Minneapolis
City of Lakes

The Jourdain Housing Tax Increment Finance Plan

November 12, 2004

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

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Plan Documents
Two plan documents have been prepared that are related to the proposed mixed-income, mixed-use project that have been proposed in the Venturá Village neighborhood in Ward 6 of South Minneapolis. The plan documents include the Jourdain Housing Tax Increment Finance ("TIF") Plan, and the Franklin-Portland Gateway Redevelopment Plan (the "Plans").

The Franklin-Portland Gateway Redevelopment Plan establishes a new redevelopment project area, establishes objectives for redevelopment, identifies land uses for the redevelopment oı the project area, and authorizes the creation of a new tax increment finance district as a tool for carrying out the redevelopment activities described therein.

The Jourdain Housing TIF Plan provides for the establishment of a new housing TIF district, authorizes public redevelopment activities, and establishes a budget for expenditures. Tax increment will be used to pay for a portion of the public redevelopment costs associated with the project.

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary

The TIF District is being established within and under the authority of the Franklin-Portland Gateway Redevelopment Project. The proposed TIF district consists of two existing tax parcels located on the southwest corner of the Franklin and Portland intersection in South Minneapolis. The boundary is shown on the boundary map (Exhibit #1).

The tax parcels to be included in the TIF District are:

Property Identification Number	***Address***
34-029-24-11-0094	2000 Portland Avenue
34-029-24-11-0095	2012 Portland Avenue

The Project Area Report, which documents the eligibility of this site for the establishment of a Housing TIF district, is included as Exhibit #2 to this TIF Plan.

II. Statement of Objectives

The objectives for this TIF Plan are described in the Franklin-Portland Gateway Redevelopment Plan in Section I. C.

The development proposes to use tax increment financing to accomplish these major objectives, which are consistent with City development objectives:

- Increase the City's property tax base and maintain its population diversity.
- Provide an array of housing choices that meet the needs of current residents and attract new residents to the city with an emphasis on providing affordable housing.
- Eliminate blighting influences throughout the city.
- Support neighborhood retail services, commercial corridors and employment hubs.
- Support redevelopment efforts that enhance and preserve unique urban features and amenities.

III. Development Program

A. Description of Development Program

Development Proposal

Located at the southwest corner of the Franklin-Portland intersection, the Jourdain is designed as a mixed-use, four-story building, with one level of underground parking. The first floor will contain approximately 4,000 square feet of commercial space, clustered primarily at the corner of the intersection and extending along the Franklin block face. The project will contain 41 units of housing, ranging in unit styles from single room only (SRO) units, one, two and three bedroom units. The Jourdain includes affordable townhome-style studios and two- and three-bedroom family units as well as market rate studios and two-bedroom units. The project includes laundry facilities in the family units, adequate storage space, kitchens and dining areas. All resident parking is provided in a below-grade parking garage. The Jourdain includes 4,000 square feet that will house a mini-market grocery store and office space. The retail will be neighborhood scale.

Rent pricing ranges from affordable to 30% of AMI to market rate. The proposed construction is Type III. Exterior finish is proposed as primarily brick siding, including elements of masonry, stone, cast concrete and steel.

Additional design elements and key building features include patios for the townhome style three-bedroom units, as well as an open mews which will enable residents along the Portland Avenue frontage direct access to the landscaped rear courtyard and play area. Many units will have terraces or balconies. Significant site landscaping and strategic decorative fencing, retaining walls and planters will provide buffers to designate the public area form the private space reserved for building residents.

Franklin-Portland Gateway Phase II - The Jourdain - is a collaborative effort by and between the Central Community Housing Trust (CCHT) and Hope Community to develop the southwest corner of Franklin and Portland Avenues. The Jourdain will provide a creative, commercial and residential development in the Phillips neighborhood. Ideas for the phased project were taken from residents and workers in the neighborhood and enhanced by engaging professionals in architecture, urban planning and real estate development. The technical expertise of CCHT and Hope represents a unique collaborative arrangement of two very skilled non-profit community developers who are prepared to carry fort the Gateway Project as part of the Ventura Village Master Plan.

