



**Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED**

Date: June 19, 2007

To: Council Member Lisa Goodman, Community Development Committee  
Council Member Paul Ostrow, Ways & Means/Budget Committee

**Subject:** East River/Unocal Site Project  
Public Hearing on Modification No. 1 to Tax Increment Finance Plan, and  
Authorization to Issue Tax-Exempt Tax Increment Revenue Refunding Bonds

**Recommendation:** The CPED Director recommends that the City Council:

- 1) Adopt the attached resolution approving Modification No. 1 to the East River/Unocal Site Tax Increment Finance Plan;
- 2) Adopt the attached resolution authorizing the issuance of up to \$1,800,000 in Tax-Exempt Tax Increment Revenue Refunding Bonds;
- 3) Increase the 2007 Revenue Budget for the Community Planning and Economic Development agency Fund DDS0 – Debt Service (DDS-890-8490-3912) by \$1,800,000;
- 4) Amend the 2007 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund DDS0 – Debt Service (DDS-890-8490) by \$1,800,000;
- 5) Authorize the termination of the Minimum Assessment Agreement for the project; and
- 6) Authorize any technical amendments to the contract necessary to allow for the issuance of the Tax Increment Revenue Refunding Bonds.

**Previous Directives:** On September 7, 2001, the MCDA Board approved Project Analysis Authorization (PAA) for the East River/Unocal Site project. On February 15, 2002 the City Council and MCDA Board approved the acceptance of contamination cleanup grants from DTED (now DEED) and Metropolitan Council. On June 21, 2002 the City Council and MCDA Board approved and adopted the redevelopment plan, the TIF plan, redevelopment contract terms, and the issuance of taxable tax increment revenue notes for the project.

Prepared by: Mark Winkelhake, Sr. Development Finance Analyst	
Approved by: Elizabeth Ryan, Director, Housing Policy & Development	_____
Jack Kryst, Director, Development Finance	_____
Presenters in Committee: Mark Winkelhake, 612-673-5105	

**Financial Impact**

Action requires an appropriation increase to the Capital Budget  or  
Operating Budget \_\_\_\_\_  
 Action provides increased revenue for appropriation increase

## **Community Impact**

Neighborhood Notification – The Prospect Park/East River Road Improvement Association (PPERRIA) was sent a copy of the TIF plan modification and given timely notice of the required public hearing.

City Goals – A Safe Place to Call Home – In five years all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

Sustainability Targets – Affordable housing

Comprehensive Plan – The project complied

Zoning Code – The project complied

Living Wage/Business Subsidy Agreement – Not applicable

Job Linkage – Not applicable

## **Background**

The East River/Unocal Site Project is located in the Prospect Park neighborhood and is bounded by Franklin Avenue SE on the south, Thornton Street SE on the west, and Interstate 94 on the north and east. This for-sale housing project was built on a 4.6 acre triangular site that was formerly owned by Gopher Oil and the Unocal Corporation for the processing and storage of petroleum products since the early 1900's, and was formerly designated by the Minnesota Pollution Control Agency (MPCA) as a superfund site.

In 1998, after years of failed attempts to redevelop the site, Brighton Development Corporation ("Brighton") purchased the site from Unocal. Beginning in 2002, with public assistance from DTED (now DEED), the Metropolitan Council, Hennepin County and the City of Minneapolis, Brighton cleaned up the site and constructed 53 for-sale housing units (38 townhomes and 15 condos). The townhomes are located in seven buildings located throughout the site and have current market values in the range from \$275,000-\$500,000. The condo units are located in one building and have current market values in the range from \$155,000-\$360,000.

The City provided public assistance to the project through the use of tax increment financing. Pursuant to the City's Affordable Housing Policy, the City Council required that 11 units (20%) needed to be affordable to individuals or families that make no more than 50% of the Metropolitan Median Income (MMI). Due to marketing and financial constraints, the City Council agreed that only five (5) affordable units needed to be built on-site (all are within the condo building). The remaining six (6) units will be located off-site and will be funded over time by annually using available tax increment from the project that is above the amount needed to pay debt service on the TIF bonds (see The Refinancing section below). Available tax increment in the cumulative amount of \$480,000 (6 units @ \$80,000 per unit) will be collected over the next 6-8 years to help fund eligible affordable housing units anywhere in the City (through CPED's Affordable Housing Trust Fund Program or a similar program).

On September 19, 2002 the Minneapolis Community Development Agency (MCDA) issued \$1,500,000 in Taxable Tax Increment Revenue Notes (the "TIF Notes"), which provided \$1,116,000 in net note proceeds to Brighton, \$301,000 in capitalized interest, and paid for various costs of issuance. Funds provided to Brighton were used to help pay for a portion of land acquisition, environmental remediation and site improvement costs. The TIF Notes mature on August 1, 2007 and are currently secured by a minimum assessment agreement on the property and a debt service guaranty provided by Brighton.

## **The Refinancing**

Pursuant to the Redevelopment Contract between the City and the Developer, the City is required to refinance the TIF Notes with long-term tax-exempt tax increment revenue refunding bonds (the "TIF Bonds") when 1) the project has been fully constructed and at least 85% of the housing units have been sold, and 2) the Developer has submitted to the City an acceptable profit statement for the Project. At this time both of these conditions have been met, and it has been determined that no excess profit was received by the Developer.

The accompanying resolutions 1) approve Modification No. 1 to the East River/Unocal Site TIF Plan (see attached) which updates the tax increment budget and bonded indebtedness sections to allow for the refinancing, and 2) authorizes the issuance of the TIF Bonds in an amount not to exceed \$1,800,000. Proceeds from the sale of the TIF Bonds will be used to payoff the TIF Notes on August 1, 2007, fund a new debt service bond reserve, and pay for various issuance costs.

The TIF Bonds will not be general obligation debt of the City, and debt service on the TIF Bonds will be payable solely from tax increment collected from the TIF District. Upon issuance of the TIF Bonds the minimum assessment agreement on the project will be terminated pursuant to federal tax code regulations. It is currently anticipated that the refinancing will occur in late-July of this year.