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

Date: September 14, 2004

To: Council Member Lisa Goodman, Community Development Committee

Prepared by: Bob Lind, Business Finance, Phone 612-673-5068
Presenter in Committee: Mike Christenson, CPED Director of Economic Policy and Development

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Request to Apply for a Round Three 2005 New Markets Tax Credit Allocation for the City of Minneapolis

RECOMMENDATION: The CPED Director recommends that the City Council give authorization to apply for a New Markets Tax Credit Allocation from the 2005 Round Three and the submission of the application before the October 6, 2004 deadline.

Previous Directives: None. At this time it is requested that the City submit an application for an allocation of New Markets Tax Credit from the Round Three allocation.

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
_X_ Other financial impact (Explain): An allocation of New Markets Tax Credit of up to $135 million could be awarded to the City of Minneapolis in 2005 for specific projects over a seven year period of 2005 – 2011.
___ Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: The New Markets Tax Credit program is available to qualified census tracks that meet the definition for low-income communities as those having more than 20 percent of its population below the poverty level, or having median family incomes 80 percent or less of the metro area median family income. All of the Empowerment Zone designated communities would be within the eligible census tracts. Attached is a map of the eligible areas in Minneapolis.

Neighborhood Notification: N.A.

City Goals: The projects that would be assisted by the NMTCs are consistent with Goals 4 and 7 of creating an environment that maximizes economic development opportunities and promoting public, community and private partnerships to address disparities and to support strong, healthy families and communities.

Comprehensive Plan: Projects will be in compliance with the City's Minneapolis Plan.

Zoning Code: N.A.

Living Wage/Job Linkage: N.A.

Background/Supporting Information

New Markets Tax Credit (NMTC) provide a federal tax credit to investors who make equity investments in a specialized category of financial organizations known as Community Development Entities (CDEs) CDEs in turn, invest in business development projects in low income target areas, that meet certain federal requirements.

NMTCs are analogous, in part, to low income housing tax credits. However, while housing tax credits provide a 70% credit to the investor, NMTCs provide a 39% credit tc the investor over a seven year period.

The NMTC are allocated by the U.S. Treasury Department to CDEs through a series of competitive funding rounds. In the first two rounds in 2003 and 2004, over $6 billion in credits were awarded to CDEs across the country.

Currently, NMTC-enhanced investments are available for projects in Minneapolis through two national organizations that have received NMTC allocations. These include the Local Initiative Support Corporation (LISC), which has a Twin Cities affiliate based in St. Paul, and the Minneapolis-based Community Reinvestment Fund (CRF). CPED is currently able to access NMTC-enhanced investments from CRF for the City's Capital Acquisition Loan Program (CAL), which provides real estate loans for small businesses in Minneapolis. LISC has facilitated a NMTC investment for the City-assisted Antiques Minnesota project on East Lake Street. There, the Empowerment Zone played a vital role in helping to organize these NMTCs for the purpose of opening a Center for Entrepreneurship and a Latino Chamber of Commerce, among other uses. The case we hope to make in this application is consistent with the one employed in the Antiques

Minnesota project; that the NMTC represents a tool for assembling the capital necessary for business development within the challenged neighborhoods of the City. The intent of this application is to broaden and strengthen the use of this tool.

While some development projects in Minneapolis are able to receive NMTC investments through existing national organizations, the City can obtain more direct access to these investments by partnering with an existing CDE and submitting an application for NMTC that would be targeted at key development initiatives in Minneapolis. We have invited existing CDEs to partner with the City on this application and remain open to their participation in this effort.

The following three initiatives have been identified as part of the application for a Round Three allocation:

1. Midtown Exchange (Sears project): Up to $85 million in NMTC that will be used to support the development of the commercial aspects of the project including the global market place and the hotel.

