



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

Date: April 6, 2004

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

Prepared by: Jerry LePage, Phone 612-673-5240  
Presenter in  
Committee: Jerry LePage, Project Coordinator

Approved by: Lee Pao Xiong, Director, CPED Housing Division \_\_\_\_\_

**Subject:** Many Rivers West – Public Hearings on TIF & Housing Revenue Bonds

**RECOMMENDATIONS:** 1) approve the attached City Council Resolution adopting the Many Rivers West Tax Increment Finance Plan, Modification No. 7 to the Franklin Avenue Redevelopment Plan, and Modification No. 98 to the Common Plans; 2) approve the proposed redevelopment contract business terms as described in this report; 3) approve the attached City Council Resolution granting final approval of up to \$2,900,500 in tax-exempt Multifamily Housing Development Bonds; 4) approve the attached City Council Resolution authorizing the issuance of a Limited Revenue, Pay-As-You-Go Tax Increment Financing Note to Many Rivers West Limited Partnership in a principal amount not to exceed \$337,000; and 5) authorize the appropriate City officials to execute a redevelopment contract with the Many Rivers West Limited Partnership, with the American Indian Housing Corporation as its general partner, based on the terms contained in this report, and all other necessary documents related to the above recommended actions.

**Previous Directives:** On October 13, 2000, the City Council granted preliminary approval of housing revenue bonds for the entire Many Rivers housing project, which was later divided into two phases: Many Rivers East (1<sup>st</sup> Phase) and Many Rivers West (2<sup>nd</sup> Phase). On July 6, 2001, the MCDA Board approved a total of \$987,682 in MCDA Multifamily funds for the Many Rivers project, including both phases. On July 13, 2001, the City Council approved the acceptance of a \$200,000 Local Housing Initiatives Account (LHIA) grant from the Metropolitan Council for Many Rivers. On July 27, 2001, the City Council approved the allocation of \$200,000 in Empowerment Zone funds for Many Rivers. On February 13, 2004, the City Council approved a Project Analysis Authorization for the Many Rivers West project.

**Financial Impact** (Check those that apply)

No financial impact - or - Action is within current department budget.

- (If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
  - Action requires an appropriation increase to the Operating Budget
  - Action provides increased revenue for appropriation increase
  - Action requires use of contingency or reserves
  - Other financial impact (Explain): Annual bond fees will be collected when the bonds are issued.
  - Request provided to the Budget Office when provided to the Committee Coordinator

### Community Impact

**Ward:** Sixth

**Neighborhood Notification:** The Ventura Village organization has received the required notifications regarding the public hearings on the proposed TIF plan and the proposed housing revenue bonds for the Many Rivers West project.

**City Goals:** Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

**Comprehensive Plan:** Minneapolis will increase its housing that is affordable to low and moderate income households (Section 4.10), and improve the availability of housing options to all of its citizens (Section 4.11).

**Zoning Code:** The site is zoned C-2, which permits the proposed development.

**Living Wage/Job Linkage:** NA

**Other:**

### Background/Supporting Information

Many Rivers was originally proposed by the American Indian Housing & Community Development Corporation (AIHDCDC) as a multi-phased, 76-unit housing project that would be located on East Franklin Avenue on the 1500 block (East Site, Phase 1) and the 1400 block (West Site, Phase 2). The total Many Rivers development would consist of two new four-story mixed-use buildings on these two blocks, with a total of 76 rental apartment units. The 50-unit Many Rivers East project closed in June 2002, and was completed August 2003, and is now 100% occupied. AIHDCDC is now ready to proceed with the development of the Many Rivers West project, which will include 26 housing units, approximately 5,500 sq. ft. of commercial space, and 35 parking spaces (29 underground and 6 surface) as described on the attached Project Data Sheet. At this point, AIHDCDC expects to rent from 1,500 to 2,000 sq/ft. of the commercial space to a Tribal College. An architectural image of the project is also attached to this report.

The Many Rivers West site consists of a vacant duplex (1915 14<sup>th</sup> Avenue), a vacant lot at 1921 14<sup>th</sup> Avenue South, and a vacant commercial building (1400 East Franklin) owned by AIHDCDC, and a vacant parcel owned by the City (1404-1410 East Franklin). The site is irregular in shape with approximately 28,600 square feet, including an east-west alley to be vacated.

The developer has submitted an Application for Public Financial Assistance for the use of tax increment financing, and also an application for housing revenue bond assistance. Staff has analyzed the eligibility of the Many Rivers West as a tax increment district and found that it does not meet the test for a TIF Redevelopment District since there are only two structures on this site. To qualify as a redevelopment district, 70% percent of the parcels in the TIF district area need to be occupied by buildings or improvements, and more than 50% of the buildings must be structurally substandard to the degree requiring substantial renovation or clearance. However, since this is a mixed-income housing project, it does meet the requirements for a Housing TIF District.

### Financial Summary

It is estimated that the Many Rivers West project will generate an annual tax increment of approximately \$25,000. The City would issue a pay-as-you-go TIF note to the developer in an amount not to exceed \$337,000 that would be used in addition to rental revenue to amortize the proposed housing revenue bonds, which will be purchased directly by US Bank. The housing revenue bonds would come from the City 2003 Entitlement allocation, and would also include the automatic 4% low-income housing tax credits (LIHTC). The term of the TIF district will be the maximum statutory term of 25 years, with any excess increment contributed to the City’s Affordable Housing Trust Fund. AIHCDC has also received commitments of \$450,000 from MHFA’s Minnesota Affordable Rental Investment Fund (MARIF) program and \$224,400 from Hennepin County’s Affordable Housing Investment Fund. The developer has also obtained a reservation for three project-based Section 8 units.