Unit Breakdown/Affordability

Unit Composition	*Quantity*	*Unit Affordability*	*<30%*	*<50%*	*<60%*	*Market*
0 BR	12		0	6	0	6
1 BR	2		0	0	0	2
2 BR	18		0	3	6	9
3 BR	9		0	0	9	0
Total	***41***		***0***	***9***	***15***	***17***

CCHT is a non-profit affordable housing and related services organization. Since its' creation in 1986, CCHT has grown to provide quality, affordable housing to the Loring Park, Elliot Park, Downtown Minneapolis, North Loop, Stevens Square and Phillips neighborhood areas of central Minneapolis. Hope Community is a non-profit corporation that has been working in the Phillips and Ventura Village neighborhood for nearly 26 years. Hope Community provides housing for families, and has worked to help reconstruct the interconnected social and neighborhood fabric, establishing close connections and relationships with the families and individuals they serve, south of the intersection of Franklin and Portland Avenues.

Minneapolis Housing Policy

In 2002, modifications were made to the City's Comprehensive Plan ("*The Minneapolis Plan*") that strengthened its commitment to policies of housing growth and to increasing the supply of affordable housing. The Zoning Code was also amended to allow developers of affordable housing to construct more housing units than would otherwise be allowed in instances where a proposed development includes affordable housing units. Please see Exhibit #2, Project Area Report and Eligibility Documentation, for excerpts from these documents.

Additional strategic policy documents include the Affordable Housing Resolution 99R-312 which established the city's "Affordable Housing Initiative" directing the activity of City staff in the development of housing affordable to low income households.

B. Property That May Be Acquired

The developer has site control of the tax parcels within the proposed district.

C. Development Activity for Which Contracts Have Been Signed and Other Specific Development Expected to Occur

The City will negotiate a development agreement with CCHT and Hope Community.

D. Other Development Activity

No additional development activity is anticipated at the time of this writing.

IV. Description of Financing

A. Project Costs

Total development costs for the Jourdain project is currently estimated at approximately $8,774,000. Tax increment financing assistance in an amount not to exceed $581,300 may be provided for new housing construction. This TIF assistance will be provided to developer through the issuance of a pay-as-you-go tax increment revenue note (the "TIF Note"). The TIF Note will be issued by the City and will have a stated interest rate.

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 (twice a year) 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 or other affordable housing purposes as allowed by Minnesota State Statutes and stated in the tax increment budget. The tax increment budget for the TIF district is shown below:

The Jourdain Housing TIF District

	Up Front	Over Time
Sources		
Developer Funds	$595,000	---
Tax Increment	---	$1,800,000
Other	---	0
Total Sources	$595,000	$1,800,000
Uses		
Acquisition	$595,000	---
Pay-As-You-Go Note Principal	---	$595,000
Pay-As-You-Go Note Interest	---	665,000
Pooling for Affordable Housing	---	360,000
Administration (10%)	---	180,000
Total Uses	**$595,000**	**$1,800,000**

The figures, sources and methods of financing identified in this TIF Plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of this TIF Plan, or result in an increase in the public redevelopment costs or indebtedness beyond the amounts listed herein, a modification to the TIF Plan will be necessary. Such a modification would require the same approval process as the original approval of this TIF Plan. The actual public commitment to pay public redevelopment costs to be incurred within this Project Area is established in each redevelopment agreement entered into by the City and each developer, not by the TIF Plan, which establishes a permissive rather than proscriptive ceiling on public expenditures.

B. Bonded Indebtedness to be Incurred

It is anticipated that public redevelopment costs will be financed through the City's issuance to the developer of a pay-as-you-go tax increment financing note. It is not anticipated that any tax increment bonded indebtedness will be issued by the City for the Jourdain project.

With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the project. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

C. Sources of Revenue

Tax increment generated within the TIF District will be one source of public funds used to pay a portion of the public redevelopment costs associated with the Jourdain Housing Project. A request to CPED for $300,000 of Affordable Housing Trust Funds (AHTF) was approved in May 2004. In addition the MCDA approved $345,000 of Multifamily Rental and Cooperative Program Funds to assist the project and $30,000 of Non Profit Assistance Funds. Both of these loans will be structured as deferred loans with 1% simple interest, 30 year term.

