

## Request for City Council Committee Action

Date: March 18, 2002

To: Council Member Johnson, Ways and Means/Budget Committee  
Council Member Goodman, Community Development Committee

Referral to: MCDA Board of Commissioners

Prepared by: Jerry LePage, Phone 612-673-5240

Approved by: Chuck Lutz, Interim MCDA Executive Director \_\_\_\_\_

Subject: Adoption of Many Rivers Tax Increment Financing Plan,  
Modification No. 6 to the Franklin Avenue Redevelopment Plan,  
and Modification No. 89 to the Common Project Plan

**Previous Directives:** On October 13, 2000, the City Council granted preliminary approval of housing revenue bonds for the Many Rivers project. On July 6, 2001, the MCDA Board approved the allocation of \$634,776 from the Multifamily Rental and Cooperative Housing Program. In separate reports dated March 21, 2002, staff is also requesting final approval of \$4,250,000 in housing revenue bonds, the proposed redevelopment contract terms, and the sale of land to the American Indian Housing & Community Development Corporation.

**Ward:** Sixth Ward.

**Neighborhood Group Notification:** On July 18, 2000, the Ventura Village organization of the Phillips neighborhood approved the AIHCDC development proposal. Ventura Village has been notified in writing of the consideration of these proposed plans.

**Consistency with *Building a City That Works*:** Addresses Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the City.

**Comprehensive Plan Compliance:** It complies.

**Zoning Code Compliance:** It complies.

**Impact on MCDA Budget:** (Check those that apply)

- No financial impact
- Action requires an appropriation increase to the MCDA Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explanation):

**Living Wage / Business Subsidy:** NA

**Job Linkage:** NA

**Affirmative Action Compliance:** Will comply.

**City Council Recommendations:** The Interim Executive Director recommends that the City Council:

1. Approve the City Council Resolution adopting the Many Rivers Tax Increment Finance Plan, Modification No. 6 to the Franklin Avenue Redevelopment Plan, and Modification No. 89 to the Common Plan; and
2. Forward this report to the MCDA Board of Commissioners.

**MCDA Recommendation:** The Interim Executive Director recommends that the Board:

1. Approve the MCDA Resolution adopting the Many Rivers Tax Increment Finance Plan, Modification No. 6 to the Franklin Avenue Redevelopment Plan, and Modification No. 89 to the Common Plan.

## **Background**

The Many Rivers Project is a multi-phased project located on East Franklin Avenue on the 1500 block (East Site, Phase 1) and 1400 block (West Site, Phase 2). At this time, a TIF District is being created for the East Site. The total project consists of two new four-story mixed use buildings on East Franklin, containing a total of 76 rental apartment units. Fifty apartment units will be constructed in Phase 1 (East Site) at 1500 East Franklin and 26 apartment units will be constructed at a later date in Phase 2 (West Site) at 1400 East Franklin. A site plan and rendering of the project is attached as Exhibit A.

Originally, AIHCDC's proposal called for the development of both sites at the same time. For the past six months, the developer has been attempting to secure additional funding from other sources and to date has received commitments from most of these sources. The developer believes that it is imperative to proceed with a portion of the project this spring because community expectations and favorable bid prices and has therefore decided on a two-phase development. More details on the Many Rivers East proposal and the project financing are included in companion Board and Council reports dated March 21, 2002

## **Tax Increment Finance Plan & Modifications**

The proposed plans authorize the creation of a new tax increment finance district as a tool for carrying out the redevelopment activities described therein. Modification No. 6

to the Franklin Avenue Redevelopment Plan removes parcels from the existing TIF District No. 27 in order that those parcels can be included in the new Many Rivers East TIF District. The new public redevelopment costs associated with the proposed Many Rivers project cannot be financed within the limitations imposed by the existing Franklin Avenue Redevelopment TIF District #27 because of statutory limitations on the use of tax increment from the TIF District, the short remaining term of the existing district and the impact of the prior pledge of revenue from this district to the outstanding debt of other projects. Because the Franklin Avenue Redevelopment Project and TIF District No. 27 are in the Common Project, a modification to those documents is also necessary.