The financial leverage ratios for Many Rivers West are shown below. In this analysis, “private investment” includes the amount of the housing revenue bonds that are supported by project revenues and the amount of syndication proceeds from the housing tax credits. “City funds” include TIF, AHTF, and Empowerment Zone funds.

- Private investment to total public funds: 1.6 : 1
- Private investment to City funds: 2.9 : 1
- Private & other public funds to City funds: 3.8 : 1

The sources and uses are summarized as follows:

<b>USES</b>	<b>Residential</b>	<b>Commercial</b>	<b>Totals</b>
Acquisition/demolition	\$ 462,955	\$ 47,075	\$ 510,030
Construction	3,620,929	369,111	3,990,040
Architect/engineering	148,591	15,111	163,702
Legal	102,616	7,384	110,000
Developer fee	181,540	18,460	200,000
Finance costs	274,420	33,325	307,745
Reserves	174,357	9,188	183,545
Other soft costs	402,281	101,659	503,940
<b>Totals Uses</b>	<b>\$5,367,689</b>	<b>\$ 601,313</b>	<b>\$5,969,002</b>

<b>SOURCES</b>			<b>Status</b>
Housing revenue bonds:			
Supported by project revenues	\$2,563,500		
Estimated pay-go TIF note	337,000		Proposed
Total housing revenue bonds		\$2,900,500	Proposed
LIHTC syndication – investor equity		1,075,559	Pending
Hennepin County AHIF		224,400	Committed
Met Council LHIA		200,000	Committed
Empowerment Zone		200,000	Committed
MHFA MARIF		450,000	Committed
City AHTF loan funds		781,543	Committed
Additional AHTF loan and/or land writedown		137,000	Proposed
Total Sources		\$5,969,002	

### Housing Revenue Bond Information

AIHDCDC has submitted an application for tax-exempt housing revenue bonds from the City's 2003 Entitlement as its first mortgage financing. This request was approved on a preliminary basis by the City Council on October 13, 2000, for the entire Many Rivers project and is now being presented for final approval on the second phase of this project. The bonds will be in a total aggregate amount not to exceed \$2,900,500 and will be purchased directly by US Bank. US Bank will provide a tax-exempt rate of interest that will be determined prior to closing and will be related to the 10-year Treasury rate. Pursuant to State statutes, the proposed housing program for Many Rivers West project has been submitted to the Metropolitan Council, and it has determined that the program is consistent with regional plans.

The unit composition and rent levels for the 4-story, 26-unit Many Rivers West rental apartment building are shown below.

Unit Type	# of Units	Sq. Ft.	Gross Rents	% of MMI
One bedroom	4	608	\$ 719	50%
One bedroom	2	608	756	Market
Two bedroom	4	837	862	50%
Two bedroom	2	837	942	Market
Three bedroom	3	1,087	1,165	30%
Three bedroom	8	1,087	1,165	60%
Three bedroom	3	1,326	1,310	Market
Total Units	26			

Many Rivers West will have six 1-bedroom units, six 2-bedroom units, and fourteen 3-bedroom units. Since there will be 11 units at or below 50% of MMI, the project complies with the City Affordable Housing Policy, which would require at least 6 affordable units (i.e. 20% of 26).

### Status of 2003 HRB Entitlement

2003 MCDA Entitlement Authority	\$33,867,000
East Phillips	153,000
St. Anne's	6,000,000
Many Rivers West	<u>2,900,500</u>
Amount Remaining	\$24,813,500 *

\* It is projected that the Marshall River Run project will use an additional \$8,000,000 in housing revenue bonds from the 2003 Entitlement balance.

<b>Bond Purchaser</b>	<b>Bond Counsel</b>	<b>Council Member Informed</b>
US Bank	Gray Plant Mooty	Yes, Ward 6.

### Proposed Redevelopment Contract Terms

The proposed redevelopment contract business terms for the Many Rivers West Project are summarized as follows:

- The developer will construct 26 units of rental housing on the 1400 block of East Franklin Avenue as Phase 2 of the Many Rivers development. Of the 26 rental units, three (3) will be affordable to households with incomes at or below 30% of MMI, eight (8) at 50%, and eight (8) at 60%. The remaining 7 units will be market rate. The project will also have approximately 5,500 square feet of first floor commercial space.
- Tax exempt housing revenue bonds in an amount not exceed \$2,900,500 will be allocated from the City's 2003 Entitlement to provide first mortgage financing, which will also allow the utilization of 4% low income tax credits.
- The City will provide TIF assistance in the form of a pay-as-you-go note in an amount not to exceed \$337,000, which will be an additional source of repayment on the bonds. This present value amount assumes an annual increment of approximately \$25,000 at a discount rate of 6%. The term of the TIF district will be the maximum statutory term of 25 years, with any excess increment contributed to the City's Affordable Housing Trust Fund (AHTF).
- The City will sell its properties at 1404-06-08-10 East Franklin for the Many Rivers West development. The City's land consists of about 9,500 sq. ft. that has a fair reuse value \$71,250 (\$7.50/sq. ft.). AIHCDC owns the balance of the site, including the properties at 1400 East Franklin, 1915 14<sup>th</sup> Avenue South, and 1921 14<sup>th</sup> Avenue South.
- The City has already committed \$781,543 from the Affordable Housing Trust Fund for the Many Rivers West. This will be a deferred loan at 1% interest for 30 years. The City will also participate in 50% of any excess cash flow from the project.
- The developer has also submitted an application for an additional \$137,000 in AHTF loan funds to fill the remaining funding gap for the project, due primarily to increased construction costs since the project was originally bid in June 2003. The AHTF application is currently being evaluated by CPED staff. The \$137,000 gap may be

filled by AHTF funds, or a combination of AHTF funds and a possible land write-down on the sale of the City land to the developer.