The City will issue a pay-as-you-go TIF note to the developer in an amount of approximately $583,000. The TIF Note will support the Glaser First Mortgage on the project. Funds have also been committed from Hennepin County (ERF), Metropolitan Council, and a First Mortgage from Glaser Financial. MHFA also approved $380,000 of 9% Low Income Housing Tax Credits and $200,000 from the Family Housing Fund (FHF).

D. Original Net Tax Capacity

It is currently projected that the Estimated Market Value of taxable property in the TIF District is approximately $86,000. The Original Net Tax Capacity of the TIF District is therefore projected to be approximately $1,290.

E. Estimated Captured Net Tax Capacity at Completion

Upon completion of the redevelopment it is anticipated that the estimated market value of taxable property in the District will increase from $86,000 to approximately $3,100,000. This represents an increase of $3,014,000, and will generate a total net tax capacity of approximately $38,750, and an estimated captured net tax capacity of $37,460.

Based upon a projected total local tax rate of 147.000%, this will generate an estimated annual gross tax increment payment of $54,868, excluding deduction for State Auditor fee.

F. Duration of District

The Jourdain TIF District is a housing TIF district. Tax increment can be paid to the City for up to twenty-six years of increment collection, or such period as is authorized by law and is necessary to complete financing of the eligible project costs.

G. Fiscal Disparities Election

It is the intent of the City of Minneapolis that the entire fiscal disparity taken from outside the TIF District. The option provided in Minnesota Statutes Section 469.177, Subdivision 3, Paragraph (a) of the Minnesota Tax Increment Financing Act is elected.

H. Original Tax Capacity Rate

The Original Tax Capacity Rate for this district will be the local tax capacity rate for taxes payable (TP) 2005. For tax increment projection purposes, a tax rate of 147.000% has been used. For impact purposes (see Section VI), the tax rate for taxes payable in 2005 (147.756%) has been used.

I. Permit Activity and Prior Planned Improvements

The TIF District does not include any "prior planned improvements" as that term is described in Minnesota Statutes, Section 469.177. Subd. 4.

The letter requesting certification by Hennepin County of the TIF District will be accompanied by a list of all of the building permits issued for the property included in this TIF District during the eighteen months immediately preceding approval of this TIF Plan, as mandated by Minnesota Statutes, Section 469.175, Subdivision 3.

J. Affordable Housing and Expenditures Outside TIF District

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.173, Subd. 2, paragraph (d), which states that such expenditures must:

1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);
2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and
3) be used to:
    - acquire and prepare the site of the housing;
    - acquire, construct, or rehabilitate the housing; or
    - make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or "project area" (as that term is defined in Minnesota Statutes, Section 469.174), but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to Minnesota Statutes Section 469.1763, Subd. 2, up to 20% of the tax increment from a housing TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 30%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenditures are normally considered outside of the TIF district. However, if the only other expenditures outside of the TIF district are for affordable housing purposes as described above, the administrative expenditures are then considered spent within the TIF district.

Pursuant to the provisions, requirements and restrictions noted above, the City elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district. It currently anticipates that up to 10% of the increment collected from the district (over its lifetime) may be used for administrative purposes, and up to 30% of the increment collected from the district (over its lifetime) will be used for affordable housing purposes as described above.

V. Type of Tax Increment Financing District

The proposed TIF District is a "housing district" as defined in Minnesota Statutes Section 469.174 Subdivision 11:

"Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts.

VI. Estimated Impact on Other Taxing Jurisdictions

It is the position of the City of Minneapolis that the redevelopment of the property would not occur as proposed without the tax increment financing assistance to be provided.