### **Public Comment on Proposed Plan Modifications and TIF District**

A City Planning Department report is attached as Exhibit B indicating that the proposed redevelopment plan modifications and the proposed TIF plan are consistent with City policies and plans. A letter from Hennepin County is attached indicating that the low to moderate income component of the Many Rivers project is consistent with the preference of the Hennepin County Board of Commissioners for the use of tax increment financing (Exhibit C).

### **Related Council and Board Reports/Actions**

Complete descriptions of the other aspects of the Many Rivers project are included in the related reports to the MCDA Board and City Council dated March 21, 2002, regarding the final approval of \$4,250,000 in housing revenue bonds, the approval of the proposed redevelopment contract terms, and the sale of land to the American Indian Housing & Community Development Corporation.

**Adopting the Many Rivers East Tax Increment Finance  
Plan, Modification No 6 to the Franklin Avenue  
Redevelopment Plan, and Modification No 89 to the  
Common Plans**

RESOLVED BY THE CITY COUNCIL OF THE CITY OF  
MINNEAPOLIS:

Section 1. Recitals.

1.01. Pursuant to Laws of Minnesota 1980, Chapter 595, as amended, and the Minneapolis Code of Ordinances, Chapter 422, as amended (the "Agency Laws") the Housing and Redevelopment Authority in and for the City of Minneapolis has been reorganized, granted additional powers, and designated the Minneapolis Community Development Agency (the "Agency") with the authority to propose and implement city development districts, redevelopment projects, and tax increment financing districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.047, 469.124 through 469.134, and 469.174 through 469.179 as amended; Laws of Minnesota 1971, Chapter 677, as amended; and Laws of Minnesota 1980, Chapter 595, as amended; (collectively, the "Laws").

1.02. That By Resolution No 89R-530 duly adopted December 15, 1989 and approved December 21, 1989, the City of Minneapolis (the "City") has approved the creation by the Agency of the Common Development and Redevelopment Project ("the Common Project Area") and the adoption of the Common Development and Redevelopment Plan and the Common Tax Increment Financing Plans, (the "Common Plans") relating thereto, all pursuant to the Laws.

1.03. That by Resolution duly adopted on June 12, 1981, and by subsequent resolutions, the City adopted the Franklin Avenue Redevelopment Plan and tax increment financing districts located within the Franklin Avenue Redevelopment Project Area.

1.04. The Agency has prepared, and this Council has investigated the facts with respect to a proposed Many Rivers East TIF Plan, Modification No 6 to the Franklin Avenue Redevelopment Plan, and Modification No 89 to the Common Plans (collectively, the "Plans"), describing more precisely the

“Project Area”, the parcels to be included in the boundary of the TIF District, the three parcels to be excluded from the existing TIF District and Common Project boundary, the activities to be undertaken, and eligible expenditures, all pursuant to the Laws.

1.05. The Agency and the City have performed all actions required by law to be performed prior to the adoption of the Plans, including, but not limited to, a review of the proposed Plans by the affected neighborhood group and the Planning Commission, transmittal of the proposed Plans to the Hennepin County Board of Commissioners and the School Board of Special School District No 1 for their review and comment, and the holding of a public hearing after published and mailed notice as required by law.

1.06. The Council hereby determines that it is necessary and in the best interests of the City at this time to approve the Plans to reflect removal of parcels from an existing TIF district, creation of a new TIF district, a budget for eligible expenditures, and project activities.

## Section 2. Findings for the Adoption of the Plans.

2.01. The Council hereby finds, determines and declares that the Plans will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the redevelopment of the Project Area by private enterprise; and

2.02. The Council further finds, determines and declares that the Plans conform to the general plan for the redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Plans were issued, are incorporated herein by reference, and are on file in the office of the City Clerk in the form of a petition.