### **Tax Increment Finance Plan & Plan Modifications**

The proposed plans authorize the creation of a new tax increment finance district as a tool for carrying out the redevelopment activities described therein. Modification No. 7 to the Franklin Avenue Redevelopment Plan removes parcels from the existing TIF District No. 27 in order that those parcels can be included in the new Many Rivers West TIF District. The new public redevelopment costs associated with the proposed Many Rivers project cannot be financed within the limitations imposed by the existing Franklin Avenue Redevelopment TIF District #27 because of statutory limitations on the use of tax increment from the TIF District, the short remaining term of the existing district and the impact of the prior pledge of revenue from this district to the outstanding debt of other projects. Because the Franklin Avenue Redevelopment Project and TIF District No. 27 are in the Common Project, modification of these documents is also necessary.

The City Planning report is attached that indicates that the proposed redevelopment plan modifications and the proposed TIF plan are consistent with City policies and plans.

### **Development Finance Committee Report**

On April 1, 2004, the Development Finance Committee reviewed the Many Rivers West project and the proposed financial terms and has forwarded its comments to the Community Development Committee.

### **Projected Timetable**

The following is a tentative timetable for the Many Rivers West project.

- City Council considers: final HRB approval, redevelopment contract business terms, and approval of a TIF District and redevelopment plan modifications April 16, 2004
- CD Committee/MCDA Operating Committee consider approval of additional AHTF funding and sale of City land May 2004
- City Council/MCDA Board consider approval of additional AHTF funding and sale of City land May 2004
- Project closing/construction start July/August 2004

**Adopting the Many Rivers West Tax Increment Finance (TIF) Plan, Modification No 7 to the Franklin Avenue Redevelopment Plan, and Modification No 98 to the Common Development and Redevelopment and Common TIF Plans (the “Common Plans”).**

**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 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 That By Resolution No 89R-530 duly adopted December 15, 1989 and approved December 21, 1989, the City has approved the creation of the Common Development and Redevelopment Project (“the Common Project Area”) and the adoption of the Common Development and Redevelopment Plan and the Common Tax Increment Financing Plans, (the “Common Plans”) relating thereto, all pursuant to the Laws.
- 1.3 That by Resolution duly adopted on June 12, 1981, and by subsequent resolutions, the City adopted the Franklin Avenue Redevelopment Plan and tax increment financing districts located within the Franklin Avenue Redevelopment Project Area.
- 1.4 That by Resolution duly adopted on March 22, 2002, the City adopted Modification No 6 to the Franklin Avenue Redevelopment Plan, Modification No 89 to the Common Plans, and the Many Rivers East TIF Plan, which plans described the parcels to be included in the TIF district, parcels excluded from the existing TIF district and Common Project boundary, the activities to be undertaken, and eligible expenditures, all pursuant to the Laws.
- 1.5 It has been proposed and the City has prepared, and this Council has investigated the facts with respect to, a proposed new Many Rivers West TIF Plan, a proposed Modification No 7 to the Franklin Avenue Redevelopment Plan, and a proposed Modification No 98 to the Common Plans (“collectively, the Plans”). The Plans create a new TIF district, and modify the existing Franklin Avenue Redevelopment

Plan and Common Plans to describe parcels excluded from the existing TIF district and Common Project boundary in order 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 proposed TIF district, designate property that is excluded from TIF No 27, identify a budget for expenditures, reflect project activities and costs, and establish a housing TIF District; all pursuant to and in accordance with the Project Laws.

- 1.6 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 group 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.
- 1.7 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 exclusion of parcels from an existing TIF district, project activities and costs in the Project Area and TIF District.

## **Section 2. Findings for the Adoption of the Plans**

- 2.1 The Council hereby finds, determines and declares that on July 31, 1998, the Council adopted by Resolution 98R-281 an Affordable Housing Policy for the City of Minneapolis documenting the growing shortage of decent, safe and affordable housing for low and moderate income families and individuals in the City. The Many Rivers West project will include 26 rental housing units and approximately 5,500 square feet of commercial space. It is proposed that 21 of the units be affordable at 60% or below of the Metropolitan Median Income (MMI). As a result, 100% of the units will be affordable to low or moderate income households, and the project meets all three income requirements for a housing TIF district. It is therefore found that the establishment of the Many Rivers West TIF district is fully justified to facilitate public development activities and expenditures to alleviate the current shortage of decent, safe, and affordable housing for low and moderate income households in Minneapolis.
- 2.2 The Council further finds, determines and declares that low income housing is defined as housing affordable to families with incomes below 80 percent of the Metropolitan Median family income, and further, that moderate income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the Metropolitan area median family income; and further, moderate income is defined for this purpose in terms of the income levels for which the market does not provide housing without public assistance. In addition, 469.002, Subdivision 18, defines moderate income persons as “persons and their families whose income is not adequate to cause private enterprise to provide without governmental assistance a substantial supply of decent, safe, and sanitary housing at rents or prices within their financial means”.

