



**Consolidated Redevelopment  
Tax Increment Financing District**

**Tax Increment Financing Plan**

June 5, 2009

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Exhibits

1. Special Legislation (Laws of Minnesota 2008, Chapter 366, Article 5, Section 37)
2. Consolidated Redevelopment TIF District Boundary Maps
3. Projected Tax Increment Schedule for Taxes Payable in 2011
4. Projected Tax Increment Schedule for Taxes Payable in 2011-2020
5. List of Parcels Included in District

# Consolidated Redevelopment Tax Increment Financing District Tax Increment Financing Plan

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## I. Introduction

In 2008, the Minnesota Legislature passed special legislation authorizing the City of Minneapolis (the “City”) to establish a non-contiguous redevelopment tax increment financing (TIF) district comprised of all, or portions of, the property currently located within the City’s 15 existing pre-1979 TIF districts. These TIF districts (the “Pre-1979 Districts”) were established prior to August 1, 1979 and are due to terminate on August 1, 2009. Laws of Minnesota 2008, Chapter 366, Article 5, Section 37 (the “Special Legislation”) (see Exhibit 1) provides that the new district may be certified after January 1, 2010 and must terminate no later than December 31, 2020. This new TIF district will be named the Consolidated Redevelopment Tax Increment Financing District (the “Consolidated TIF District”).

The Special Legislation provides a means of meeting the City’s debt service obligations related to the Target Center as well as a source of funding for neighborhood revitalization activities. Changes to state property tax law in 2001 substantially reduced the tax increment generated by the TIF districts within the Minneapolis Common Development and Redevelopment Project and Common Tax Increment Financing District (the “Common Project”), which in turn significantly affected the City’s ability to fund these activities.

Pursuant to the Special Legislation, tax increment from the Consolidated TIF District may be expended only 1) to pay principal and interest on bond obligations issued by the City or the Minneapolis Community Development Agency (“MCDA”) for Target Center; and 2) for neighborhood revitalization purposes. The City also must return to Hennepin County (the “County”) its portion of the tax increment collected. The City and County must enter into a written agreement specifying the terms and conditions under which the City will return increment to the County.

The Special Legislation exempts the new district from certain requirements of the Minnesota Tax Increment Financing Act (Minnesota Statutes, Section 469.174 through 469.1799, the “TIF Act”), and specifies that the original net tax capacity of the district will initially be certified at \$2,731,854. Additionally, the captured tax capacity of the district must be included in the adjusted net tax capacity of the City, County and School District for the purposes of determining local government aid, education aid, and county program aid.

On July 11, 2008, the Minneapolis City Council approved the Special Legislation, in compliance with the local approval requirement for special laws. Approval of the Special Legislation by the Hennepin County Board of Commissioners and the Minneapolis Board of Education was not required. In the months thereafter the City Council established financial parameters for the use of the tax increment revenue generated by the district and, on December 11, 2008, directed staff to prepare a proposed TIF plan for establishment of the district.

Typically, a TIF district is located within a “project area”, which is a geographic area defined by a boundary, subject to an approved plan that identifies long-term development goals and objectives for the area, and established under one of four state

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laws giving the City the power to carry out redevelopment activities. Tax increment revenue generated by a TIF district must be spent within the project area within which the district is located.

The Consolidated TIF District is a special TIF district that exists outside the boundaries of any project area, even though the boundaries of the Pre-1979 Districts largely coincide with the boundaries of 15 project areas with the same names. The Consolidated TIF District is not part of these 15 project areas, nor is it part of the Common Project. The tax increment revenue generated by the Consolidated TIF District may be spent anywhere within the City of Minneapolis.

Although the 15 Pre-1979 Districts terminate on August 1, 2009, the project areas within which they are located will continue to exist, because there are no statutory limitations on the duration of project areas, as there are for TIF districts. Planning and redevelopment activities are likely to continue in some or all of these project areas.

## II. TIF District Boundary

The Consolidated TIF District is comprised of all (100%) of the 8,560 parcels currently included in the 15 Pre-1979 Districts. This includes both taxable and tax-exempt parcels. Exhibit 2 to this plan includes maps of the entire Consolidated TIF District, as well as other more detailed maps of portions of the district. Although these maps are believed to be accurate, the definitive list of parcels that are included in the Consolidated TIF District appears in Exhibit 5 to this plan.

In the future, parcels may be removed from the Consolidated TIF District through a modification to this plan, in accordance with the TIF Act (M.S. Section 469.175, Subd. 4).

The number of parcels in each of the Pre-1979 Districts and the total number of parcels to be included in the Consolidated TIF District are listed below.

