



Modification No. 1 to the  
Housing Replacement District Plan

December 8, 2009

# Housing Replacement District Plan

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Exhibit 1 – Special Legislation

### Introduction

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*[The following language is added to the Introduction to the Housing Replacement District Plan.]*

The Housing Replacement District Plan was approved by the Minneapolis City Council on August 9, 1996. This Modification No. 1 updates the Plan in response to a change in the special legislation authorizing the district

Laws of Minnesota 2008, Chapter 366, Article 5, Section 20 amends Laws of Minnesota 1995, Chapter 284, Article 5, Section 46, Subdivision 2 to authorize the City of Minneapolis to use tax increment revenues derived from any of its housing replacement districts to pay or reimburse the City's costs for acquisition and preparation of parcels located outside the districts. Parcels located anywhere within the city may be developed or redeveloped as market rate housing, provided the parcels are vacant or contain a vacant or substandard house.

On July 11, 2008, the Minneapolis City Council approved the special legislation authorizing the City to make this change to its housing replacement districts.

Sections A, B, G and H of the Housing Replacement District Plan are being modified to include language related to this change. Section H is also being modified to include language acknowledging that future legislative action may change the local contribution required for housing replacement districts.

Although other aspects of the Plan are now out of date, including references to the role of the Minneapolis Community Development Agency, the list of parcels included in the District and certain financial estimates, these aspects are not updated by Modification No. 1. The time period during which parcels may be added to Housing Replacement District has expired, and housing replacement development activity will occur on new parcels under the authority of the Housing Replacement District III Plan.

*[Section A is modified to change the definition of "Enabling Legislation". All other language in Section A remains as originally approved.]*

### **A. Definitions**

"Enabling Legislation" means the Laws of Minnesota 1995, Chapter 264, Article 5, Sections 44 through 47, as amended by: Laws of Minnesota 1996, Chapter 471, Article 7; Laws of Minnesota 1997, Chapter 231, Article 10; Laws of Minnesota 2002, Chapter 377, Article 7; Laws of Minnesota 2008, Chapter 154, Article 9, Section 18-19; and Laws of Minnesota 2008, Chapter 366, Article 5, Section 2.

*[Section B is replaced by the following language.]*

### **B. Statutory Authorization**

Laws of Minnesota 1995, Chapter 264, Article 5, Sections 44 through 47, as amended by Laws of Minnesota 1996, Chapter 471, Article 7; Laws of Minnesota 1997, Chapter 231, Article 10; Laws of Minnesota 2002, Chapter 377, Article 7; Laws of Minnesota 2008, Chapter 154, Article 9, Section 18-19; and Laws of Minnesota 2008, Chapter 366, Article 5, Section 2 provides for

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the establishment of a housing replacement district in the City, and for the adoption and implementation of this Plan.

*[The following language is added to Section G.]*

### **G. Proposed Development Activity**

Revenues derived from tax increments generated by parcels in the District may be used for acquisition and preparation of vacant land, vacant housing or substandard housing parcels located outside the District, for redevelopment as market rate housing.

*[The following language is added to Section H.]*

### **H. Description of District Financing**

To the extent that a local contribution is required by State law, such contribution must come from a source other than tax increment revenue, and may include the City's general fund, a property tax levy, or other unrestricted money. At the time of preparation of this Plan, the required local contribution is 25 percent of the project costs. For purposes of this Plan, a 25 percent local contribution is assumed. If in the future the local contribution requirement is changed by legislation, the source of funding may be direct payment or reimbursement from tax increment revenue.

*[Section H.4 is replaced by the following language.]*

### **4. Eligible Uses of District Funds**

Expenditures of tax increment revenues derived from the District are limited to the following eligible uses.

All revenues derived from tax increments must be used in accordance with the Plan. The revenues must be used solely to pay the costs of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on parcels identified in the Plan or on any qualified parcel outside the District, as well as public improvements, property management, interest expense and administrative costs directly related to those parcels.

Revenue generated by any parcel located within the District may be utilized to pay or reimburse eligible project costs for any other parcel included within the District or for any qualified parcel outside the District.