- 2.3 The Council further finds, determines and declares that the Many Rivers West TIF District is a housing district pursuant to Minnesota Statutes, Section 469.174, Subdivision 11. The proposed district is located within the Franklin Avenue Redevelopment Project, in accordance with the provisions of Minnesota Statutes Sections 469.001 through 469.047.
- 2.4 The Council further finds, determines and declares that the fair market value of the low and moderate income housing project constitutes 82 percent of the total valuation of the improvements constructed in the Many Rivers West housing TIF District, pursuant to Minnesota Statutes, Section 469.174, Subdivision 11.
- 2.5 The Council further finds, determines and declares that the property to be included in the Project Area consists of 7 parcels including streets and alleys. Construction Management Specialist staff conducted inspections of the proposed TIF district. The site analysis found several unimproved vacant lots, two properties whose structures did not meet the Uniform Building Code and Minnesota Energy Code, the 1400 E. Franklin Avenue building is vacant, and is in poor condition, and there is a vacant, two story wood framed duplex with asbestos siding, presently boarded and in poor condition. The remaining 5 parcels are all vacant parcels, containing no structures. These parcels are poorly maintained with debris, old portions of fencing and piles of dirt on lots. Both buildings were found to be substandard under statutory criteria defining blight, and it was concluded that the buildings are structurally substandard and the area meets the requirement for 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, facilities, fire protection and unknown factor such as asbestos and lead containing materials, basic energy conservation code requirements, and cannot be altered to an appropriate reuse.
- 2.6 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 by private enterprise, as the proposed redevelopment removes blight and blighting influences, and provides affordable rental housing opportunities for low and moderate income households. Adoption of the Plans is essential in order to finance a portion of the public redevelopment activities necessary to subsidize the extraordinary cost of providing affordable housing at this site. The project will 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; serve as an impetus for the provision of needed community redevelopment; places new housing on a transportation corridor; and strengthens the City's commitment to policies of housing growth by increasing the supply of affordable housing to those households with few or constrained housing choices.
- 2.7 The Council further finds, determines and declares that the land in the Project Area would not be made available for redevelopment without the financial aid to be sought.

- 2.8 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.
- 2.9 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 and 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 increments for the maximum duration of the district permitted by the TIF plan. Because it is the opinion of the City of Minneapolis that the proposed Project to be financed, in part, by this TIF District 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 Plan on page 14. As shown there, the public redevelopment activity, expenditures, and market values associated with the redevelopment that is proposed in this plan results in a series of calculations and figures that clearly pass the market value test. It is therefore the opinion of the City of Minneapolis that the development in this TIF District could not occur solely through private investment within the foreseeable future.
- 2.10 The Council further finds, determines and declares that the entire fiscal disparity contribution required of the City for development occurring within this district be taken from outside the Many Rivers West TIF District. The election provided in the Minnesota Statutes Section 469.177, Subdivision 3, paragraph (a) is elected.
- 2.11 The Council finds additional public benefits will include blight remediation, tax base enhancement, economic integration, and increased neighborhood livability. The creation of this TIF district is in the public interest because it will facilitate the development of a mixed-income housing project which will provide needed rental housing for low and moderate income households.
- 2.12 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.
- 2.13 The Council hereby finds, determines and declares that the objectives and actions authorized by the Plans are consistent with the undertaking of a redevelopment project area and housing TIF district, all pursuant to and in accordance with the Laws.

### **Section 3. Approval of the Plans; Creation of TIF District**

- 3.1 Based upon the findings set forth in Section 2, the Many Rivers West TIF Plan, Modification No 7 to the Franklin Avenue Redevelopment Plan, and Modification No 98 to the Common Plans 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.

**Relating to the City of Minneapolis, Minnesota Multifamily Housing Revenue Bond (Many Rivers West Project) Series 2003; authorizing the issuance thereof pursuant to Minnesota Statutes, Chapter 462C.**

Be It Resolved by the City Council of the City of Minneapolis, Minnesota (the “City”), as follows:

Section 1. Definitions.

1.01. In this Resolution the following terms have the following respective meanings unless the context hereof or use herein clearly requires otherwise:

“Act” means Minnesota Statutes, Chapter 462C, as amended;

“Agreement” means the Loan Agreement to be entered into among the City and the Borrower relating to the Bond;

“Assignment” means the Assignment of Mortgage from the City to the Holder relating to the Bonds;

“Bond” means the Multifamily Housing Revenue Bond (Many Rivers West Project), Series 2003 to be issued by the City pursuant to this resolution in the principal amount of up to \$2,900,500;

“Bond Documents” means the Agreement, the Regulatory Agreement, the Pledge Agreement, the Assignment and the Bond;

“Borrower” means Many Rivers West Limited Partnership, a Minnesota limited partnership, its successors and assigns;

“Holder” means U.S. Bank National Association, as holder of the Bond, and its successors and assigns;

“Pledge Agreement” means the Pledge Agreement to be entered into among the City and the Holder relating to the Agreement and the Bond;

“Project” means the multifamily housing development to be financed with the proceeds of the Bond, as further defined in the Agreement;

“Regulatory Agreement” means the Regulatory Agreement to be entered into among the City, the Holder and the Borrower relating to the Project;

“Resolution” means this resolution of the City.

Section 2. Findings.

