Minneapolis
City of Lakes

St. Anne's Senior Housing
Tax Increment Finance Plan

October 8, 2004; revised October 25, 2004; revised October 28, 2004

Prepared by the Development Finance Division,
Finance Department, 105 5th Avenue South, Minneapolis,
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St. Anne's Senior Housing
Tax Increment Finance Plan
October 8, 2004; revised October 25, 2004; revised October 28, 2004

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Plan Documents

Two plan documents have been prepared that are related to the proposed senior rental project that has been proposed in the Jordan neighborhood in Ward 3 of North Minneapolis. The plan documents include the St. Anne's Senior Housing Tax Increment Finance ("TIF") Plan, and the St. Anne's Senior Housing Redevelopment Plan (the "Plans").

The St. Anne's Senior Housing Redevelopment Plan establishes a new redevelopment project area, establishes objectives for redevelopment, identifies land uses for the redevelopment of 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 St. Anne's Senior 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 St. Anne's Senior Housing Redevelopment Project. The proposed TIF district consists of eleven existing tax parcels on West Broadway between Queen and Russell Avenues. The project site is in the triangle of land bounded by West Broadway, Queen Avenue North, and 26th Avenue North. 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***
17-029-24-11-0175	2300 West Broadway
17-029-24-11-0219	2306 West Broadway
17-029-24-11-0178	2312 West Broadway

17-029-24-11-0179	2314 West Broadway
17-029-24-11-0180	2320 West Broadway
17-029-24-11-0181	2324 West Broadway
17-029-24-11-0182	2400 West Broadway
17-029-24-11-0174	2519 Queen Avenue N.
17-029-24-11-0173	2523 Queen Avenue N.
17-029-24-11-0172	2527 Queen Avenue N.
17-029-24-11-0171	2531 Queen Avenue N.

The Project Area Report and Eligibility Documentation, 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 St. Anne's Senior Housing 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:

- Provide rental housing opportunities to fill the increasing need for senior housing as the population ages.
- Revitalization of the West Broadway/Highway 81 corridor with transit-oriented development.
- 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 redevelopment efforts that enhance and preserve unique urban features and amenities.

III. Development Program

A. Description of Development Program

Development Proposal
St. Anne's Senior Housing is a new mixed-use development proposed on West Broadway between Queen and Russell Avenues North. Designed as senior independent living, the project provides access to support services and has built-in social and physical flexibility to accommodate an aging population.

Seventy-seven units of housing will occupy three floors above the first floor lobby and commercial space. Eighteen studio, thirty-six one- and twenty-three two-bedroom units are proposed. Fifteen units (19.4%) are targeted at households earning 30% of median income, thirty-three of the units (42.8%) are targeted at households earning 50% of median income, twenty-five units (32.4%) are targeted at households earning 60% of median income and the other four units (5.1%) are at market rate with no income restrictions. Some of the two-bedroom units are fully accessible, making it possible for people with a wide range of disabilities to be accommodated, including those with attendants; all of the units are fully adaptable for the physically handicapped if additional units are required. The first floor accommodates changing program needs, with 6,077 square feet to be used for commercial rental, anticipated to be office and service retail space. Parking will be underground to provide security and convenience. The project is designed to support the neighborhood's pedestrian-oriented plan for development along West Broadway, while creating a secure campus for seniors. The exterior will be brick and stucco, with a wrought iron fence and gardens.

An "age-in-place" concept is incorporated into building and unit design; the number of units can increase incrementally to 90 units by non-structural conversion of two-bedroom units into efficiency units and changing usage of first floor space. Commercial space is designed to convert to kitchen/dining, staff offices and medical programming if needed in the future.

Unit Breakdown/Affordability

Unit Composition	Quantity	Unit Affordability	<30%	<50%	<60%	Market
0 BR	18		15	3	0	0
1 BR	36		0	30	6	0
2 BR	23		0	0	19	4
Total	**77**		**15**	**33**	**25**	**4**
			73 total affordable units			

Catholic Eldercare (Eldercare), a non-profit corporation, will provide property management and coordinate support services for residents. Eldercare has been involved in the project since the beginning, sharing its experience with senior housing, including assisted living and nursing home care. Currently, Eldercare operates a highly respected 100-bed nursing home and Minneapolis' first assisted living community. In addition, Eldercare is in the process of building 60 units of assisted living and an independent senior building in Northeast Minneapolis.

