



**Modification No. 2
to the
Village in Phillips
Redevelopment Plan**

December 16, 2005

Prepared by the Development Finance Division
105 5th Avenue South, Minneapolis, Minnesota 55401

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Introduction/Background

The Village in Phillips (VIP) project is a joint collaboration of several Minneapolis non-profit community developers and an active and incorporated block club proposing to comprehensively redevelop a three block area in the Eastern Region of the Phillips Neighborhood in Ward 6 of south Minneapolis. The multiphased development area is generally bounded by the alley west of 18th Avenue South on the east, the alley west of Bloomington Avenue on the west, 24th Street on the north, and 25th Street on the south. The development will produce new ownership opportunities within townhome units, substantially rehabilitated units, and new mixed-use residential and commercial space. Phase 1 which included new construction of 28 ownership townhouses has been completed.

On November 21, 2003 by Resolution No. 2003R-543 the Minneapolis City Council approved the VIP Redevelopment and TIF Plans, and on December 9, 2004, the Minneapolis City Council approved Modification No. 1 to the VIP Redevelopment Plan by Resolution No. 2004R-528, which designated property in Phase 2 that may be acquired.

This modification to the VIP Redevelopment Plan authorizes the creation of a new housing tax increment financing district as a tool for carrying out the redevelopment activities described in the VIP, Phase 2 Tax Increment Financing ("TIF") Plan.

REDEVELOPMENT PLAN – Changed

- I. Description of Project
 - A. Boundary of Redevelopment Project – No Change
 - B. Project Boundary/Acquisition Map – No Change
 - C. Objectives of the Redevelopment Plan – No Change
 - C. Types of Redevelopment Activities – Updated

The objectives of the Redevelopment Plan will be accomplished through the following actions: site assembly and preparation, demolition, relocation, project administration, new housing construction, and other related activities.

II. Land Use Plan – No Change

A. Land Use Map – Updated

The Land Use Map, included in this Modification, has been updated to reflect the proposed land use for the Phase 2 VIP development.

B. Land Use Provisions and Requirements – No Change

C. Period During Which Land Use Provisions and Requirements Will Be In Effect – No Change

III. Project Proposals – Changed

The VIP project is a joint collaboration of several Minneapolis non-profit community developers and an active and incorporated block club in the process of comprehensively redeveloping a three block area in the Phillips Neighborhood. Construction has been completed for Phase 1 which included new construction of 28 ownership townhouses.

Phase 2 will consist of the new construction of housing on both southern corners of the intersection of Bloomington Avenue and E. 24th Street. Two buildings will be constructed, one on each corner of the intersection with a total of 36 condominium units and may include up to 1,200 square feet of commercial space to be situated in the building on the southwestern corner.

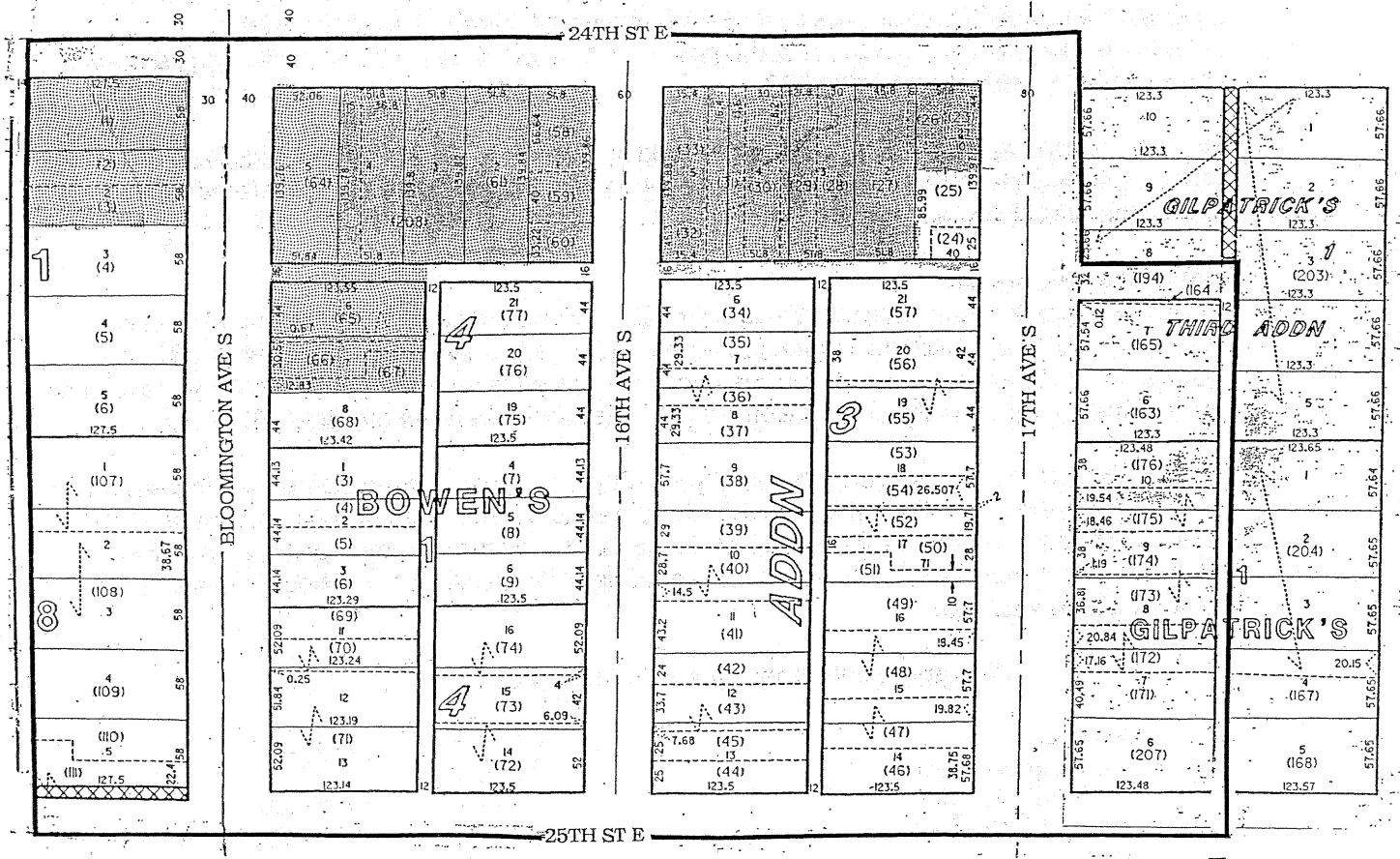
Eight units will be targeted to families at less than 50% of median income, another six units will be targeted to families at less than 80% of median income, and the remaining 22 units will be targeted to families up to 115% of median income. The residential condominium units will include a combination of 1, 2 and 3 bedroom units with sales prices ranging from \$135,000 to \$200,000.

