIF Plan, and the Van Cleve Redevelopment TIF Plan

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

Section 1. Recitals

- 1.1 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, has been granted the authority to propose and implement city development districts, housing and redevelopment projects and tax increment financing (“TIF”) 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”).
- 1.2 It has been proposed and the City has prepared, and this Council has investigated the facts with respect to, the proposed Van Cleve Redevelopment Plan, Van Cleve Apartments East TIF Plan, Van Cleve Apartments West TIF Plan, and Van Cleve Redevelopment TIF Plan (“collectively, the Plans”). The Plans create three new TIF districts and one Redevelopment Plan to accommodate the activities and financing related to the proposed project, all pursuant to and in accordance with the Project Laws. The Plans designate property to be included within the boundaries of the redevelopment project and TIF districts, indicate land uses, identify budgets for expenditures, reflect project activities and costs, and establish a redevelopment project, two housing TIF districts and one redevelopment TIF district, all pursuant to and in accordance with the Project Laws.
- 1.3 The City has performed all actions required by law to be performed prior to the adoption of the Plans, including, but not limited to, a review of the proposed Plans by the affected neighborhood groups and the City Planning Commission, transmittal of the proposed Plans to the Hennepin County Board of Commissioners and the School Board of Special School District No 1 for their review and comment, and the holding of a public hearing after published and mailed notice as required by law.
- 1.4 The Council hereby determines that it is necessary and in the best interests of the City at this time to approve the Plans to reflect project activities and costs in the Project Area and TIF Districts.

Section 2. Findings for the Adoption of the Plans

- 2.1 The Council hereby finds, determines and declares that the objectives and actions authorized by the Plans are all pursuant to and in accordance with the Project Laws.

- 2.2 The Council hereby finds, determines and declares that the Plans will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the redevelopment of the Project Area and TIF Districts by private enterprise, as the proposed development provides rental and homeownership opportunities for low and moderate income households, and is necessary in order to finance a portion of the public redevelopment activities necessary to implement the project to relieve the current shortage of decent, safe, and sanitary housing for persons of moderate or low income and their families in Minneapolis; enhance the city's tax base; and carry out environmental remediation; and further, that tax increment assistance is being utilized to subsidize affordable housing at a site with extraordinary costs due to the constrained nature and high cost of the site, environmental testing and remediation, and its location in a neighborhood with little opportunity for street parking which makes underground parking the only viable option for the project.
- 2.3 The Council further finds, determines and declares that the Project Area consists of five parcels, two contain commercial structures, two are vacant lots and one parcel contains a small vacant residential structure. The parcels exhibit signs of blighting influences such as inability to meet existing MN State Energy Code regulations, IBC or accessibility codes. The vacant lots are poorly maintained; one is currently used as illegal storage for a motor vehicle and light utility trailer, and has a depression in the mid-point of the lot. All grain elevators on these parcels are abandoned, as are several of the smaller buildings. The vacant industrial site has been vacant for over two years and is a blighting influence on the neighborhood. All parcels are poorly maintained with scattered debris, volunteer growth and lack of general maintenance. The structures are substandard and contain broken window glass and lack utilities. The existing buildings are obsolete for their present or continued use and are functionally obsolete, lacking certain life safety factors, mechanical and electrical systems essential for continued occupancy. It is determined by City staff that all subject properties are substandard and meet the criteria for blighted condition due to the substantial cost to remedy the existing code violations noted at each property. None of the structures could be modified to satisfy building codes 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. All properties were found to be detrimental to the safety, health, morals or welfare of the community by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or lack of ventilation.
- 2.4 It is therefore found that the Van Cleve site qualifies for inclusion in a redevelopment project area and is found to be blighted as defined in MN Statutes 469.002, Subd. 11 and Subd. 14.
- 2.5 The Council further finds, determines and declares that the Van Cleve Redevelopment TIF District is a redevelopment district pursuant to Minnesota Statutes, Section 469.174, Subdivision 10. Further, more than 70% of the area of the proposed redevelopment TIF district is occupied by buildings, streets, utilities, paved or gravel parking lots and other similar structures and more than 50% of the structures (100%) are structurally substandard to a

degree requiring substantial renovation or clearance as noted in 2.3 herein. The proposed redevelopment TIF district is located within the Van Cleve Redevelopment Project, in accordance with the provisions of Minnesota Statutes Sections 469.001 through 469.047.