In addition to tax increment financing, St. Anne's Community Development Corporation (St. Anne's CDC) has also submitted an application for housing revenue bonds to assist in the cost of developing the site, which includes assembling 11 parcels and demolishing the existing structures.

St. Anne's CDC was formed in December 1999 to develop housing for low and moderate-income seniors in the neighborhood surrounding St. Anne's Church, located Queen Avenue North at 26th Avenue. Through the development of senior housing, St. Anne's CDC hopes to both satisfy an unmet housing need in the community and to improve the neighborhood physically.

St. Anne's CDC is a single-purpose not-for-profit organization without any full-time staff. To complete this project, the Board of Directors has engaged a development consultant, an architect, a property manager/service provider and an attorney with broad housing experience, along with a capital campaign consultant. An experienced construction management firm will supervise the design, bidding and construction process to insure maximum quality and efficiency. Financing partners include US Bank, and Doherty & Company.

A senior market study was commissioned from Maxfield Research which indicated a market demand for independent housing in North Minneapolis. To the maximum extent possible, this project has been designed in accordance with the Maxfield recommendations.

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. 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 15 units at 30% of MMI, 33 units at 50% of MMI, and 25 units at 60% of MMI for a total of 73 affordable units, the project complies with the City's Affordable Housing Policy, which requires that at least 15.4 units be affordable to low or moderate income households (i.e. 20% of 77 units).

B. Property That May Be Acquired

There are eleven properties proposed for the St. Anne's Senior Housing TIF District. The developer has indicated they have site control for the project.

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

The City will negotiate a development agreement with St. Anne's Community Development Corporation, a Minnesota nonprofit corporation. St. Anne's Senior Housing Project will be owned by St. Anne's A Limited Partnership, a Minnesota limited partnership. St. Anne's CDC is the General Partner, with a limited partner investor to be selected competitively.

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 St. Anne's Senior Housing project is currently estimated at approximately $13.6 million. Tax increment financing assistance in an amount not to exceed $785,000 may be provided for new housing construction. This TIF assistance will be provided to the St. Anne's CDC 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. Tax increment will be used for debt service on Housing Revenue Bonds which will be purchased by U.S. Bank.

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 as allowed by Minnesota State Statutes and stated in the tax increment budget. The tax increment budget for the TIF district is shown below:

TIF District Budget
St. Anne's Senior Housing TIF District

Sources	**Up Front**	**Over Time**
Developer Funds	$785,000	---
Tax Increment	---	$1,582,857
Other	---	0
Total Sources	$785,000	$1,582,857
Uses		
New housing construction	$785,000	---
Pay-As-You-Go Note Principal	---	785,000
Pay-As-You-Go Note Interest	---	600,000
Administration (10%)	---	197,857
Total Uses	**$785,000**	**$1,582,857**

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

St. Anne's CDC, the general partner of the St. Anne's A LLP, has submitted an application to CPED for tax-exempt housing revenue bonds as it first mortgage financing, which automatically includes 4% low income housing tax credits (LIHTC). St. Anne's CDC has preliminary approval for up to $6,000,000 in housing revenue bonds for the St. Anne's Senior Housing project. The bonds will be placed directly with US Bank.

The proposed tax increment financing will be provided in the form of a pay-as-you-go note.

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 St. Anne's Senior Housing Project. St. Anne's CDC has also pledged $2,500,000 in private funds as additional equity for the project. In addition, St. Anne's CDC has been awarded $350,000 from the Federal Home Loan Bank, $498,000 from the City of Minneapolis Affordable Housing Trust Fund, $350,000 from the NRP Affordable Housing Reserve Fund and $300,000 from Hennepin County. St. Anne's CDC has applications for the final gap funds pending with Hennepin County, the City of Minneapolis CEDF fund, and MHFA.

