



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

Date: October 26, 2004

To: Council Member Lisa Goodman, Community Development Cmte
Council Member Barbara Johnson, Ways and Means/Budget Cmte

Prepared by: Cynthia Lee, Manager, Multifamily Housing, Phone 612-673-5266

Presenter in Committee: Cynthia Lee, Manager, Multifamily Housing

Approved by: Elizabeth J. Ryan, Interim Director, Housing Policy and Development _____

Subject: Public Hearing Regarding Modification No. 1 to the Parcel C TIF Plan, Modification No. 1 to the East Hennepin & University TIF Plan, Modification No. 2 to the Humboldt Greenway Tax Increment Finance Plan, Modification No. 1 to the Bottineau TIF Plan and Modification No. 1 to the Heritage Landing Apartments TIF Plan

RECOMMENDATION: Adoption of the attached resolutions approving Modification No. 1 to the Parcel C TIF Plan, Modification No. 1 to the East Hennepin & University TIF Plan, Modification No. 2 to the Humboldt Greenway Tax Increment Finance Plan, Modification No. 1 to the Bottineau TIF Plan and Modification No. 1 to the Heritage Landing Apartments TIF Plan

Previous Directives: The Parcel C TIF Plan was adopted by the City Council on December 14, 2001; The East Hennepin & University TIF Plan was adopted by the City Council of June 9, 2000; The Humboldt Greenway Redevelopment TIF Plan was adopted by the City Council on February 4, 2000 and modified on June 22, 2001; The Bottineau TIF Plan was adopted by the City Council on August 24, 2001; the Heritage Landing Apartments TIF Plan was adopted by the City Council on November 13, 1998.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- 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): Allows certain TIF revenues to be used for

affordable housing citywide.
___Request provided to the Budget Office when provided to the Committee
Coordinator

Community Impact (Summarize below)

Ward: 3,4,5

Neighborhood Notification: Affected neighborhood organizations received notification and were provided a 45 day formal review and comment period.

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

Zoning Code: Complies.

Living Wage/Job Linkage: Not applicable.

Background/Supporting Information

As provided in Minnesota Statutes Section 469.176, Subd. 4k and 469.1763 Subd 2, a portion of tax increment from TIF districts (up to 35%) may be used to assist qualified low income housing throughout the city. Since the applicable state law was passed, TIF plans have, as a rule, included the language necessary to preserve the Council's ability to pool TI for affordable housing in districts where there might be an adequate TI stream. These include Stone Arch, West River Commons, 19th and Central, Grant Park and East River/Unocal. If this authority of the Council is to be available in existing districts, they must, by law, be modified within five years of their creation.

This pooling for affordable housing could occur only in districts where the TI revenues are greater than projected, e.g. due to rising property values, TIF program income from profit participation or recapture, or revenue from developer payments for replacement affordable housing units (as is the case for Parcel C). Only those TIF revenues remaining after payment of all public costs, debt service, debt coverage and administrative costs would be available to be pooled for affordable housing. In general, these revenues will not be realized until late in the life of the TIF district (if at all).

The proposed action does not change the amount of captured increment nor does it authorize any expenditure of increment. Approvals for the use of increment must come from the Council on a project-by-project basis.

These TIF revenues would otherwise be restricted to very narrow TIF-eligible uses (land, public improvements, etc.). They could remain in their district until decertification or be declared 'excess' in which case they would be allocated to the various taxing jurisdictions (City, County, etc.) Any such returns would be offset by a comparable reduction in Local Government Aid. By creating the flexibility to use these potential revenues for affordable housing, these dollars could become a very useful funding tool for the city.

Five tax increment finance (TIF) districts are being amended to include budget amendments to allow for pooling of surplus tax increment revenue to assist affordable housing. The following TIF plans are being amended:

- Parcel C TIF Plan
- East Hennepin & University TIF Plan
- Humboldt Greenway Redevelopment TIF Plan
- Bottineau TIF Plan
- Heritage Landing TIF Plan

It is the city's plan to allocate any such funds to the CPED Affordable Housing Trust Fund program. Through the established program guidelines and competitive process, such funds will be awarded to eligible low income rental housing projects.

These revenues will include the recent \$320,000 Parcel C replacement housing payment plus potential cash flow participation payments and profit participation payments from the various projects collected retroactively over the past five years and in to the future through the term of the TIF districts. Only those surplus TIF revenues remaining after payment of all public costs, debt service, debt coverage and administrative costs would be pooled for affordable housing.

Adopting Modification No 1 to the Parcel C Tax Increment Finance (TIF) Plan, Modification No 1 to the East Hennepin & University TIF Plan, Modification No 2 to the Humboldt Greenway TIF Plan, Modification No 1 to the Bottineau TIF Plan, and Modification No 1 to the Heritage Landing Apartments TIF Plan

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

Section 1. Recitals.

- 1.01. 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 ("CPED"), 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").
- 1.02. That by Resolution 2001R-517 duly adopted on December 14, 2001, the City approved the Parcel C TIF Plan; that by Resolution 2000R-287, duly adopted on June 9, 2000, the City approved the East Hennepin & University TIF Plan; that by Resolution 2000R-035 duly adopted on February 4, 2000, the City approved the Humboldt Greenway TIF Plan, and by Resolution 2001R-249 duly adopted on June 22, 2001 the City modified the Humboldt Greenway TIF Plan; that by Resolution 2001R-372, duly adopted on August 24, 2001, the City adopted the Bottineau TIF Plan; and that by Resolution 1998R-431 duly adopted on November 13, 1998, the City adopted the Heritage Landing Apartments TIF Plan, all pursuant to the Project Laws.
- 1.03. The City has prepared, and this Council has investigated the facts with respect to a proposed Modification to the Parcel C TIF Plan, a proposed Modification to the East Hennepin & University TIF Plan, a proposed Modification to the Humboldt Greenway TIF Plan, a proposed Modification to the Bottineau TIF Plan, and a proposed Modification to the Heritage Landing Apartments TIF Plan (the "Modifications"), to reflect language necessary to preserve the Council's ability to pool tax increment for affordable housing in districts where there might be an adequate tax increment stream, in accordance with Minnesota Statutes Section 469.176, Subd. 4K and 469.1763, Subd. 2.
- 1.04. The City has performed all actions required by law to be performed prior to the adoption of the Modifications, including, but not limited to, a review of the proposed Modifications by the affected neighborhood groups and the Planning Commission, transmittal of the proposed Modifications 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.
- 1.05. The Council hereby determines that it is necessary and in the best interest of the City to approve the Modifications that include budget adjustments to allow for pooling of tax increment revenue to assist affordable housing.

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Section 2. Findings for the Adoption of the Modifications.

- 2.01. The Council hereby finds, determines and reaffirms the findings made in all previous resolutions identified above in Section 1.02.
- 2.02. The Council further finds, determines and declares that the Modifications conform to the general plan for the redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Modifications were issued, are incorporated herein by reference, and are on file in the office of the City Clerk in the form of a petition.
- 2.03. The Council further finds, determines and declares that the actions authorized by the Modifications are consistent with the undertaking of TIF Districts, all pursuant to and in accordance with the Project Laws.
- 2.04. The Council further finds, determines and declares that it is necessary and in the best interest of the City to approve the Modifications.

Section 3. Approval of the Modifications.

- 3.01. Based upon the findings set forth in Section 2 hereof, the Modifications 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 Modifications.

- 4.01. 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 Modifications, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further plans, resolutions, documents and contracts necessary for this purpose.