2.01. It is hereby found and declared that:

(a) based upon representations made to the City by representatives of the Borrower as to the nature of the Project as described in the Agreement, the Project constitutes a project authorized by the Act;

(b) the purpose of the Project is and the effect thereof is to promote the provision of decent, sanitary and safe housing accommodations for low and moderate income persons;

(c) the financing of the Project, the issuance and sale of the Bond, the execution and delivery of the Bond Documents and the performance of all covenants and agreements of the City contained in the Bond Documents and of all other acts and things required under the charter of the City and the Constitution and laws of the State of Minnesota to make the Bond Documents valid and binding obligations of the City in accordance with their terms are authorized by the Act;

(d) it is desirable that the Bond be issued by the City upon the terms set forth herein and that the City pledge its interest in the Agreement and grant a security interest therein to the Holder as security for the payment of the principal of, premium, if any, and interest on the Bond;

(e) the loan payments contained in the Agreement are fixed and are required to be revised from time to time as necessary, so as to produce income and revenue sufficient to provide for prompt payment of the principal of, premium, if any, and interest on the Bond when due, and the Agreement also provides that the Borrower is required to pay all expenses of the operation and maintenance of the Project, including, but not limited to, adequate insurance thereon and all taxes and special assessments levied upon or with respect to the Project and payable during the term of the Agreement;

(f) under the provisions of the Act, the Bond is not to be payable from nor charged upon any funds of the City other than the revenue pledged to the payment thereof; the City is not subject to any liability thereon; no Holder of the Bond shall ever have the right to compel any exercise of the taxing power of the City to pay the Bond or the interest thereon nor to enforce payment thereof against any property of the City; the Bond, premium, if any, and interest thereon shall not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers and shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City other than its interest in the Project;

(g) the execution and delivery of the Bond Documents shall not conflict with or constitute, on the part of the City, a breach of or a default under any existing agreement, indenture, mortgage, lease or other instrument to which the City is subject or is a party or by which it is bound; provided that this finding is made solely for the purpose of estopping the City from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding;

(h) no litigation is pending or, to the best knowledge of the members of this City Council, threatened against the City questioning the organization of the City or the right of any officer of the City to hold his or her office or in any manner questioning the right and power of the City to execute and deliver the Bond or otherwise questioning the validity of the Bond or the execution, delivery or validity of the Bond Documents or questioning the pledge of revenues to payment of the Bond or the right of the City to loan the proceeds of the Bond to the Borrower;

(i) all acts and things required under the Constitution and the laws of the State of Minnesota to make the Bond Documents the valid and binding obligations of the City in accordance with their terms shall have been done upon adoption of this Resolution and execution of the Documents; provided that this finding is made solely for the purpose of estopping the City from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding; and

(j) the City is duly organized and existing under the Constitution and the laws of the State of Minnesota and is authorized to issue the Bond in accordance with the Act.

### Section 3. Authorization and Sale.

3.01 Authorization. The City is authorized by the Act to issue revenue bonds and loan the proceeds thereof to finance the acquisition, construction and installation of facilities constituting a “multifamily housing development” as defined in the Act, and to make all contracts, execute all instruments and do all things necessary or convenient in the exercise of such authority.

3.02. Approval of Documents. Pursuant to the foregoing, there have been prepared copies of the following documents, all of which are now or shall be placed on file in the office of the Minneapolis Community Development Agency:

- (a) the Agreement;
- (b) the Pledge Agreement;
- (c) the Bond;
- (d) the Regulatory Agreement;
- (e) the Assignment; and
- (f) the Program for a Multifamily Housing Development.

The forms of the documents listed above are approved, with such variations, insertions and additions as are deemed appropriate by the parties and approved by the City.

### Section 4. Authorizations.

4.01. Upon the completion of the Bond Documents approved in Section 3.02 hereof and the execution thereof by the other parties thereto, the Mayor (or Deputy Mayor), the City Clerk (or Assistant City Clerk) and the Finance Officer (or Assistant Finance Officer) shall execute the same on behalf of the City, and the foregoing persons and other officers of the City shall execute

such other certifications, documents or instruments as bond counsel shall require, subject to the approval of the City, and all certifications, recitals and representations therein shall constitute the certificates, recitals and representations of the City. Execution of any instrument or document by one or more appropriate officers of the City shall constitute and shall be deemed the conclusive evidence of the approval and authorization by the City and the City Council of the instrument or document so executed.

#### Section 5. The Bond.

5.01. Form and Authorized Amount. The Bond shall be issued substantially in the form described above with such appropriate variations, omissions and insertions as are permitted or required by this Resolution. The terms of the Bond are set forth therein, and such terms, including, but not limited to, provisions as to interest rate, dates and amount of payment of principal and interest and prepayment privileges, are incorporated by reference herein. The initial interest rate on the Bond (until the Tender Date as defined in the Bond) shall not exceed an annual rate of 7.00%.

5.02. Execution. The Bond shall be executed on behalf of the City by the persons described in Section 4.01 hereof. In case any officer whose signature shall appear on the Bond shall cease to be such officer before the delivery thereof, such signature shall, nevertheless, be valid and sufficient for all purposes.

5.03. Delivery and Use of Proceeds. Prior to delivery of the Bond, the documents referred to in Section 3.02 hereof shall be completed and executed in form and substance as approved by the City. The City shall thereupon deliver to the holder the Bond together with a certified copy of this Resolution and such closing certificates as are required by bond counsel.

#### Section 6. Limitations of the City's Obligations.

6.01. Notwithstanding anything contained in the Bond Documents, the Bond, premium, if any, and interest thereon shall not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than its interest in the Project, and no Holder of the Bond shall ever have the right to compel any exercise of the taxing power of the City to pay the Bond or the interest thereon or to enforce payment thereof against any property of the City other than its interest in the Project. The agreement of the City to perform the covenants and other provisions contained in this Resolution or the Bond Documents shall be subject at all times to the availability of revenues furnished by the Borrower sufficient to pay all costs of such performance or the enforcement thereof, and neither the City nor any of its officers, employees or agents shall be subject to any personal or pecuniary liability thereon.

#### Section 7. City Representative.

7.01. The Finance Officer or Assistant Finance Officer of the City is hereby designated and authorized to act on behalf of the City for purposes of the Bond Documents.

Section 8. Governmental Program.