Nevertheless, if it is assumed for purposes of analysis that the proposed development described herein, as the Project would occur without the tax increment financing assistance and that the estimated captured tax capacity generated by the development would under those circumstances be immediately available to the taxing jurisdictions, then the estimated annual impact on the taxing jurisdictions would be as follows:

Taxing Jurisdictions	Tax Capacity Rate Payable 2004	Property Tax Revenues Resulting from $37,460 Captured Tax Capacity
City of Minneapolis	64.538%	$24,176
Hennepin County	41.932	15,708
Special School District #1	32.373	12,127
Other Taxing Jurisdictions	8.913	3,339
Total	147.756%	$55,349

VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance

Minnesota Statutes, Section 469.175, Subdivision 3, provides that prior to the approval of a tax increment financing plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

It is the position of the City of Minneapolis that the private redevelopment of the property included in the TIF District could not occur without public participation and financial assistance. This conclusion is based upon the following factors:

Rents are not sufficient to amortize the entire cost of this development. The proposed project meets the need for affordable housing, creates a strong statement of progress in the Ventura Village neighborhood, and eliminates the blighting influences of vacant and abandoned parcels of land. Rental revenue from the project is not sufficient to amortize the entire cost of site assembly, site work and new construction. 100% of the tax increment goes to amortize additional debt and reduces the need for other housing subsidy resources. These vacant and underutilized lots are in an area of high traffic with high visibility and have abandoned and/or deteriorating buildings. The surrounding area is going through redevelopment and upgrading. Open or undeveloped land may be determined to be blighted due to unusual and difficult physical characteristics of the ground, faulty planning characterized by lots laid out in disregard of contours or of irregular form and shape or of inadequate size or other conditions which have prevented normal development of the land.

The development will be a significant, positive impact on an area of south Minneapolis that has been devoid of positive investment for several years. The Franklin Avenue commercial corridor, especially in the Phillips community, has suffered a thirty-year plus downturn. At present all indicators are that the area is poised for redevelopment. The near-downtown location presents a host of possibilities for both creative commercial and residential development. Hope Community's vision for "Children's Village" along with the Master Plan for Ventura Village created by members of the neighborhood group represents a land use vision for development of the Franklin Avenue commercial corridor. The plan puts in place immediate and future directions for land use that build on the area's attributes: proximity to downtown Minneapolis and access to employment, linkages to the City's network of parks and the proposed Hiawatha LRT station. The project needs the full benefit of tax increment financing available in order to proceed as the quality mixed-use, mixed income development currently envisioned. There is no comparable or alternative source of funding or financing to replace this important source.

There will be 9 units at 50% of MMI, and 15 units at 60% of MMI, for a total of 24 affordable units, therefore, the project complies with the City's Affordable Housing Policy, which requires that at least 8 units be affordable to low or moderate income households (i.e. 20% of 41 units).

Housing is considered affordable if it constitutes 30% or less of a household's gross income. Generally, when households spend more than 30% of their income to meet housing costs, they do not have enough income to meet other basic needs or financial setbacks. Households at the lowest income levels pay more of their income on housing than households at higher income levels.

Franklin Avenue is a "Commercial Corridor" because it has largely commercial zoned property, carries high volumes of automobile traffic, and retains a traditional urban form in the buildings and street orientation of businesses. *The Minneapolis Plan* supports strengthening its Commercial Corridors by encouraging new development along its corridors, promoting alternative uses such as mixed residential, office, and institutional uses, and institutional uses and low-impact, clean light industrial uses, and by addressing issues of parking, traffic, transit, and circulation.

Redevelopment of commercial corridors and already developed sites cost more than the rents can support. If the total project cost were to be supported totally by rental income from the housing and commercial space, the rents would be completely unaffordable to most individuals and families.

The value of the tax increment financing will enable the Jourdain development to offer a range of housing opportunities, including affordable rental units. This financing source is critical to ensuring the project is a financially viable long-term asset for the community. As the financial tools to support mixed-income, mixed-use development projects become more limited, the ability to recapture the value of the tax increment to capitalize the development is necessary to make this important project a reality. Without the tax increment financing, the project would be abandoned, as it is not possible to replace the revenue from the tax increment with any other available and attainable resource. Other financial assistance is necessary because this public assistance pays for the costs of development and allows rents to be affordable to low and moderate income individuals. Without this assistance, the rents would be unaffordable and unrealistic in the market. All of the identified public financing sources are necessary to fill the financing gap for this project as without these sources, the project would not be able to go forward. The project has the support of the neighborhood group and is a result of long term planning efforts.

