



**Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED**

Date: September 11, 2007

To: Council Member Lisa Goodman, Community Development Cmte  
Referral to: Council Member Paul Ostrow, Ways and Means Budget Cmte

**Subject:** Authorizing the Issuance of a "Pay-As-You-Go" Tax Increment Financing Note to Franklin Portland Gateway Phase III Limited Partnership-The Wellstone

**Recommendation:** The City Council approve the attached Resolution authorizing the issuance of a "Pay-As-You-Go" Tax Increment Financing Note to Franklin Portland Gateway Phase III Limited Partnership in a principal amount not to exceed \$705,800.

**Previous Directives:** On January 28, 2005 the City Council approved a loan of \$900,000 from the AHTF; on September 2, 2005 the City Council approved Project Analysis Authorization; on November 1, 2005 the City Council approved a loan of \$275,000 from the AHTF; and on April 27, 2007 the City Council adopted the Wellstone Tax Increment Finance Plan and Modification to the Franklin-Portland Gateway Redevelopment Plan.

Prepared by: Dollie Crowther, Principal Coordinator  
Approved by: Elizabeth Ryan, Director Housing Policy and Development \_\_\_\_\_  
Presenter in Committee: Dollie Crowther

**Reviews**

Permanent Review Committee (PRC): Approval \_\_\_ Date \_\_\_\_\_  
Policy Review Group (PRG): Approval \_\_\_ Date \_\_\_\_\_

**Financial Impact**

- No financial impact. Action is within current department budget.
- Action requires an appropriation increase to the Capital Budget \_\_\_\_\_ or Operating Budget \_\_\_\_\_
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

## **Community Impact**

Neighborhood Notification: The Ventura Village Neighborhood previously approved The Franklin Gateway Proposal.

City Goals: Foster the development and preservation of a mix of quality of housing types that are available, affordable, meets current needs and promotes future growth.

Sustainability Targets: NA

Comprehensive Plan:

4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods.

4.9 Minneapolis will grow by increasing its supply of housing.

4.12 Minneapolis will reasonably accommodate the housing needs of all its citizens.

Minneapolis will carefully identify project sites where housing development and/or housing revitalization are appropriate responses to neighborhood conditions and market demand.

Zoning Code: In compliance.

Living Wage/Business Subsidy Agreement: Yes\_\_\_\_\_ No  X

Job Linkage Yes\_\_\_\_\_ No  X

Other: N/A

## **Supporting Information**

Franklin-Portland Gateway Phase III - The Wellstone, located at 1931 Portland Avenue South and 612, 616, 620, 621 East Franklin Avenue South (Ward 6) is a collaborative effort by and between the Central Community Housing Trust (CCHT) and Hope Community to develop the northeast corner of Franklin and Portland Avenues. In order to make the Gateway collaborative a reality will require a phased financing and development schedule.

The Wellstone located in the Phillips neighborhood 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.

## **Proposed Development**

The Wellstone will feature forty nine (49) units of mixed-income rental housing, ranging from studios to 3 bedroom townhome style family units. Of the 49 units, four will be long term homeless units, twelve will be market rate and the remaining units will be at 50% and 60% of area median income. All residential parking is provided via a below grade parking garage, thus preserving much of the site for shared green space, playground and landscaping. Additionally, approximately 4,400 square feet of restaurant space is

planned for The Wellstone. And 2,671 square feet will house Hope Community property management offices.

### **Financial Summary**

The total project development costs for The Wellstone is \$13.1 million. The project sources and uses are outlined on the attached Project Data Worksheet.

The City of Minneapolis has committed \$1,175,000 for the project and \$30,000 of Non Profit Development Assistance Funds. Funds have also been committed from Hennepin County, the Empowerment Zone, and the Metropolitan Council. The Minnesota Housing Finance Agency has approved an allocation of 9% Low Income Housing Tax Credits which is expected to generate approximately \$6.3M in equity investment. The MHFA has also committed funds to the project. An MMA First Mortgage application has been approved and the developers have received final application approval. The developers, Hope Community and CCHT have requested that the City issue a "pay-as-you-go" TIF Note in an amount not to exceed \$705,800. The project is expected to close in the Fall 2007.

The proposed project qualifies as a Housing Tax Increment Financing District under State Statutes, which means a type of tax increment financing district which consists of a project, or a portion of the project intended for occupancy in part by persons or families of low and moderate income.

The TIF Plan will allow the use of tax increment revenue to pay for public redevelopment activity, which includes new construction, administration and other eligible costs.

According to projections from City Finance staff, The Wellstone Project will generate annual tax increment revenue of approximately \$76,200. The developer has requested that the City issue a "pay-as-you-go" TIF note in an amount not to exceed \$705,800. The note will be issued by the City and have a stated interest rate. The TIF note will assist with a portion of the MMA First Mortgage on the project along with project income. The term of the TIF district will be the maximum statutory term of 26 years.

With "pay-as-you-go" tax increment financing the developer finances eligible public redevelopment costs under contract in exchange for a note that pledges repayment of their costs, with interest out of the tax increment generated by the project. This approach reduces the financing risk for the City because the developer is reimbursed only if sufficient tax increment revenue is generated by the new development. The Resolution authorizing the issuance of the "Pay-Go Note" is attached.