**Housing Replacement Districts**  
**Special Legislation passed in 1995 & amended in 1996, 1997, 2002 and 2008**

Sec. 44. [CITIES OF CRYSTAL, FRIDLEY, ST. PAUL, AND MINNEAPOLIS; HOUSING REPLACEMENT DISTRICTS; DEFINITIONS.]

Subdivision 1. [CAPTURED NET TAX CAPACITY.] "Captured net tax capacity" means the amount by which the current net tax capacity in a housing replacement district exceeds the original net tax capacity, including the value of property normally taxable as personal property by reason of its location on or over property owned by a tax-exempt entity.

Subd. 2. [ORIGINAL NET TAX CAPACITY.] "Original net tax capacity" means the net tax capacity of all taxable real property within a housing replacement district as certified by the commissioner of revenue for the previous assessment year less the net tax capacity attributable to existing improvements, provided that the request by the authority for certification of a new housing replacement district has been made to the county auditor by June 30. The original net tax capacity of housing replacement districts for which requests are filed after June 30 has an original net tax capacity based on the current assessment year. In any case, the original net tax capacity must be determined together with subsequent adjustments as set forth in Minnesota Statutes, section 469.177, subdivision 1, paragraph (c). In determining the original net tax capacity, the net tax capacity of real property exempt from taxation at the time of the request shall be zero, except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the net tax capacity of the property shall be the net tax capacity as most recently determined by the commissioner of revenue.

Subd. 3. [PARCEL.] "Parcel" means a tract or plat of land established prior to the certification of the housing replacement district as a single unit for purposes of assessment.

Subd. 4. [AUTHORITY.] For housing replacement projects in the city of Crystal, "authority" means the Crystal economic development authority. For housing replacement projects in the city of Fridley, "authority" means the housing and redevelopment authority in and for the city of Fridley or a successor in interest. For housing replacement projects in the city of Minneapolis, "authority" means the Minneapolis community development agency or its successors and assigns. For housing replacement projects in the city of St. Paul, "authority" means the St. Paul housing and redevelopment authority. For housing replacement projects in the city of Duluth, "authority" means the Duluth economic development authority. For housing replacement projects in the city of Richfield, "authority" is the authority as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the governing body of the city of Richfield. For housing replacement projects in the city of Columbia Heights, "authority" is the authority as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the governing body of the city of Columbia Heights.

Sec. 45. [ESTABLISHMENT OF HOUSING REPLACEMENT DISTRICTS.]

Subdivision 1. [CREATION OF PROJECTS.] (a) An authority may create a housing replacement project under sections 44 to 47, as provided in this section.

(b) For the cities of Crystal, Fridley, Richfield, and Columbia Heights, the authority may designate up to 50 parcels in the city to be included in a housing replacement district. No more than ten parcels may be included in year one of the district, with up to ten additional parcels added to the district in each of the following nine years. For the cities of St. Paul and Duluth, each authority may designate not more than 200 parcels in the city to be included in a housing replacement district over the life of the district. For the city of Minneapolis, the authority may designate not more than 400 parcels in the city to be included in housing replacement districts over the life of the districts. The only parcels that may be included in a district are (1) vacant sites, (2) parcels containing vacant houses, or (3) parcels containing houses that are structurally substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

(c) The city in which the authority is located must pay at least 25 percent of the housing replacement project costs from its general fund, a property tax levy, or other unrestricted money, not including tax increments.

(d) The housing replacement district plan must have as its sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

Subd. 2. [HOUSING REPLACEMENT DISTRICT PLAN.] To establish a housing replacement district under sections 44 to 47, an authority shall adopt a housing replacement district plan which contains:

(1) a statement of the objectives and a description of the housing replacement projects proposed by the authority for the housing replacement district;

(2) a statement of the housing replacement district plan, demonstrating the coordination of that plan with the city's comprehensive plan;

(3) estimates of the following:

(i) cost of the program, including administrative expenses;

(ii) sources of revenue to finance or otherwise pay public costs;