8.01 The Bond is hereby designated as a “Program Bond” and is determined to be within the “Housing Program” and the “Program,” all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.

**Authorizing the issuance of a tax increment limited revenue note in a principal amount not exceeding \$337,000 in connection with the Many Rivers West Housing Project within the Franklin Avenue Redevelopment Project Area.**

Whereas, the City of Minneapolis (the "City"), a Minnesota municipal corporation, acting pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Section 31 and Minneapolis Code of Ordinances, Title 16, Chapter 415, as amended, has certain powers, including without limitation the powers contained in Minnesota Statutes, Sections 469.001 to 469.047 (the "HRA Act"), and Minnesota Statutes, Sections 469.174 to 469.179 (the "Tax Increment Act"); and

Whereas, in furtherance of the objectives of the HRA Act, the City has undertaken programs for the clearance and reconstruction or rehabilitation of blighted areas of the City and the development of housing for persons of low and moderate incomes, and in this connection the City is engaged in carrying out a redevelopment project known as the Many Rivers West Redevelopment Project (the "Project"); and

Whereas, pursuant to the HRA Act and the Tax Increment Act, the City has approved Modification No. 7 to the Franklin Avenue Redevelopment Plan, Modification No. 98 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan and the Many Rivers West Tax Increment Financing Plan, all dated March 5, 2004, and all adopted on April 16, 2004; and

Whereas, pursuant to the Tax Increment Act, and specifically Section 469.178, subd 4, the City is authorized to issue its tax increment limited revenue notes to finance the public redevelopment costs of the Project; and

Whereas, the City has entered or will enter into a redevelopment contract (the "Redevelopment Contract") with Many Rivers West Limited Partnership, a Minnesota limited partnership (the "Developer"), pursuant to which the City will provide tax increment financing assistance and the Developer will develop a 26 unit rental housing project, with 19 affordable housing units;

Now, Therefore, Be It Resolved by the City Council of the City of Minneapolis:

1. That it is desirable that the City issue a tax increment limited revenue note (the "TIF Note") in substantially the following form:

UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF HENNEPIN  
CITY OF MINNEAPOLIS

TAX INCREMENT LIMITED REVENUE NOTE  
(Many Rivers West Project)

The CITY OF MINNEAPOLIS (the "City"), hereby acknowledges itself to be obligated and, for value received, promises to pay to the order of Many Rivers West Limited Partnership, a Minnesota limited partnership (the "Developer"), solely from the source, to the extent and in the manner hereinafter provided, the principal amount of this TIF Note, being Three Hundred Thirty-Seven Thousand and No/100 Dollars (\$337,000), or such lesser amount as may equal the Public Development Costs, with interest at the TIF Note Rate, in the installments specified in this TIF Note, on the Payment Dates.

Capitalized terms not elsewhere defined in this TIF Note shall have the following meanings, and if not defined herein, shall have the meanings assigned them in the Contract:

**"Available Tax Increment"** means the Tax Increment received by the City during the period preceding each Payment Date, less (i) the amount of Tax Increment, if any, which the City must pay to the school district, the county and the state pursuant to *Minnesota Statutes*, Sections 469.177, Subds. 9, 10, and 11; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time; and (ii) administrative costs of the City in an amount not to exceed 10% of the Tax Increment.

**"Contract"** means that certain Contract for Private Redevelopment by and between the City and the Developer dated \_\_\_\_\_.

**"District"** means the Many Rivers West 1 Tax Increment Finance District as defined in the Tax Increment Finance Plan adopted by the City on April \_\_\_\_\_, 2004 (the "TIF Plan").

**"Improvements"** shall have the meaning given to Minimum Improvements in the Contract.

**"Interest Start Date"** means the date when interest begins to accrue on the TIF Note, which date will be the date when the City has issued the Public Redevelopment Costs Certification.

**"Maturity Date"** means the earlier of (i) the final year of Tax Increment collection from the District as provided in the TIF Plan, or (ii) the date when the principal and interest amount of this TIF Note has been paid in full.

**"Payment Date"** means July 30 of the year of first increment collection from the District and each July 30 and December 30 thereafter until the Maturity Date.

**"Property"** shall have the meaning given to it in the Contract.

**"Public Redevelopment Costs"** shall have the meaning given to it in the Contract.

**"Public Redevelopment Costs Certification"** means the certification of Public Development Costs to be issued by the City pursuant to Section 4.01(b) of the Contract.

**"Tax Increment"** means that portion of the real property taxes generated by the Property and the Minimum Improvements that is actually remitted to the City as tax increment under the Tax Increment Act.

**"Tax Increment Act"** means Minnesota Statutes, Sections 469.174 - 469.179, as amended, or any successor statutes applicable to the District.

**"TIF Note Rate"** means 6.00% per annum, based upon a 360-day year, compounded semiannually.

On any Payment Date the Available Tax Increment will be expended in the following order:

- (1) Payment of interest which has accrued on the outstanding principal balance of this TIF Note since the last Payment Date (or the Interest Start Date if this is the first Payment Date). Any amount of accrued interest which is not paid on that date will be added to the outstanding principal balance of this TIF Note (capitalized).
- (2) Any remaining Available Tax Increment will then be used to pay principal on the TIF Note.

If the Developer is in default under the Contract, and such default has not been cured within the time period provided in the Contract, then the City may suspend payments on this TIF Note until the default is cured or the Contract and the City's obligations under this TIF Note are terminated. The City shall have no obligation to pay principal of and interest on this TIF Note from any source other than Available Tax Increment. Failure of the City to pay the interest on and the principal of this TIF Note shall not constitute a default hereunder so long as the City pays principal and interest hereon to the extent of the Available Tax Increment.