The development will require public financing assistance beyond the tax increment financing requested. This is primarily due to the number of affordable units to be created with the development. In order to offer rents to households earning between 30% to 50% of the area median income, the "gap" between market rent (what monthly rent should be, based on the development cost for that unit), and the affordable rent must be filled in order for the development to remain financially viable into the future.

Therefore, it is the opinion of the City of Minneapolis that the proposed project to be financed, in part, by this TIF District would not occur solely through private investment within the foreseeable future.

The TIF Act requires that a potential TIF district must also pass a market value test in order to make a finding that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by this TIF Plan.

Because it is the opinion of the City of Minneapolis that the proposed Project to be financed, in part, by this TIF District would not occur solely through private investment at this time, the City projects that the estimated market value of the site without the use of tax increment would remain at its present level. The calculations necessary to pass this test are contained on the next page of this TIF Plan. As shown there, the public redevelopment activity, expenditures, and market values associated with the redevelopment that is proposed in this plan results in a series of calculations and figures that clearly pass the market value test.

VIII. Modifications to Tax Increment Finance Plans

This TIF Plan may be modified, provided that the City Council shall adopt such modifications under the applicable provisions of the TIF Act, Minnesota Statutes, Section 469.175, Subdivision 4. This TIF Plan reflects the establishment of The Jourdain Tax Increment Financing District.

The Jourdain TIF District

Valuation and Tax Increment Assumptions

	Pay 2006	Pay 2007	Pay 2008
Total Estimated Market Value (EMV)	$3,100,000	$3,100,000	$3,100,000
Less: Original EMV	86,000	86,000	86,000
Captured EMV	$3,014,000	$3,014,000	$3,014,000
Total Net Tax Capacity (NTC)	$38,750	$38,750	$38,750
Less: Original NTC	1,290	1,290	1,290
Captured NTC	$37,460	$37,460	$37,460
Times: Projected Total Tax Rate	147.000%	147.000%	147.000%
Gross Tax Increment	$55,066	$55,066	$55,066
Less: State Auditor's Fee (5%)	275	275	275
Tax Increment Distributed to City	$54,791	$54,791	$54,791

26 Years of TI Collection

Years of TIF Collection	Payable Year	Tax Increment Distributed To City
---	2004	$0
---	2005	0
1	2006	54,791
2	2007	54,791
3	2008	54,791
4	2009	54,791
5	2010	54,791
6	2011	54,791
7	2012	54,791
8	2013	54,791
9	2014	54,791
10	2015	54,791
11	2016	54,791
12	2017	54,791
13	2018	54,791
14	2019	54,791
15	2020	54,791
16	2021	54,791
17	2022	54,791
18	2023	54,791
19	2024	54,791
20	2025	54,791
21	2026	54,791
22	2027	54,791
23	2028	54,791
24	2029	54,791
25	2030	54,791
26	2031	54,791
		$1,424,566
P.V. @	**5.00%**	**$750,125**

Market Value Test

<u>Analysis Required by M.S. Section 469.175, Subd. 3 (2)</u>

(1) "... the increased market value of the site that could reasonably be expected to occur without the use of tax increment ..."

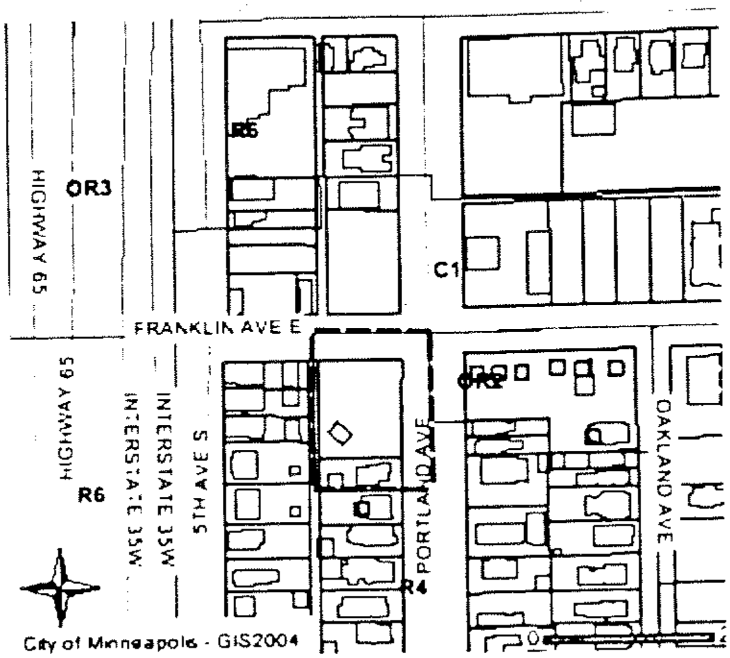
(a) Projected estimated market value without the use of tax increment	$86,000
(b) Original estimated market value	86,000
(c) Increased estimated market value without the use of tax increment = (a) - (b)	$0