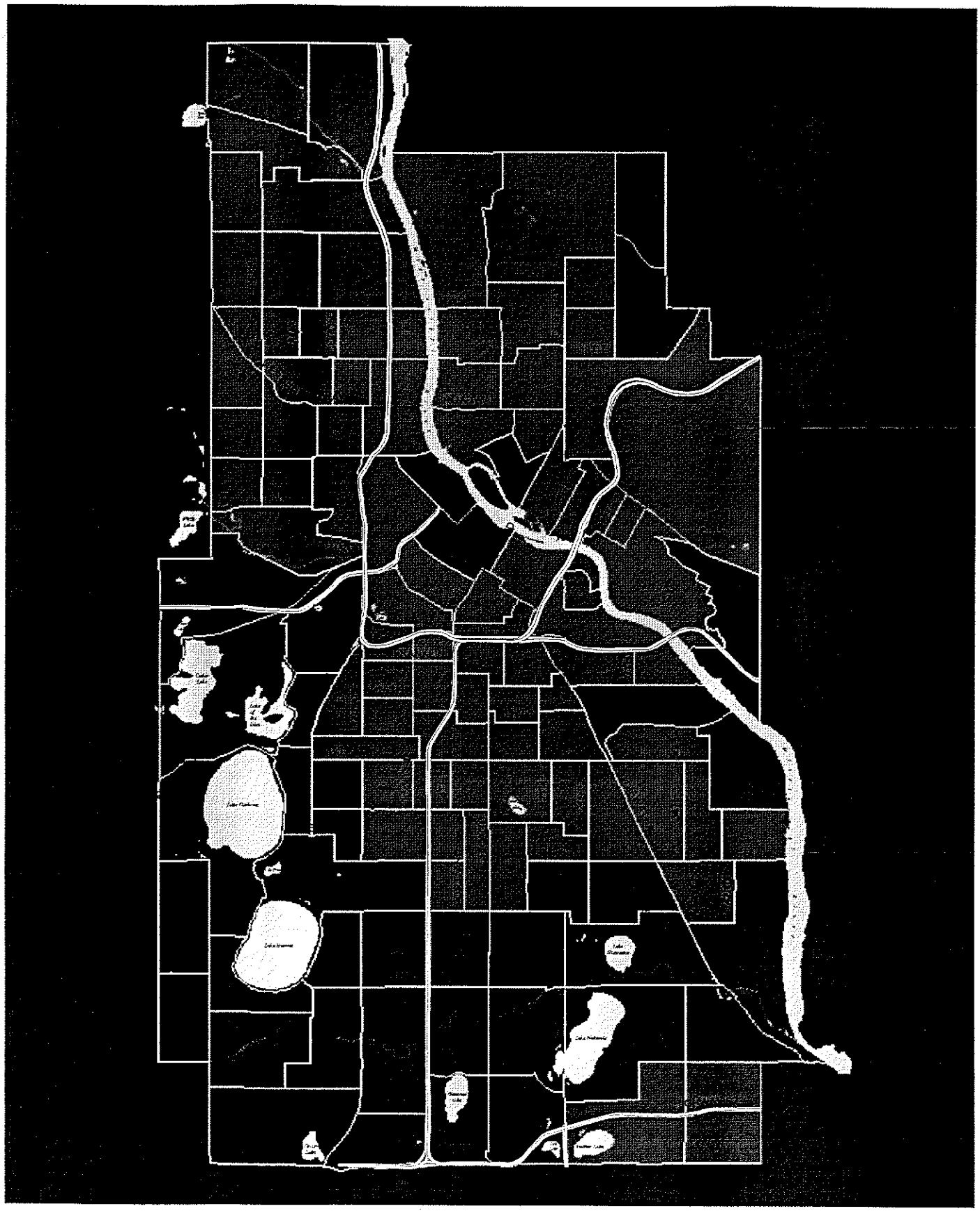
2. Minneapolis Lifesciences Corridor: Up to $25 million in NMTC would be used to finance the medical conferencing facility, orthopedic research lab and possible hospital enhancements at Children's Hospital and Abbott-Northwestern Hospital.

3. West Broadway minority business incubator: Up to $25 million in NMTC would be used to finance a North side business incubator and minority business investment fund.