Interest shall accrue on this TIF Note from the Interest Start Date. Each payment under this TIF Note, whether a scheduled payment or any other payment, must be applied first to accrued unpaid interest and then to the unpaid principal amount of this TIF Note.

On the Maturity Date, this TIF Note shall be deemed paid in full and the City shall have no further obligation under this TIF Note even if the aggregate of the Available Tax Increment that has actually been paid to the Developer on the Payment Dates is less than the full principal and interest amount of this TIF Note. The obligation of the City to make any scheduled payment shall terminate if and to the extent that the full principal and interest amount of this TIF Note has been paid in full. This TIF Note may be prepaid in full or in part at any time without penalty.

Each payment on this TIF Note is payable in any coin or currency of the United States of America which on the date of such payment is legal tender for public and private debts and must be made by check or draft made payable to the Developer and mailed to the Developer at 2020 Bloomington Avenue South Minneapolis, Minnesota 55404, or such other address as the Developer provides in writing to the City's notice address as set forth in the Contract or by wire transfer according to written wire transfer instructions from the Developer.

This TIF Note is a special and limited obligation and not a general obligation of the City, which has been issued by the City pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Section 469.178, subdivision 4, to aid in financing a "project," as therein defined, of the City consisting generally of defraying certain public redevelopment costs incurred by the Developer within and for the benefit of the Project.

**THIS TIF NOTE IS NOT A DEBT OF THE STATE OF MINNESOTA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF MINNEAPOLIS, MINNESOTA (THE "CITY"), EXCEPT THAT THE CITY SHALL BE OBLIGATED TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT, AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE LIABLE ON THIS TIF NOTE, EXCEPT FOR THE CITY'S OBLIGATION TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT, NOR SHALL THIS TIF NOTE BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN AVAILABLE TAX INCREMENT.**

This TIF Note shall not be transferred to any person, unless the City has been provided with an opinion of counsel acceptable to the City that such transfer is exempt from registration and official statement delivery requirements of federal and applicable state securities law and an investment letter executed by the proposed transferee in a form reasonably acceptable to the City.

This TIF Note shall not be payable from or constitute a charge upon any funds of the City, and the City shall not be subject to any liability hereon or be deemed to have obligated itself to pay hereon from any funds except the Available Tax Increment, and then only to the extent and in the manner herein specified.

The Developer shall never have or be deemed to have the right to compel any exercise of any taxing power of the City or of any other public body, and neither the City nor any person executing or registering this TIF Note shall be liable personally hereon by reason of the issuance of registration thereof or otherwise.

**IT IS HEREBY CERTIFIED AND RECITED** that all acts, conditions and things required by the Constitution and the laws of the State of Minnesota to be done, to have happened, and to be performed precedent to and in the issuance of this TIF Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; that this TIF Note is issued pursuant to the Tax Increment Act; and that this TIF Note together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does

not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation thereon.

**IN WITNESS WHEREOF**, the City of Minneapolis Community, by action of its Mayor and City Council, has caused this TIF Note to be executed by the manual signatures of its Mayor, City Clerk or assistant City Clerk and the Finance Officer or Assistant Finance Officer of the City; and has caused this TIF Note to be dated \_\_\_\_\_, 20\_\_\_\_.

**CITY OF MINNEAPOLIS**

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its City Clerk or Assistant City Clerk

By \_\_\_\_\_  
Its Finance Officer or Assistant Finance Officer

Department Head Responsible  
For Monitoring Contract:

\_\_\_\_\_  
CPED

Approved as to form:

\_\_\_\_\_  
Assistant City Attorney

MINNEAPOLIS CITY PLANNING DIVISION REPORT

**Modification No. 98 to the Common Development and Redevelopment  
Plan and Common Tax Increment Financing Plan;  
Modification No. 7 to the Franklin Avenue Redevelopment Plan;  
Many Rivers West Tax Increment Finance Plan**

**DATE:** March 25<sup>th</sup>, 2004

**PROJECT NAME:** Many Rivers West

**SUBMITTED BY:** CPED-Housing Development

**CONTACT PERSON AND PHONE:**

Jerry LePage, Housing Project Coordinator, 673-5240

**PLANNING STAFF AND PHONE:**

Mike Larson, Senior Planner, 673-2423

**WARD:** 6

**NEIGHBORHOOD ORGANIZATIONS:** Ventura Village

**PROJECT DESCRIPTION:**

Many Rivers was originally proposed by the American Indian Housing & Community Development Corporation (AIHCDC) as a multi-phased, 76-unit housing project that would be located on East Franklin Avenue on the 1500 block (East Site, Phase 1) and the 1400 block (West Site, this Phase 2). The total Many Rivers development will consist of two new four-story mixed-use buildings on these two blocks, with a total of 76 rental apartment units. The 50-unit Many Rivers East project closed in June 2002, and was completed August 2003, and is now 100% occupied. AIHCDC is now ready to proceed with the development of the Many Rivers West project, which will include 26 housing units and approximately 5,500 square feet of commercial space. Many Rivers West was approved by the Planning Commission on June 18<sup>th</sup>, 2001.