Enclosed parking at ground level in both buildings will be provided for 36 vehicles, with surface parking for three - four vehicles serving the commercial component to be located behind the west building.



A. Redevelopers' Obligations – No Change

IV. Official Action to Carry Out the Redevelopment Plan – No Change

V. Procedure for Changes in Approved Redevelopment Plan – No Change



Village in Phillips Redevelopment Plan Land Use Map
 Updated December 16, 2005

Boundary  Land Use: High Density Residential 

Prepared by Development Finance Division
 105 5th Avenue S., Minneapolis, Minnesota

Method Proposed for Financing and Preliminary Budget

Description of Project

The Village in Phillips, Phase 2 project will consist of new construction of housing development on both southern corners of the intersection of Bloomington Avenue and E. 24th Street. Two buildings will be constructed, one on each corner of the intersection with a total of 36 condominium units and may include up to 1,200 square feet of commercial space to be situated in the building on the southwestern corner.

Eight units will be targeted to families at less than 50% of median income, another six units will be targeted to families at less than 80% of median income, and the remaining 22 units will be targeted to families up to 115% of median income. The residential condominium units will include a combination of 1, 2 and 3 bedroom units with sales prices ranging from \$135,000 to \$200,000.

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Financing Overview

Total development costs for the Village in Phillips, Phase 2 project is currently estimated at approximately \$7.3 million. Tax increment financing assistance of up to \$484,900 will be provided for new housing construction. This TIF assistance will be provided to the developer through the issuance of a pay-as-you-go tax increment revenue note (the "TIF Note").

As tax increment is generated by the project in future years, a portion of the tax increment collected by the City will be paid to the noteholder as payment of principal and interest on the TIF Note. A portion of the tax increment collected by the City may also be used for administrative purposes. The tax increment budget for the Village in Phillips, Phase 2 TIF district is shown below.

Village in Phillips, Phase 2 TIF Budget

Sources	Up-Front	Over Time
Developer Funds	\$ 484,900	---
Tax Increment	---	\$ 1,100,000
Total Sources	\$ 484,900	\$ 1,100,000
 Uses		
Housing Construction	\$ 484,900	---
Pay-As-You-Go Note Principal	---	\$ 484,900
Pay-As-You-Go Note Interest	---	505,100
Administration (10%)	---	110,000
Total Uses	\$ 484,900	\$ 1,100,000

The figures, sources and methods of financing identified in the VIP, Phase 2 TIF Plan are based on the best estimates available at the time of writing. Slight changes in these amounts can be expected. However, in the event that significant changes

affect the structure or feasibility of the TIF Plan, or result in an increase in the public redevelopment costs or indebtedness beyond the amounts listed, a modification to the TIF Plan will be necessary.

Tax increment generated within the TIF District will be a source of public funds used to pay a portion of the public redevelopment costs associated with the Village in Phillips, Phase 2 Project. Other sources of funds to pay public redevelopment costs may include Hennepin County Environmental Relief Funds (ERF), Local Initiatives Support Corporation (LISC), Midtown Phillips Neighborhood Revitalization Program (NRP), City of Minneapolis, Community Planning and Economic Development (CPED) Workforce Ownership Housing Funds, Hennepin County Transit-Oriented Development (TOD) Funds, Minnesota Housing Finance Agency (MHFA) Community Revitalization (CRV) Funds, City of Minneapolis NRP Affordable Housing Reserve Fund (AHRF), Metropolitan Council Local Housing Incentives Account (LHIA) Funds and other sources not yet identified.