(2) " increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan "

(d) Increase in the estimated market value of the completed development	$3,100,000
(e) Present value of the projected tax increment for the maximum duration of the district	750,125
(f) Difference = (d) - (e)	$2,349,875

(3) Since (c) is less than (f), the proposed development or redevelopment passes the test.

Exhibit # 1



Minneapolis
City of Lakes

The Jourdain Tax Increment Finance Plan
Boundary Map
November 12, 2004

Boundary ———

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

Exhibit #2

PROJECT AREA REPORT AND ELIGIBILITY DOCUMENTATION

Franklin-Portland Gateway Redevelopment Plan and The Jourdain Tax Increment Finance Plan November 12, 2004

Plan documents have been prepared that are related to the proposed mixed-income, mixed-use multiphased project that has been proposed in the Ventura Village Neighborhood of the Phillips Community in Ward 6 of South Minneapolis. Located at the southwest corner of the Franklin-Portland Gateway intersection, the Jourdain project – Phase II - is designed as a mixed-use, four-story building, with one level of underground parking. The first floor will contain approximately 4,000 square feet of commercial space, clustered primarily at the corner of the intersection and extending along the Franklin block face, that will house a mini-market grocery store and office space. The retail will be neighborhood scale.

The Jourdain project will contain 41 units of housing, ranging in unit styles from single room only (SRO) units, one, two and three bedroom units. The project includes affordable townhome-style studios and two- and three-bedroom family units as well as market rate studios and two-bedroom units. All resident parking is provided in a below-grade parking garage.

This Project Area Report and Documentation of Eligibility describes the conditions that qualify the Franklin-Portland Gateway site as a redevelopment project and the "Jourdain" as a housing tax increment finance district.

The Franklin-Portland Gateway Redevelopment Project (the "Redevelopment Project") will be a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16). According to Subdivision 14, Paragraph 1, redevelopment projects are established "for the purpose of removing, preventing, or reducing blight, blighting factors, or the causes of blight." The redevelopment project area therefore must be found to be a blighted area, which is defined in Section 469.002, Subd. 11 of the Act as:

"... any area with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive

land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors. are detrimental to the safety, health, morals, or welfare of the community."

Area Characteristics
The Franklin-Portland Gateway Project Area is located in south Minneapolis in the 6th ward of the Ventura Village neighborhood of the Phillips Community. The proposed Redevelopment Project Area consists of four existing tax parcels at the intersection of Franklin and Portland Avenues. The proposed project area includes parcels at the northeast, northwest and southwest corners of the intersection as well as streets and alleys.

Findings of Blight within the Proposed Redevelopment Project Area
The proposed project area includes four tax parcels, including vacated streets and alleys. CPED Construction Management Specialist Kathleen Murphy conducted inspections of the proposed redevelopment project area in August 2004. The proposed redevelopment project area consists of four vacant lots, including an abandoned convenience store and gas station, and a vacated used car lot. All structures are vacant, and are poorly maintained.

