



## Request for City Council Committee Action from the Finance Department

**Date:** June 21, 2011

**To:** Council Member Lisa Goodman, Chair, Community Development Committee

**Referral to:** Council Member Betsy Hodges, Chair, Ways and Means/Budget Committee

**Subject:** Modification No. 1 to the Consolidated Redevelopment Tax Increment Financing Plan

**Recommendation:** Adopt the attached resolution approving Modification No. 1 to the Consolidated Redevelopment Tax Increment Financing Plan.

**Previous Directives:** 1) On December 18, 2009 the City Council adopted Resolution 2009R-595, approving the Consolidated Redevelopment Tax Increment Financing Plan (the "TIF Plan") and establishing the Consolidated Redevelopment TIF District (the "Consolidated TIF District"). 2) On December 13, 2010 the City Council approved a budget footnote directing the Finance Department to develop a plan to provide property tax relief to City taxpayers in 2012 and 2013 through adjustments to the TIF Consolidated District. 3) On February 11, 2011 the City Council approved a plan to retain only 50% of the captured value in the Consolidated TIF District in 2012 and 2013, and to add the remaining 50% to the City's general tax base for property tax relief purposes.

### Department Information

Prepared by: Mark Winkelhake, Manager, Development Finance (612-673-5105)

Approved by: Kevin Carpenter, Finance Officer \_\_\_\_\_

Steven Bosacker, City Coordinator \_\_\_\_\_

Presenter in Committee: Jeff Streder, Director, Development Finance (612-673-5130)

### Financial Impact

No financial impact to the 2011 City Budget. By retaining only 50% of the captured value in the Consolidated TIF District in 2012 and 2013, the City would forgo \$5 million in annual funding from tax increment for neighborhood revitalization purposes in each of these two years.

### Community Impact

- Neighborhood Notification – On June 3, 2011, all neighborhood organizations were notified of the opportunity to comment on the proposed modification.
- City Goals: A City That Works – Tax burden managed and sustainable.

### Supporting Information

In accordance with special state legislation passed in 2008, the Consolidated TIF District was established in December 2009 as a means of meeting the City's Target Center debt service obligations and providing a source of funding for neighborhood revitalization purposes.

On December 13, 2010 the City Council approved a budget footnote directing the Finance Department to develop a plan to provide property tax relief to taxpayers in 2012 and 2013 through adjustments to the Consolidated TIF District.

On February 11, 2011 the City Council approved a plan to retain only 50% of the captured value in the Consolidated TIF District in 2012 and 2013 for the purpose of generating tax increment, and to add the remaining 50% of the captured value to the City's general tax base for property tax relief purposes. Direction was given to staff to prepare a modification to the TIF Plan to reflect these changes.

It is currently projected that the Consolidated TIF District will generate approximately \$10.5 million in net tax increment revenue in 2011 (see Exhibit 4 in the Proposed Modification No. 1, columns 5-7). Half of this amount will be used for Target Center debt service and half will be used for neighborhood revitalization purposes.

It is currently projected that the Consolidated TIF District will generate approximately \$5.0 million in annual net tax increment revenue in 2012 and 2013, all of which will be used for Target Center debt service. In the years 2014-2020 it is currently projected the District will annually generate approximately \$10.2-\$11.1 million in net tax increment revenue, of which 50% will be used for Target Center debt service and 50% will be used to fund neighborhood revitalization purposes.

The proposed Modification No. 1 to the TIF Plan:

1. Reduces the tax increment budget (Section VII.A., page 5).
2. Identifies the actual original tax capacity rates for the TIF district (Section VII.E., page 6).
3. States the City elects to retain 100% of the captured net tax capacity of the TIF district for taxes payable 2011, 50% for taxes payable 2012 and 2013, and 100% for taxes payable 2014 through 2020 (Section VII.G., page 7).
4. Updates the tax increment projections for taxes payable in 2011 (Exhibit 3) and in 2011-2020 (Exhibit 4).