	<u>Pre-1979 District</u>	<u># of Parcels</u>
1.	Broadway/I-35W	49
2.	Cedar-Riverside	858
3.	City Center	4
4.	Grant	40
5.	Hennepin & Lake	34
6.	Holmes	566
7.	Industry Square	1,098
8.	Loring Park	1,417
9.	Nicollet & Lake	253
10.	Nicollet Island/East Bank	1,009
11.	North Loop	1,583
12.	North Washington Industrial Park	230
13.	St. Anthony West	1,022
14.	Seward South	184
15.	West Broadway	<u>213</u>
Total # of Parcels in Consolidated TIF District		8,560

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**III. Type of TIF District**

The Special Legislation provides that the Consolidated TIF District is a “redevelopment district”, and exempts the district from certain requirements of the TIF Act, including requirements for qualifying as a redevelopment district (M.S. Section 469.174, Subd. 10), the requirement that at least 90% of the tax increment must pay to correct conditions allowing the designation as a redevelopment district (M.S. Section 469.176, Subd. 4j), and prohibitions against the use of tax increment for public parks or facilities used for social, recreational, or conference purposes (M.S. Section 469.176, Subd. 4l).

**IV. Maximum Duration of the TIF District**

The Special Legislation provides that the Consolidated TIF District may be certified after January 1, 2010 and must terminate no later than December 31, 2020. The maximum duration of the district is therefore 10 years of tax increment collection (taxes payable in 2011 through 2020).

**V. Statement of Objectives**

The Consolidated TIF District is being established to provide a source of revenue to pay debt service on Target Center bonds, to fund neighborhood revitalization purposes, and to pay the administrative costs of the district.

**VI. Development Program**

**A. Description of Development Program**

There is no development program per se for the Consolidated TIF District, but the intended purposes are as follows:

1) Target Center Debt

The Target Center is a public entertainment facility of state and regional significance located in downtown Minneapolis. The facility was completed in 1990 and the City purchased it in 1995. As the Target Center ages, the financial burden of maintaining and operating the facility as a premier sports and entertainment venue continues to increase. The refunding of the current debt and the dedication of tax increment from the Consolidated TIF District to pay the refunding bonds will alleviate a portion of that burden.

2) Neighborhood Revitalization Purposes

Tax increment from the Consolidated TIF District will support neighborhood revitalization purposes as may be defined by the City Council from time to time.

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At the time this TIF Plan was drafted it was anticipated that neighborhood revitalization purposes will include 1) a Neighborhood Investment Fund, providing support directly to neighborhood organizations and their funding priorities; 2) a Community Innovation Fund, which will be a competitive fund given directly to neighborhoods to support City priorities; 3) a Community Revitalization Fund, which will support commercial corridor revitalization; and 4) the administrative costs of the City's Neighborhood and Community Relations Department that are related to neighborhood revitalization purposes.

Due to the nature of the development program for the Consolidated TIF District, the City of Minneapolis has not entered into any contracts related to development activity.

### **B. Property That May Be Acquired**

Although specific properties are not identified in this TIF Plan as Property That May Be Acquired, the City of Minneapolis reserves the right to acquire property within the Consolidated TIF District to carry out redevelopment activities in the ongoing redevelopment project areas that are separate entities from the Consolidated TIF District, but that share some of the same geographic area.

## **VII. Description of Financing**

The figures, sources, and methods of financing identified in this TIF Plan are based on the best estimates and projections available at the time this plan was prepared. Some changes can be expected. However, if significant changes occur that affect the structure or financial feasibility of the district, increase the total tax increment budget, or increase the maximum amount of bonds issued beyond the amounts listed in this plan, then a formal modification to this plan may become necessary.

### **A. Costs to be Paid With Tax Increment**

Pursuant to the Special Legislation, the City may create the district only if it enters into an agreement with Hennepin County to annually pay the County its portion of the tax increment generated by the district. Prior to certification of the district, the City and County will enter into a written agreement that will specify the terms and conditions of this reimbursement arrangement.

The tax increment budget for the Consolidated TIF District is shown on the following page. The total represents the maximum amount of costs that can be paid from tax increment collected from the district.

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Tax Increment Budget

<u>Category</u>	<u>Amount</u>
Target Center Debt Service <sup>(a)</sup>	\$120,000,000
Neighborhood Revitalization Purposes <sup>(b)</sup>	120,000,000
Annually Allocated <sup>(c)</sup>	36,950,000
Reimbursement Payments to Hennepin County	125,650,000
TIF District Administration <sup>(d)</sup>	<u>1,710,000</u>
Total	\$404,310,000

<sup>(a)</sup> Includes \$97,000,000 in principal and \$23,000,000 in interest.

<sup>(b)</sup> Includes all reasonable administrative costs associated with neighborhood revitalization purposes and/or activities.

<sup>(c)</sup> This amount may be annually allocated to Target Center debt service, neighborhood revitalization purposes, or returned to the contributing taxing jurisdictions.

<sup>(d)</sup> Includes the City and County costs/fees associated with administering the TIF district.