D. Original Net Tax Capacity

It is currently projected that the Estimated Market Value of taxable property in the TIF District will be approximately $899,500. The Original Net Tax Capacity of the TIF District is therefore projected to be approximately $1,911.

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 $899,500 to approximately $5,100,000. This represents an increase of $4,200,500, and will generate a total net tax capacity of approximately 63,750, and an estimated captured net tax capacity of $52,507.

Based upon a projected total local tax rate of 147.000%, this will generate an estimated annual gross tax increment payment of $76,799, excluding deduction for State Auditor fee.

F. Duration of District

The St. Anne's Senior Housing 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.

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 $52,507 Captured Tax Capacity
City of Minneapolis	64.538%	$33,887
Hennepin County	41.932	22,017
Special School District #1	32.373	16,998
Other Taxing Jurisdictions	8.913	4,680
Total	147.756%	$77,582

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 along West Broadway, and eliminates the blighting influences of vacant and irregularly-shaped 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. The site along West Broadway is unsightly and underutilized. St. Anne's Senior Housing project addresses three critical city, county and regional priorities: (1) the increasing need for senior housing as the population ages, (2) recycling and renovating senior homes for sale to new homeowners, (3) revitalization of the important West Broadway/Highway 81 corridor with transit-oriented development, and the proposed development is a more appropriate and substantially higher value of this currently underused site.

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.

Population decline and negative perceptions of the area have resulted in marginal profitability for some West Broadway businesses and physical deterioration of some commercial properties. To address this and other problems, a significant revitalization effort is being spearheaded by the West Broadway Area Coalition (WBAC), a coalition of neighborhood, business and nonprofit organizations.[1] The WBAC is helping businesses identify approaches to deterring criminal activity, facilitating façade improvements, and marketing the strengths of West Broadway. It is also helping to identify the identity of the avenue and balance the needs of pedestrians and automobiles by exploring options for new lighting, landscaping, and other features. Reconstruction of the western portion of West Broadway is underway. *The Minneapolis Plan* supports the elements of this revitalization effort and encourages continued focus on improving transitions between commercial and residential properties increasing housing units on the avenue.

West Broadway 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 seniors, and most Minneapolis renters. Further, West Broadway would lose a chance for a high impact development that serves current and future seniors, as well as the new homeowners who will be able to purchase their homes. Without the housing recycling component, many of the homes would be purchased for use as rental units and the strongest affordable homeownership opportunities in our city would be lost.

The value of the tax increment financing will enable the St. Anne's Senior Housing development to offer a range of housing opportunities, including affordable rental units for senior citizens. This financing source is critical to ensuring the project is a financially viable

[1] *The Minneapolis Plan*, Near North Land Use Features

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 a commitment for long-term support for the project.

The development will require public financing assistance beyond the tax increment financing requested in order to offer rents to households earning 30% to 60% of the area median income. As outlined previously, the development team is seeking various forms of financing to fill this gap. The ratio of public to private dollars stands at $5.42 of private investment for every dollar of public funds. St. Anne's CDC has taken an unusual step and committed to raising $2.5 million in private contributions (18% of the total development cost) to decrease the dependence on public gap financing.

The development will have a significant positive impact along West Broadway in North Minneapolis. The Near North Community developed relatively early in the history of Minneapolis. A diverse mix of residential, commercial, and industrial forms – from stately older homes to suburban style "big box" retail, to longstanding industrial areas – represents its early beginnings. The project site has been blighted and devoid of investment for several years. 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 St. Anne's Senior Housing Tax Increment Financing District.

Saint Anne's Housing TIF District

Valuation and Tax Increment Assumptions

	Pay 2006	Pay 2007	Pay 2008
Total Estimated Market Value (EMV)	$5,100,000	$5,100,000	$5,100,000
Less: Original EMV	899,500	899,500	899,500
Captured EMV	$4,200,500	$4,200,500	$4,200,500
Total Net Tax Capacity (NTC)	$63,750	$63,750	$63,750
Less: Original NTC	11,243	11,243	11,243
Captured NTC	$52,507	$52,507	$52,507
Times: Projected Total Tax Rate	147.000%	147.000%	147.000%
Gross Tax Increment	$77,185	$77,185	$77,185
Less: State Auditor's Fee (.5%)	386	386	386
Tax Increment Distributed to City	$76,799	$76,799	$76,799