EXISTING CONDITIONS
The inspection and site analysis revealed the following:

* Fenced lot with uneven grade, volunteer tree growth, with a combination of broken asphalt and concrete covering and uncovered land with possible soil contamination due to the type of business formerly located on the property.
* An abandoned convenience store, gas station with a parking lot and vacant land. Roofing materials missing, peeling paint, boarded windows, and volunteer trees growing next to the rear of the building. Parking area has broken and uneven asphalt causing water pooling, has weed growth and an abandoned public telephone box.
* A vacated used car lot with asphalt covering. Property contains damaged concrete pilasters once used for pole lights to light area for nighttime car sales. Inadequate drainage in some areas allowing for water pooling. Debris has been dumped on the lot. Structure on the parcel has rotted gutters, rotted soffit and fascia, leaking roof, boarded windows, broken glass door, no handicap accessibility, wet and moldy interior components, peeling paint and an uneven concrete floor with peel and stick floor tiles are in a deteriorated state.
* A vacant lot with a damaged fence and posts with no fencing. Parcel contains an abundance of scrub trees.

CONCLUSION
These vacant and underutilized lots are in an area of high traffic with high visibility and have abandoned and/or deteriorating buildings (2 lots). The surrounding area is going through redevelopment and upgrading. Open or undeveloped land may be determined to be blighted due to unusual and difficult physical characteristics of the ground, faulty planning characterized by lots laid

out in disregard of contours or of irregular form and shape or of inadequate size (no access) or other conditions which have prevented normal development of the land.

The deterioration of the vacant parcels undermines the value of adjacent property. Vacant parcels constitute a repository for debris, fire hazard, and may attract vagrants and criminal elements of the population. The vacant space is not only an uneconomic use of inner city real estate, but is considered a blighting condition.

This report does not address environmental issues (e.g. pollution, contamination, fugitive spills, asbestos, PCB containing transformers), or other unknown physical or geo-technical problems.

Tax Increment Finance District Eligibility Findings

The Jourdain TIF District is to be a housing TIF District as defined in the Minnesota Statutes, Section 469.174, Subdivison 11, which states:

> "Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts.
>
> A district does not qualify as a housing district under this subdivision if the fair market value of the improvements which are constructed in the district for commercial uses or for uses other than low and moderate income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value. Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

There are two specific questions to be answered in order to confirm the eligibility to establish a Housing TIF District to finance eligible public redevelopment costs of the Jourdain Project.

1) Does the project comply with the income restrictions for rental housing projects identified in Minnesota Statutes, Section 469.1761, Subdivision 2 and 3?

2) Does the fair market value of the low and moderate income housing project constitute at least 80% of the total valuation of the improvements constructed in the district?

Income Restrictions[1], [2]
Moderate-income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the metropolitan median family income. Low-income housing is defined as housing affordable to families with incomes below 80 percent of the metropolitan median (MMI) family income.

The proposed project must also satisfy the income requirements for a Housing Tax Increment Finance District as stated in the Minnesota Tax Increment Act (Minnesota Statutes, Section 469.1761, Subdivision 3). Subdivision 3 states that rental housing must meet one of the following tests in order to qualify as a Housing Tax Increment District:

1. At least 20 percent (8.2) of the units must be occupied by individuals whose income is 50 percent or less of the Metropolitan area median gross income (9 units of 41) are available at or below 50%); or

2. At least 40 percent (16.4) of the units must be occupied by individuals whose income is 60 percent or less of the area median gross income (15 units are available at or below 60%); or

3. At least 50 percent (20.5) of the units must be occupied by individuals whose income is 80 percent or less of the area median gross income (24 units are available at or below 80% of MMI).

Affordability
The City's Affordable Housing Policy states that projects that receive City financial assistance must either make at least 20% of the total project units affordable to households earning 50% of MMI or below, pay $80,000 per affordable unit (20% of total project units) into the Affordable Housing Trust Fund, or provide the affordable units at a different, but comparable location.

Since there will be 9 units at 50% of MMI and 15 units at 60% of MMI, for a total of 24 affordable units, the project complies with the City's Affordable Housing Policy, which requires that at least 8.2 units be affordable to low or moderate income households (i.e. 20% of 41 units). **The proposed project meets the income requirements for a Housing TIF District in 1. and 3. above.** Income guidelines will be monitored for the life of the district, as the requirements of this subdivision apply for the duration of the tax increment financing district.