In order to complete the NMTC application by the October 6, 2004 deadline, a working group has been meeting on a regular basis. We would like to acknowledge the assistance provided by the following members:

- Creative Investment Research – Bill Cunningham
- Neighborhood Development Center – Mike Temali
- Minneapolis Lifesciences Corridor – Keith Halleland, Eric Snyder and Mona Peterson Rosow
- Hennepin County African American Men's Project – Shane Price
- Ryan Companies – Tim Gray
- Piper Jaffray – Jim Bellus and Bruce Sorsensen
- Minneapolis Consortium of Community Developers – Iric Nathanson
- Minneapolis Empowerment Zone – Kim Havey and Narin Sihavong
- City Grants/Special Projects – Gaynell Schandel
- CPED – Mike Christenson, Bob Lind, Greg Davidson, Mark Winkelhake, Nila McDonald

In making application for a Round Three award, the City of Minneapolis is partnering with Creative Investment Research (CIR) as the qualified Community Development Entity (CDE). Through the appointments to an Investment Board and an Advisory Board, the City of Minneapolis will maintain a controlling interest in the NMTC investments into the three specific projects: Midtown Exchange, the Minneapolis Lifesciences Corridor and the West Broadway minority business incubator. Attached is an organizational chart showing the structure of the City's NMTC entity and a representation of the three specific projects to be assisted with the NMTCs.



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New Markets Tax Credit Eligibility Area