The Many Rivers West site includes a vacant duplex (1915 14<sup>th</sup> Avenue), a vacant lot at 1921 14<sup>th</sup> Avenue South, a vacant commercial building (1400 East Franklin) owned by AIHCDC, and a vacant parcel owned by the City (1404-1410 East Franklin). The site is irregular in shape with approximately 28,600 square feet, including an east-west alley that has been vacated. Many Rivers West will have 1, 2 and 3 bedroom units, with the following projected affordability levels. Since there will be 11 units at or below 50% of MMI, the project complies with the City Affordable Housing Policy, which would require at least 6 units (i.e. 20% of 26):

8 units at 50% of the MMI  
3 units at 30% of the MMI  
8 units at 60% of the MMI  
7 units at market rate  
26 total units

Several plan documents have been prepared that are related to the proposed Many Rivers Project, including the Many Rivers West Tax Increment Finance ("TIF") Plan, this Modification No. 7 to the Franklin Avenue Redevelopment Plan, and Modification No. 98 to the Common Plans (collectively, the "Plans"). Because the Franklin Avenue Redevelopment Project is within the Common Development and Redevelopment Project and Common TIF Plan, Modification No. 98 to the Common Plans was prepared.

This Modification No. 7 to the Franklin Avenue Redevelopment Plan authorizes the creation of a new tax increment finance district as a tool for carrying out the redevelopment activities described therein. The Modification also removes parcels from the Franklin Avenue Redevelopment TIF District No. 27 in order that those parcels can be included in the new Many Rivers West TIF District. The new public redevelopment costs associated with the proposed Many Rivers project cannot be financed within the limitations imposed by the existing Franklin Avenue Redevelopment TIF District No. 27 because of statutory limitations on the use of tax increment from the TIF District, the short remaining term of the existing district, and the impact of the prior pledge of revenue from this district to the outstanding debt of other projects. A request will be made to Hennepin County to decertify and remove the affected parcels from the existing TIF, which is designated as Minneapolis TIF Project No. 27 in the Hennepin County administrative system. The new Many Rivers West TIF District is not being incorporated into the Common Project and will not be subject to the existing Common Project obligations and commitments, and is created as a free-standing tax increment district. The parcels included in the project area and TIF District remain within the existing Franklin Avenue Redevelopment Project Area.

The TIF plan establishes a new housing TIF district: the “Many Rivers West TIF District”, and authorizes public redevelopment activities and expenditures. Tax increment will be used to pay a portion of the public redevelopment costs for the construction costs associated with the project, in addition to City administration costs.

**COMPREHENSIVE PLAN:**

“The Minneapolis Plan” includes the following supportive policy statements relevant to the Many Rivers East project:

- 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street’s character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered.
- 4.4 Minneapolis will continue to provide a wide range of goods and services for city residents, to promote employment opportunities, to encourage the use and adaptive reuse of existing commercial buildings, and to maintain and improve compatibility with surrounding areas.

**Implementation Steps:**

Plan, implement and monitor projects and programs that encourage and support the city’s neighborhood commercial areas.

Encourage the economic vitality of the city’s commercial districts while maintaining compatibility with the surrounding areas.

Maximize the effectiveness of city support services and continue to build successful partnerships with the business community, neighborhood groups and other interested parties.

Maintain and strengthen the character and marketability of small-scale commercial areas throughout the city through technical and financial assistance to qualified neighborhood businesses, neighborhood based business associations and local development corporations.

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

**Implementation Step:**

Support the development of new medium- and high-density housing in appropriate locations throughout the City.

- 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households.

**Implementation Step:**

Promote increased development of housing for very low-income households earning 30% or less of metropolitan median income.

- 4.11 Minneapolis will improve the availability of housing options for its residents.

**Implementation Steps:**

Increase the variety of housing styles and affordability levels available to prospective buyers and renters.

Provide and maintain moderate and high-density residential areas.

Promote mixed-income housing development that offers a range of dwelling unit sizes and levels of affordability.

- 4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens.

- 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.

- 4.16 Minneapolis will work closely with NRP planning and implementation to ensure that plans are consistent with the City's Housing Policy.

- 4.18 Minneapolis will encourage both a density and mix of land uses in TSAs that both support ridership for transit as well as benefit from its users.

- 9.22 Minneapolis will promote increased housing production in designated areas of the City in order to accommodate population growth.

**Implementation Step:**

Consistent with the City of Minneapolis adopted Housing Principles, develop strategies so that the variety of housing types throughout the city and its communities shall be increased, giving prospective buyers and renters greater choice in where they live.

**ADOPTED AREA PLANS:**

Many Rivers is located within the area addressed by the Franklin-Cedar/Riverside Transit Oriented Development Master Plan. Along Franklin Avenue, west of Bloomington, the Plan states that "mixed uses and densities found in both of these areas are quite supportive of transit, and continuing efforts to rehabilitate and rejuvenate these areas should be supported"

**FUTURE RELATED ACTIONS:**

Planning applications for the Many Rivers West project were originally approved by the City Planning Commission on June 18<sup>th</sup>, 2001, which required that all improvements be made by August 1<sup>st</sup>, 2002. Absent an extension by the Zoning Administrator, or if substantive changes are made to the project, additional Planning Commission review may be required.

**ACTION REQUESTED OF THE CITY PLANNING COMMISSION:** CPED-Housing Development has requested that the City Planning Commission comment on the redevelopment plan proposals by April 5<sup>th</sup>, after which time the Community Development Committee will conduct a public hearing on April 6<sup>th</sup>.

**COMMENTS AND FINDINGS:**

As listed above, staff find that the Many Rivers East project reflects a number of key Minneapolis Plan policies related to housing production as well policies related to mixed-use development on Commercial Corridors and within Transit Station Areas. Furthermore, staff find that CPED-Housing Development staff have undertaken the listed implementation steps in this regard by supporting this project.

**RECOMMENDED ACTION:**

The Planning Department recommends that the City Planning Commission send to the City Council the comments above and recommend approval of these plans.

**ATTACHMENTS:**

Elevation  
Site plan