(iii) the most recent net tax capacity of taxable real property within the housing replacement district; and

(iv) the estimated captured net tax capacity of the housing replacement district at completion;

(4) statements of the authority's alternate estimates of the impact of the housing replacement district on the net tax capacities of all taxing jurisdictions in which the housing replacement district is located in whole or in part. For purposes of one statement, the municipality shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the housing replacement district, and for purposes of the second statement, the county shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the housing replacement district; and

(5) identification of all parcels to be included in the district, to the extent known at the time the original housing replacement district plan is prepared. At a minimum, the parcels that will be included in the housing replacement district during its first year must be identified in the original housing replacement district plan. If parcels for subsequent years are not specifically identified, the original housing replacement district plan must include the criteria that will be used by the authority to select parcels to be included in the later years.

Subd. 3. [PROCEDURE.] The provisions of Minnesota Statutes, section 469.175, subdivisions 3, 4, 5, and 6, apply to the establishment and operation of the housing replacement districts created under sections 44 to 47, except as follows:

(1) the determination specified in Minnesota Statutes, section 469.175, subdivision 3, clause (1), is not required; and

(2) addition of parcels not identified in the original housing replacement district plan is not treated as a modification of that plan requiring an approval process provided that the parcels added are consistent with the criteria described in subdivision 2, clause (5).

#### Sec. 46. [LIMITATIONS.]

Subdivision 1. [DURATION LIMITS.] No tax increment may be paid to the authority on each parcel in a housing replacement district after 15 years from date of receipt by the county of the first tax increment from that parcel.

Subd. 2. [LIMITATION ON USE OF TAX INCREMENTS.] (a) All revenues derived from tax increments must be used in accordance with the housing replacement district plan. The revenues must be used solely to pay the costs of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on parcels identified in the housing replacement district plan, as well as public improvements and administrative costs directly related to those parcels.

(b) Notwithstanding paragraph (a), the city of Minneapolis may use revenues derived from tax increments from its housing replacement district for activities related to parcels not identified in

the housing replacement plan, but which would qualify for inclusion under section 45, subdivision 1, paragraph (b), clauses (1) to (3).

(c) Notwithstanding paragraph (a), or any other provisions of sections 44 to 47, the Crystal Economic Development Authority may use revenues derived from tax increments from its housing replacement districts numbers one and two as if those districts were housing districts under Minnesota Statutes, section 469.174, subdivision 11, provided that eligible activities may be located anywhere in the city without regard to the boundaries of housing replacement district numbers one and two or any project area.

#### Sec. 47. [APPLICATION OF OTHER LAWS.]

Subdivision 1. [COMPUTATION OF TAX INCREMENT.] The provisions of Minnesota Statutes, section 469.177, subdivisions 1a, and 5 to 10, apply to the computation of tax increment for the housing replacement districts created under sections 44 to 47. The original local tax rate is the rate for the year a parcel is certified for inclusion in a housing replacement district.

Subd. 2. [OTHER PROVISIONS.] References in Minnesota Statutes to tax increment financing districts created and tax increments generated under Minnesota Statutes, sections 469.174 to 469.179, other than references in Minnesota Statutes, section 273.1399, include housing replacement districts and tax increments subject to sections 44 to 47, provided that Minnesota Statutes, sections 469.174 to 469.179, apply only to the extent specified in sections 44 to 47.

Subd. 3. [MINNEAPOLIS SPECIAL LAW.] Laws 1980, chapter 595, section 2, subdivision 2, does not apply to a district created under sections 44 to 47.

Original legislation:	1995 Laws of MN, Chapter 264, Article 5, Section 44
1 <sup>st</sup> Amendment:	1996 Laws of MN, Chapter 471, Article 7, Section 21
2 <sup>nd</sup> Amendment:	1997 Laws of MN, Chapter 231, Article 10, Section 12
3rd Amendment:	2002 Laws of MN, Chapter 377, Article 7, Section 6
4th Amendments:	2008 Laws of MN, Chapter 154, Article 9, Section 18-19 2008 Laws of MN, Chapter 366, Article 5, Section 2