Valuation Test
In addition to the rental apartment units, the project will include about 4,000 sq. ft. of commercial space, anticipated to be a mini-market grocery store and office space, on the main level. According to Minnesota Statutes, Section 469.174, Subdivision 11, in order to establish a housing TIF district,

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[1] The FY2004 Median Family Income Metro Area, State of Minnesota is $73,300 as estimated by HUD
[2] The MMI for Tax Credit Income Limits for 2004 is $76,400 effective date 1/28/04

the fair market value of the low and moderate income housing project must constitute at least 80% of the total valuation of the improvements constructed in the district.

It has been calculated that the Estimated Market Value (EMV) of the completed project will be about $3,100,000. Approximately $2,770,000 of the valuation is attributable to low and moderate housing (apartments) and $330,000 is attributable to the commercial value. This means that about 11% of the assessed value of the complete development is attributable to the commercial value portion of the housing project.

Minneapolis Housing Policy

In 2002, modifications were made to the City's Comprehensive Plan ("The Minneapolis Plan") that strengthened its commitment to policies of housing growth and to increasing the supply of affordable housing. The principal goals of city housing policy are to improve choices, both for households with constrained choice and for households with many choices. The Zoning Code was also amended to allow developers of affordable housing to construct more housing units than would otherwise be allowed in instances where a proposed development includes affordable housing units.

"The Minneapolis Plan" includes the following policy statements:

- 4.9 Minneapolis will grow by increasing its supply of housing.
- 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households.
- 4.11 Minneapolis will improve the availability of housing options for its residents.
- 4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens.
- 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.
- 4.16 Minneapolis will work closely with NRP planning and implementation to ensure that NRP plans are consistent with the City's Housing Policy.

Each of these policies is associated with a set of related implementation steps, which are accomplished through a variety of mechanisms that include regulatory requirements and enforcement, and the financial and staff resources of the City, NRP, and Empowerment Zone. These steps include:

The variety of housing types throughout the city, its communities and the metropolitan area shall be increased giving prospective buyers and renters greater choice in where they live.

- Develop/provide incentives for placing new housing on transportation corridors
- Up to 20 percent of the units in new multifamily housing developments should be affordable at 50% of metropolitan median income.

Minneapolis will improve the range of housing options for those with few or constrained

choices.

Another way to describe the city's policy objectives in influencing the housing market is to target the variety of residents' housing choices. The ability to provide residents from all walks of life with increased housing choices, in a variety of housing types, ages, (newly constructed and renovated older buildings) and affordability levels will hugely influence the pattern of future prosperity and vitality in the city. Tools have been developed to assist the city and its partners in implementing expanded choice in housing. These tools define terms such as affordability, medium and high density housing. They also relate the city's efforts at expanding housing choice to metropolitan initiatives, and include the Livable Communities Act guidelines, the Consolidated Plan for Housing and Community Development, tax credit programs for affordable housing developments and CPED-sponsored programs for housing redevelopment and new construction. Implementation steps include:

- Increase the variety of housing types (affordability, style, location) throughout the city, giving greater choice
- Encourage new housing production as a way to increase resident choices throughout the city.
- Promote mixed income housing development as a method of providing more choices to residents
- Promote mixed income housing as part of mixed use development so that the likelihood of affordable housing is increased

Minneapolis will both assume its appropriate responsibility for improving housing options among those with few or constrained choices, and collaborate with partners at the regional, state, federal and local level to assure that appropriate solutions are pursued throughout the region.

The "Zoning Code"

A modification to the Code provides an incentive to the development of affordable housing units, providing a 20% bonus in the number of units that can be built if at least 20% of the development's units are affordable to low-income households.

"The Minneapolis Plan" supports strengthening commercial corridors[3] by:

- Encouraging new development along them;
- Promoting alternative uses such as mixed residential, office, and institutional uses and low-impact, clean light industrial uses;
- Addressing issues of parking, traffic, transit, and circulation; and
- Assisting with the rehabilitation, reuse, and revitalization of older commercial buildings and districts.

[3] Commercial Corridors are streets that have largely commercially-zoned property, carry high volumes of automobile traffic, and retain a traditional urban form in the buildings and street orientation of businesses. Franklin Avenue is a Commercial Corridor.