- 2.6 The Council hereby finds, determines and declares that the City adopted a Unified Housing Policy which 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 housing opportunities in proximity to jobs and transit. Development of the project will benefit residents by providing more housing choices as the project will provide new quality housing to low and moderate income residents on an underutilized site located close to a major transit bus line and commercial corridor¹.
- 2.7 The Council further finds, determines and declares that the Van Cleve Apartments East TIF District is a housing district pursuant to Minnesota Statutes, Section 469.174, Subdivision 11, and 469.1761, Subdivisions 1 and 3 and declares that the proposed rental project satisfies the income requirements for a Housing TIF district as defined in section 142(d) of the Internal Revenue Code as stated in Minnesota Statutes, Section 469.1761, Subdivision 3.
- 2.8 Since there will be 35 units at or below 50% of MMI², the Van Cleve Apartments East project complies with the City Affordable Housing Policy, which would require at least 7 affordable units (i.e. 20% of 35). There will be 8 units affordable at or below 30% of area median income and 27 units at or below 50% MMI for a total of 35 low income units.
- 2.9 The Council further finds, determines and declares that the Van Cleve Apartments West TIF District is a housing district pursuant to Minnesota Statutes, Section 469.174, Subdivision 11, and 469.1761, Subdivisions 1 and 3 and declares that the proposed rental project satisfies the income requirements for a Housing TIF district as defined in section 142(d) of the Internal Revenue Code as stated in Minnesota Statutes, Section 469.1761, Subdivision 3.
- 2.10 Since there will be 50 units at or below 50% of MMI, the Van Cleve Apartments West project complies with the City Affordable Housing Policy, which would require at least 10 affordable units (i.e. 20% of 50). There will be 12 units affordable at or below 30% of area median income for a total of 50 low income units.

¹ 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.

² Metropolitan Median Income

- 2.11 One hundred percent of the Van Cleve Apartments East and Van Cleve Apartments West projects are residential rental.
- 2.12 The Council further finds, determines and declares that the Plans conform to the general plan for the development or redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Plans were issued, are incorporated herein by reference, and are on file in the office of the City Clerk.
- 2.13 The Council further finds, determines and declares that: the use of tax increment financing is deemed necessary as the proposed development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increment for the maximum duration of the districts permitted by the TIF plans. Because it is the opinion of the City that the proposed project to be financed, in part, by the TIF Districts would not occur solely through private investment at this time, the City projects that the estimated market value of the site without the use of tax increment would remain at its present level. The calculations necessary to pass this test are contained in the TIF Plans. The public redevelopment activity, expenditures, and market values associated with the development proposed in the TIF Plans results in a series of calculations and figures that clearly pass the market value test.

For the Van Cleve Apartments East TIF District, city staff completed an analysis³ of the development pro forma based on proposed development costs provided by the developer and concluded that the estimate of the amount by which the market value of the entire district will increase without the use of tax increment financing is \$0, and if all development which is proposed to be assisted with tax increment were to occur in the district, the total increase in market value would be up to \$2,464,620, and the present value of tax increments from the district for the maximum duration of the district permitted by the TIF Plan is estimated to be \$526,489, and even if some development other than the proposed development were to occur, the Council finds that without tax increment assistance no alternative development would occur that would produce a market value increase greater than \$2,464,620. It is therefore the opinion of the City that the proposed development in the Van Cleve Apartments East TIF District and Project Area could not occur solely through private investment within the foreseeable future. The Council therefore finds, determines and declares that the land in the Project Area and Van Cleve Apartments East TIF District would not be made available for development without the financial aid to be sought.