As noted above, the City may not spend more than \$404,310,000 in tax increment from the district without a formal modification of this TIF plan. The five line-item amounts listed above are estimates only, and the City may spend more or less in each individual category without a formal modification of this TIF plan. Accompanying this plan is a City Council report that describes the methodology that will be used to determine how annual tax increment from the district will be split among the five categories.

**B. Maximum Bonds to be Issued**

Pursuant to the Special Legislation, the City may use tax increment collected from the district to “pay principal and interest on bond obligations issued by the City of Minneapolis or the Minneapolis Community Development Agency for Target Center, including payment of principal and interest on any bonds issued to repay bonds or loans”.

The City and MCDA issued bonds in 1995 and 1996 for the purchase and refinancing of the Target Center. The outstanding principal balance of Target Center bonds is shown on the following page.

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<u>Bond Issue Description</u>	<u>Principal Balance Outstanding as of 8/1/09</u>
\$6,100,000 MCDA Revenue Bonds, Series 1995A	\$4,230,000
\$6,550,000 MCDA Revenue Bonds, Series 1995B	4,560,000
\$67,555,000 City G.O. Refunding Bonds, Series 1996	<u>51,060,000</u>
Total	\$59,850,000

The City currently anticipates refinancing (refunding) these three bond issues in the second half of 2009 in order to restructure principal and lower interest rates. The size of this refunding bond issue will be approximately \$60,000,000. No new-money bond issues (for capital improvements) are currently anticipated in 2009 for the Target Center. However, the City reserves the right to issue up to a combined total of \$97,000,000 in refunding and new-money bonds supported entirely, or in part, by tax increment generated by the Consolidated TIF District.

**C. Other Sources of Funding**

There are currently no additional sources of funding beyond the bonds described in Section VII B of this TIF plan and tax increment generated by the district.

**D. Original Net Tax Capacity**

The Special Legislation provides that the original net tax capacity (ONTC) of the district is \$2,731,854. Recent permit activity and prior planned improvements in the district will therefore not affect the ONTC established at the time of certification of the district.

**E. Original Tax Capacity Rate**

The original tax capacity rate for the district will be the total local tax capacity rate for all applicable taxing jurisdictions for taxes payable in 2010 (not available at this time). For tax increment projection purposes, a total tax capacity rate of 120% has been used (see Section VII G).

**F. Fiscal Disparities Election**

The City of Minneapolis elects the method of tax increment computation set forth in M.S. Section 469.177, Subd. 3, Paragraph (b). The captured net tax capacity of the district shall exclude any fiscal disparity commercial-industrial net tax capacity increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to M.S. Section 473F.08, Subd. 6.

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**G. Projected Captured Net Tax Capacity and Tax Increment**

The City elects to retain 100% of the gross captured net tax capacity of the Consolidated TIF District.

Exhibit 3 is the Projected Tax Increment Schedule For Taxes Payable in 2011. This schedule details the assumptions and calculations used to project captured net tax capacity and net tax increment in the first collection year of the district.

Exhibit 4 is the Projected Tax Increment Schedule for Taxes Payable in 2011-2020. This schedule shows the projected tax increment distributed to the City over the 10-year life of the district. It also projects how such amounts might be expended and is the basis for the tax increment budget shown in Section VII A of this TIF plan.

**VIII. Estimated Impact on Other Taxing Jurisdictions**

Pursuant to the TIF Act, the City is required to calculate the estimated annual impact to the applicable taxing jurisdictions resulting from the establishment of the district. This impact is shown below, and is based on the projected captured net tax capacity of the district (taxes payable in 2011) and the most current tax capacity rates available (taxes payable in 2009 for property located within the Middle Mississippi Watershed District). There is no impact being shown for the County since the City is required by the Special Legislation to return to the County its portion of the tax increment collected.

<u>Taxing Jurisdiction</u>	<u>Pay 2009 Tax Capacity Rate</u>	<u>Property Taxes Resulting From \$31,558,574 in Captured Net Tax Capacity</u>
City of Minneapolis	57.049%	\$18,003,851
Hennepin County	n/a	0
Special School District #1	24.543	7,745,421
Other	<u>6.827</u>	<u>2,154,504</u>
<b>Total</b>	<b>88.419%</b>	<b>\$27,903,776</b>

As projected in Exhibit 4 (Projected Tax Increment Schedule for Taxes Payable in 2011-2020), the amount of tax increment that will be distributed to the City over the maximum duration of the district is projected to be approximately \$404,310,000. Of this total, it is estimated that approximately \$77,630,000 (19.2%) would be attributable to the School District's tax rate. As described above, the County will be reimbursed its portion of the total increment distributed to the City. This amount is projected to be approximately \$125,650,000.

Because all of the property in the Consolidated TIF District is currently located within existing City TIF Districts, there is no direct impact on city-provided services caused by the establishment of the new TIF district. The issuance of any general obligation bonds, supported by tax increment from the new district, will not negatively impact the City's ability to issue other debt for general fund purposes.