2.03. The Council further finds, determines and declares that the land in the Project Area would not be made available for redevelopment without the financial aid to be sought. The proposed development 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 Agency and the City 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: The project will eliminate inconsistent uses and blighted and vacant parcels, result in the provision of needed affordable housing units, provide needed parking, assist in the revitalization of the Franklin Avenue Commercial Corridor, and provide and encourage development that includes improvements to the existing transit options. Rental revenue from the project, generally set near the top of local market prices, is not sufficient to fully amortize the cost of acquisition,

demolition and construction. Virtually all of the local, regional and state agencies are already making a financial contribution to this project. There is no alternative source for the tax increment revenue or for replacement capital.

Many Rivers is designed in accordance with a Master Plan for the surrounding neighborhood, which calls for medium density mixed-use development along the East Franklin commercial corridor. A one-level, below-grade parking garage is essential to the development. Use of a four story building maximizes economies of scale during construction and for long-term property management; the resulting density makes it very problematic to provide surface parking. For both commercial and residential tenants, underground parking substantially increases personal security as well as comfort. Almost 20% of the units are fully handicapped accessible, which increases the need for sheltered parking. This parking is also more environmentally friendly than surface lots, allowing more green space for water recharge and eliminating use of corrosive ice-melting chemicals.

Further, there is not adequate available land on the east site to meet the parking requirements of the project. The need for the tax increment district is inherent in the financial structure of the development, which utilizes the automatic 4% Low Income Housing Tax Credits rather than the very limited 9% credits. The tax increment is required to increase revenue to a level sufficient to amortize at least 50.1% of the project cost, as required by the IRS. No substitute form of funding would work in this situation.

2.04. The TIF Act requires that a potential TIF district must 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 redevelopment project to be financed, in part, by this TIF District would not occur solely through private investment at this time, the City finds and 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 page 15 of the TIF plan. 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.

2.05. The Council further finds, determines and declares that the area to be included in the Project Area and TIF District is a blighted area, contains vacant, unimproved and unused property, an asphalt-paved lot currently used as a parking

lot, a masonry building constructed in 1961 with approximately 4700 square feet of commercial and retail building area that is in Marginal Condition, and that does not currently meet the Uniform Building Code, the MN State Energy Code, Accessibility Codes, the Minneapolis Code of Ordinances, nor the MN State Fire Code for new construction, and a wood framed 2-story residential duplex dwelling constructed in 1900, in Poor Condition, that does not meet the Uniform Building Code, the MN State Energy Code, or the Minneapolis Code of Ordinances, and a wood framed 2-story residential triplex dwelling, constructed in 1900 in Poor Condition, Zoned R4, and that the building does not meet the Uniform Building Code, the MN State Energy Code, or the Minneapolis Code of Ordinances.

Further, the evaluation and site analysis included an interior inspection of the residential and commercial properties and it is found that the conditions therein do not meet the livability standards required for safe, sanitary, human occupancy, and all buildings, commercial and residential, were found to be substandard under statutory criteria, Minnesota Statutes Section 469.174, Subdivision 10 (a). More than 50% of the three freestanding buildings were found structurally substandard due to a combination of building code defects. Therefore, the area qualifies as blighted under Minnesota Statutes due to these findings.

2.06. The Council further finds, determines and declares that the objectives and actions authorized by the Plans are consistent with the undertaking of a redevelopment project and Redevelopment TIF District, all pursuant to and in accordance with the Laws.

2.07. The Council further finds, determines and declares that it is necessary and in the best interests of the City at this time to approve the Plans.

### Section 3. Approval of the Plans.

3.01. Based upon the findings set forth in Section 2 hereof, the Plans 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 Plans.

4.01. The officers and staff of the City and the Agency, and the City's and the Agency's consultants and counsel, are authorized and directed to proceed with the implementation of the Plans, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further plans, resolutions, documents and contracts necessary for this purpose.