25 Years of TI Collection

Years of TIF Collection	Payable Year	Tax Increment Distributed To City
---	2003	$0
---	2004	0
1	2005	76,799
2	2006	76,799
3	2007	76,799
4	2008	76,799
5	2009	76,799
6	2010	76,799
7	2011	76,799
8	2012	76,799
9	2013	76,799
10	2014	76,799
11	2015	76,799
12	2016	76,799
13	2017	76,799
14	2018	76,799
15	2019	76,799
16	2020	76,799
17	2021	76,799
18	2022	76,799
19	2023	76,799
20	2024	76,799
21	2025	76,799
22	2026	76,799
23	2027	76,799
24	2028	76,799
25	2029	76,799
26	2030	76,799
		$1,996,774
P.V. @	**5.00%**	**$1,051,428**

Market Value Test

Analysis Required by M.S. Section 469.175, Subd. 3 (2)

(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	$899,500
(b) Original estimated market value	899,500
(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.	$4,200,500
(e) Present value of the projected tax increment for the maximum duration of the district	1,051,428
(f) Difference = (d) - (e)	$3,149,072

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

Exhibit # 1

Minneapolis
City of Lakes

St. Anne's Senior Housing Tax Increment Finance Plan
Boundary Map
October 8, 2004; Revised October 18, 2004

Boundary

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

PROJECT AREA REPORT
AND ELIGIBILITY DOCUMENTATION

St. Anne's Senior Housing Redevelopment Plan
and
St. Anne's Senior Housing Tax Increment Finance Plan
October 8, 2004; revised October 25, 2004; revised October 28, 2004

St. Anne's Senior Housing is a new mixed-use development proposed on West Broadway between Queen and Russell Avenues North. Designed as senior independent living, the project provides access to support services and has built-in social and physical flexibility to accommodate an aging population in need of more assisted-living type services. Seventy-seven units of housing will occupy three floors above the first floor lobby and commercial space. Eighteen studio, thirty-six one- and twenty-three two-bedroom units are proposed. Fifteen units (19.4%) are targeted at households earning 30% of median income, thirty-three of the units (42.8%) are targeted at households earning 50% of median income, twenty-five units (32.4%) are targeted at households earning 60% of median income and the other four units (5.1%) are at market rate with no income restrictions. The first floor accommodates changing program needs, with 6,077 square feet to be used for commercial rental, anticipated to be office and service retail space. Parking will be underground to provide security and convenience. The project is designed to support the neighborhood's pedestrian-oriented plan for development along West Broadway, while creating a secure campus for seniors. The exterior will be brick and stucco, with a wrought iron fence and gardens.

This Project Area Report and Documentation of Eligibility describes the conditions that qualify the St. Anne's Senior Housing site as a redevelopment project and a housing tax increment finance district.

The St. Anne's Senior Housing 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 St. Anne's Senior Housing Redevelopment Project Area is located in north Minneapolis in the 3rd ward of the Jordan neighborhood. The proposed Redevelopment Project Area consists of eleven existing tax parcels on West Broadway between Queen and Russell Avenues. The project site is in the triangle of land bounded by West Broadway, Queen Avenue North, and 26th Avenue North.

Findings of Blight within the Proposed Redevelopment Project Area

The proposed project area includes eleven tax parcels, including vacated streets and alleys. CPED Construction Management Specialist Geri Meyer conducted exterior inspections of the proposed redevelopment project area. The proposed redevelopment

project area consists of six single family homes, three vacant lots and two commercial structures. All structures with the exception of one single family home and one commercial property are vacant. All of the structures are poorly maintained. One of the commercial properties is operating as a vehicle repair/tire service center. The three vacant lots are located on Broadway Avenue.