2000 Census Tracts

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Minneapolis, MN 55401
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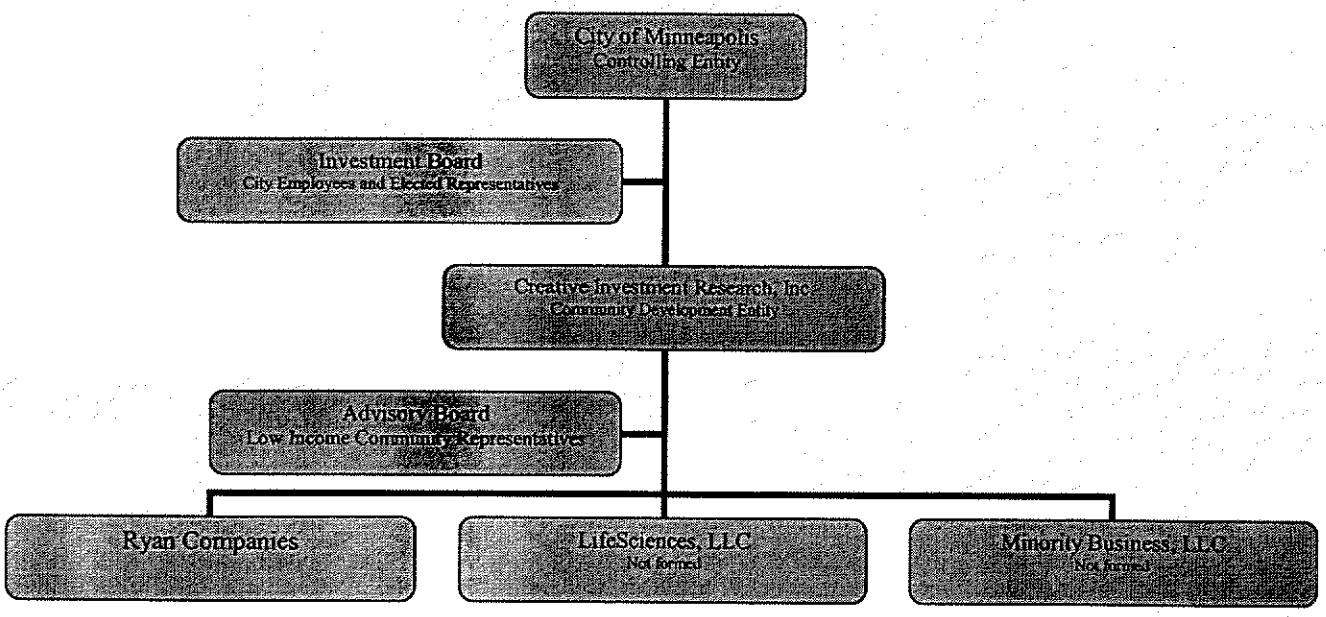
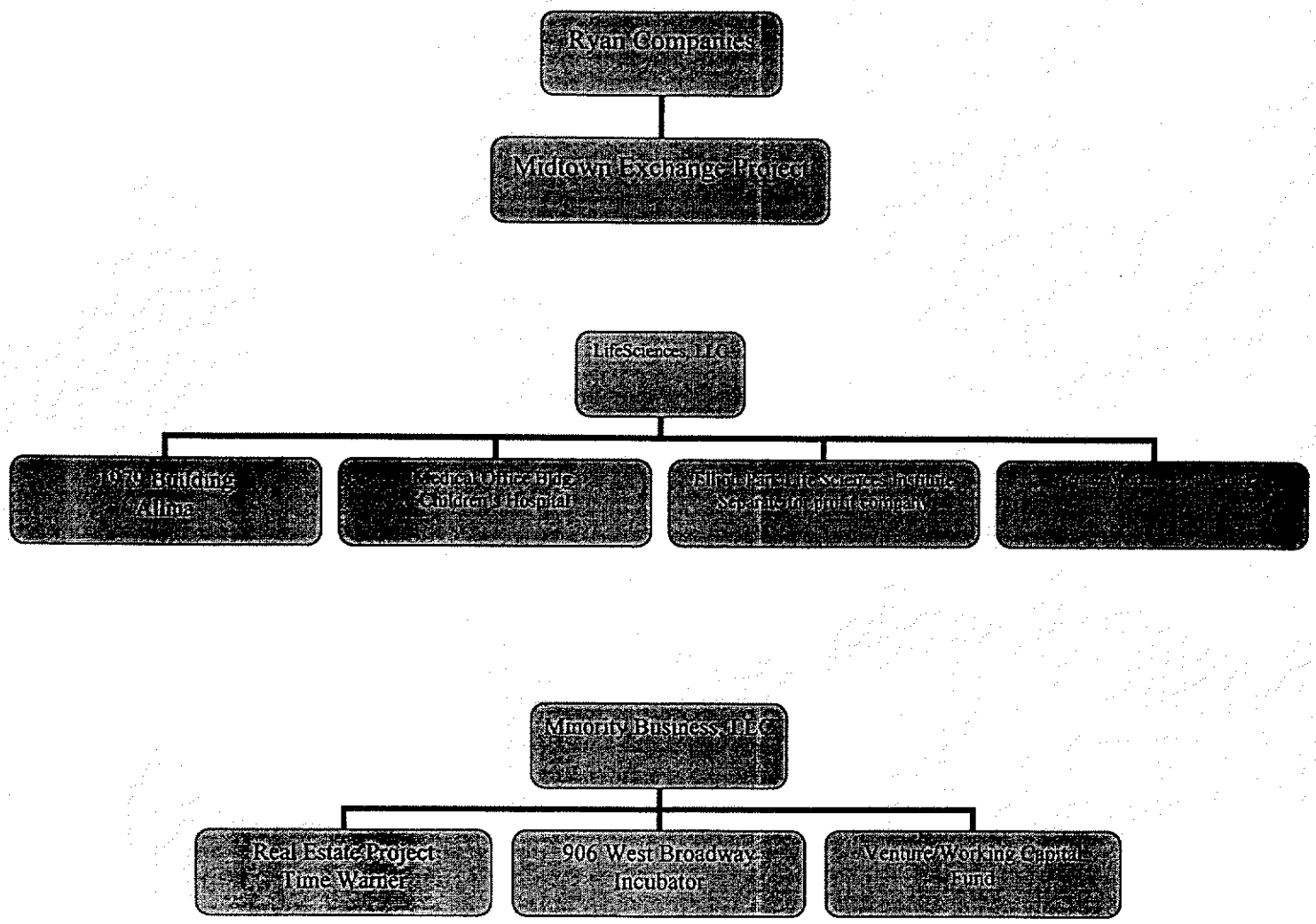

City of Minneapolis
Controlling Entity
Investment Board
City Employees and Elected Representatives
Creative Investment Research, Inc.
Community Development Entity
Advisory Board
Low Income Community Representatives
Ryan Companies
LifeSciences, LLC
Not formed
Minority Business, LLC
Not formed


Ryan Companies
Midtown Exchange Project
LifeSciences, LLC
1979 Building
Allina
Medical Office Bldg
Children's Hospital
Elliott Park Life Sciences Institute
Separate for profit company
Minority Business, LLC
Real Estate Project
Time Warner
906 West Broadway
Incubator
Venture/Working Capital
Fund