³ The calculations necessary to pass this test are contained in the TIF Plans.

For the Van Cleve Apartments West TIF District, city staff completed an analysis⁴ of the development pro forma based on proposed development costs provided by the developer and concluded that the estimate of the amount by which the market value of the entire district will increase without the use of tax increment financing is \$0, and if all development which is proposed to be assisted with tax increment were to occur in the district, the total increase in market value would be up to \$3,664,620, and the present value of tax increments from the district for the maximum duration of the district permitted by the TIF Plan is estimated to be \$714,883, and even if some development other than the proposed development were to occur, the Council finds that without tax increment assistance no alternative development would occur that would produce a market value increase greater than \$3,664,620. It is therefore the opinion of the City that the proposed development in the Van Cleve Apartments West TIF District and Project Area could not occur solely through private investment within the foreseeable future. The Council therefore finds, determines and declares that the land in the Project Area and Van Cleve Apartments West TIF District would not be made available for development without the financial aid to be sought.

For the Van Cleve Redevelopment TIF District, city staff completed an analysis⁴ of the development pro forma based on proposed development costs provided by the developer and concluded that the estimate of the amount by which the market value of the entire district will increase without the use of tax increment financing is \$0, and if all development which is proposed to be assisted with tax increment were to occur in the district, the total increase in market value would be up to \$31,697,733, and the present value of tax increments from the district for the maximum duration of the district permitted by the TIF Plan is estimated to be \$4,071,567, and even if some development other than the proposed development were to occur, the Council finds that without tax increment assistance no alternative development would occur that would produce a market value increase greater than \$31,697,733. It is therefore the opinion of the City that the proposed development in the Van Cleve Redevelopment TIF District and Project Area could not occur solely through private investment within the foreseeable future. The Council therefore finds, determines and declares that the land in the Project Area and Van Cleve Redevelopment TIF District would not be made available for development without the financial aid to be sought.

- 2.14 The Council further finds, determines and declares that the entire fiscal disparity contribution required of the City for development occurring within these districts be taken from outside the Van Cleve Apartments East TIF District, the Van Cleve Apartments West TIF District, and the Van Cleve Redevelopment TIF District. Due to the level of required subsidy for this project, 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. The election provided in the Minnesota Statutes Section 469.177, Subdivision 3, paragraph (a) is elected for all three TIF districts.

⁴ The calculations necessary to pass this test are contained in the TIF Plans

- 2.15 The Council finds additional public benefits will include provision of affordable housing units, tax base enhancement, environmental remediation, and increased neighborhood livability. The creation of these TIF districts is in the public interest because it will facilitate the development of a mixed-income rental and homeownership housing project, and will provide needed housing for moderate and low income persons and families.
- 2.16 The Council further finds, determines and declares that it is necessary and in the best interests of the City at this time to approve the Plans.

Section 3. Approval of the Plans; Creation of Redevelopment Project and TIF Districts

- 3.1 Based upon the findings set forth in Section 2 hereof, the Van Cleve Apartments East TIF Plan, the Van Cleve Apartments West TIF Plan, the Van Cleve Redevelopment TIF Plan, and the Van Cleve Redevelopment Plan presented to the Council on this date are hereby approved and shall be placed on file in the office of the City Clerk.

Section 4. Implementation of the Plans

- 4.1 The officers and staff of the City, and the City's consultants and counsel, are authorized and directed to proceed with the implementation of the Plans, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further modifications, resolutions, documents and contracts necessary for this purpose.
- 4.2 As provided under Minnesota Statutes, Section 469.1781, Subd. 7, this Council hereby authorizes the advance of revenues from other available development revenues of the City in the principal amount needed to offset any negative fund balances incurred with respect to these Districts as a result of expenditures incurred prior to or in excess of the collection of tax increment revenue. The interest rate paid on such advances shall be equal to the rate of interest those revenues would have generated in their fund. The term of this advance shall end upon the termination of the Districts, although as revenues are available in the fund for the Districts, the advance shall be offset by such amounts.