EXISTING CONDITIONS

The reconnaissance and site analysis did not include an interior inspection of any of the structures; an exterior inspection revealed the following:

The majority of the buildings were built in the early 1900's; one commercial property was built in 1955. Based on the age of all of the structures and the absence of testing, all are assumed to contain lead-based paint. All but one of the single family homes appears to be vacant. Several are open to the elements, lacking storm windows, screen inserts and/or prime doors. All have the original prime window units and doors and show no evidence of sidewall insulation. The homes do not meet the current State of Minnesota Energy Code Requirements.

The existing International Building Code requires that all buildings have damp proofing of foundation, sump pump, two means of exit from basement areas (either by an egress window, door or second stairway), fire and draft blocking, exterior thermal envelope must be sealed with ridged wind barriers, hardwired smoke alarm system, and whole house exhaust systems. All are lacking from these properties.

The commercial property is not barrier free and lacks adequate fire safety components. The two commercial buildings appear to be connected; mixed use occupancy of this type of business requires a separation of space for fires which includes self closing doors between areas. Based on the exterior condition and past permits, this property does not appear to meet this requirement.

In addition to the Uniform Building Code, the City of Minneapolis Housing Maintenance Code requires the following conditions. The items listed below are City violations per the City of Minneapolis Housing Maintenance Code:

- *based on the age of the structure, it is assumed that in the absence of lead-based paint testing, the structure is assumed to contain lead-based paint.*
- *foundation is deteriorated in need of tuckpointing, asbestos siding is broken, chipped, and missing, peeling paint on both dwelling and garage, roof in need of replacement, chimney needs tuckpointing, exterior walls are discolored and need tuckpointing.*
- *buildings have missing elbows and leaders.*
- *properties are missing several storm windows, screen inserts, and doors.*
- *properties are lacking legal handrails/guardrails.*
- *one structure is boarded, therefore, code compliance inspection required.*

Several properties lack adequate ground cover as required by City Ordinances, all properties are in poor repair, and have been poorly maintained since acquisition, creating a safety hazard.

CONCLUSION

The existing residential and commercial buildings were found to be detrimental to the "safety, health, morals, or welfare of the community", by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or lack of ventilation.

The deterioration of the vacant parcels undermines the value of adjacent property. Vacant parcels may 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 St. Anne's Senior Housing 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 that must be answered in order to confirm the eligibility to establish a Housing TIF District to finance eligible public redevelopment costs of the St. Anne's Senior Housing 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*[2], [3]**

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

Additionally, the proposed project must 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 (15.4) of the units must be occupied by individuals whose income is 50 percent or less of the Metropolitan area median gross income (33 units of 77) are available at or below 50%); or

2. At least 40 percent (31) of the units must be occupied by individuals whose income is 60 percent or less of the area median gross income (73 units are available at or below 60%, including 33 units at or below 50% of MMI, 15 units at or below 30% of MMI, and 25 units at or below 60% of MMI); or

3. At least 50 percent (39) of the units must be occupied by individuals whose income is 80 percent or less of the area median gross income (73 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 15 units at 30% of MMI, 33 units at 50% of MMI, and 25 units at 60% of MMI for a total of 73 affordable units, the project complies with the City's Affordable Housing Policy, which requires that at least 15 units be affordable to low or moderate income households (i.e. 20% of 77 units).**The proposed project meets all of the income requirements for a Housing TIF District.** 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.

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

Valuation Test
In addition to the rental apartment units, the project will include about 6,077 sq. ft. of commercial rental space, anticipated to be office and service retail space, on the main level. According to Minnesota Statutes, Section 469.174, Subdivision 11, in order to establish a housing TIF district, 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 $5,100,000. Approximately $4,600,000 of the valuation is attributable to the apartments, and $500,000 is attributable to the commercial value. This means that about 9.8% 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

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.

Eligibility Findings

The proposed project qualifies as a Housing Tax Increment Financing District under Minnesota Statutes. The proposed TIF District is located within the St. Anne's Senior Housing Redevelopment Project, in accordance with the provisions of Minnesota Statutes Sections 469.001 through 469.047.

Documentation supporting these findings is on file in the office of the Development Finance Division, Finance Department, Suite 575, Crown Roller Mill, 105 5th Avenue South, Minneapolis, Minnesota.

St. Anne's Senior Housing Site Plan