A plan modification of this nature is considered "administrative". There are no statutory requirements to notify the School District, the County, or the City Planning Commission, nor to conduct a public hearing on this matter. However, on June 3<sup>rd</sup> the Finance Department posted the Proposed Modification No. 1 to the TIF Plan on the City's website, and notified all neighborhood organizations that this proposed modification would be heard and considered by the Community Development Committee on June 21<sup>st</sup>, the W&M/Budget Committee on June 27<sup>th</sup>, and the City Council on July 1<sup>st</sup>.

**RESOLUTION  
OF THE  
CITY OF MINNEAPOLIS**

By \_\_\_\_\_

**Approving Modification No. 1 to the Consolidated Redevelopment Tax Increment Financing District Tax Increment Financing Plan.**

Resolved by the City Council of the City of Minneapolis:

Section 1. Recitals

1.1. 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, has been granted the authority to propose and implement city development districts, housing and redevelopment projects and tax increment financing ("TIF") 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").

1.2. The Minnesota Legislature adopted Laws of Minnesota 2008, Chapter 366, Article 5, Section 37 (the "Special Legislation"). The City approved the Special Legislation on July 11, 2008 by Resolution 2008R-276, in accordance with Minnesota Statutes, Section 645.021, Subd. 3.

1.3. The Special Legislation authorized the City to create a new redevelopment TIF district comprised of all or part of the property located within 15 pre-1979 TIF districts that terminated on August 1, 2009.

1.4. By Resolution 2009R-595 duly adopted December 18, 2009 and approved December 22, 2009, the City approved the Consolidated Redevelopment TIF District TIF Plan (the "Plan"), creating the Consolidated Redevelopment TIF District (the "District"), a new redevelopment TIF district that exists outside the boundaries of any project area. The Plan designates property to be included within the District and identifies a budget for expenditures, all pursuant to and in accordance with the Project Laws and/or the Special Legislation.

1.5. On February 11, 2011, this Council approved a plan to retain 50 percent of the captured net tax capacity of the District in 2012 and 2013 to provide property tax relief, and directed staff to prepare a modification to the Plan to reflect this change.

1.6. The City has prepared, and this Council has investigated the facts with respect to, Modification No. 1 to the Plan (the "Modification"). The Modification reduces the tax increment budget; identifies the District's original tax capacity rates; states the City's election to retain 100 percent of the District's captured net tax capacity for taxes payable in 2011, 50 percent for taxes payable in 2012 and 2013, and 100 percent for taxes payable in 2014 through 2020; and updates tax increment projections.

1.7. The City has performed all actions required by law to be performed prior to approval of the Modification.

1.8. The Council believes that it is necessary and in the best interests of the City at this time to approve the Modification.

Section 2. Findings for the Adoption of the Modification

2.1. The Council hereby finds, determines and declares that the objectives and actions authorized by the Modification are all pursuant to and in accordance with the Project Laws and/or the Special Legislation.

2.2. The Council further finds, determines and declares that the Modification conforms to the general plan for the development or redevelopment of the city as a whole.

2.3. The Council further finds, determines and declares that the reasons and facts supporting the findings in this resolution are described in the Plan.

### Section 3. Approval of the Modification

3.1. Based upon the findings set forth in Section 2 hereof, the Modification presented to the Council on this date is hereby approved and shall be placed on file in the office of the City Clerk.

### Section 4. Implementation of the Modification

4.1. After passage and publication of this Resolution, 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 Modification and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further modifications, plans, resolutions, documents and contracts necessary for this purpose.

4.3. As provided under Minnesota Statutes, Section 469.1781, Subdivision 7, this Council hereby authorizes the advance of revenues from other available development revenues of the City in the principal amount needed to offset any negative fund balances incurred with respect to this District as a result of expenditures incurred prior to or in excess of the collection of tax increment revenue. The interest rate paid on such advances shall be equal to the rate of interest those revenues would have generated in their fund. The term of this advance shall end upon the termination of the District, although as revenues are available in the fund for the District, the advance shall be offset by such amounts.