



**Request for City Council Committee Action  
from the Department of Community Planning & Economic Development**

**Date:** August 8, 2006

**To:** Council Member Lisa Goodman, Community Development Committee  
Council Member Paul Ostrow, Ways & Means/Budget Committee

**Subject:** Grant Park Project  
Public Hearing - Modification No. 2 to Tax Increment Finance Plan  
Issuance of Tax-Exempt Tax Increment Revenue Refunding Bonds

**Recommendation:** The CPED Director recommends that the City Council:

- 1) Adopt the attached resolution approving Modification No. 2 to the Grant Park Tax Increment Finance Plan; and
- 2) Adopt the attached resolution authorizing the issuance of up to \$11,000,000 in Tax-Exempt Tax Increment Revenue Refunding Bonds; and
- 3) Increase the 2006 Revenue Budget for the CPED agency Fund DDS0 – Debt Service (DDS0-890-8490-3912) by \$11,500,000 (\$11,000,000 from bond proceeds plus \$500,000 from CTE0 fund balance transfer); and
- 4) Amend the 2006 General Appropriation Resolution by increasing the CPED agency Fund DDS0 – Debt Service (DDS0-890-8952) by \$11,500,000 and the CPED agency Fund CTE0 – Towers at Elliot Park/Grant Park (CTE0-890-8952) by \$500,000; and
- 5) Authorize any technical amendments to the contract necessary to allow for the issuance of the Tax Increment Revenue Refunding Bonds.

**Previous Directives:** On June 6, 2000 the City Council and MCDA Board approved the establishment of the Towers at Elliot Park Redevelopment Project Area and Tax Increment Financing District. On July 12, 2002 the City Council and MCDA Board approved Modification No. 1 to the TIF plan, which included renaming the TIF District to Grant Park, authorizing the issuance of taxable tax increment revenue notes, and approving various business terms and appropriation changes. On August 23, 2002 the City Council and MCDA Board approved several minor administrative changes to the resolution authorizing the issuance of the taxable tax increment revenue notes.

**Prepared by:** Mark Winkelhake, Sr. Development Finance Analyst  
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**Approved by:** Elizabeth Ryan, Director, Housing Policy & Development \_\_\_\_\_  
Jack Kryst, Director, Development Finance \_\_\_\_\_

**Permanent Review Committee (PRC)** Approval  Not Applicable

**Presenter in Committee:** Mark Winkelhake, Sr. Development Finance Analyst

**Financial Impact (Check those that apply)**

- No financial impact (If checked, go directly to Background/Supporting Information).
- 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.
- Business Plan:  Action is within the plan.  Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

**Community Impact**

- Neighborhood Notification: Elliot Park Neighborhood, Inc. was sent a copy of the TIF plan modification and given timely notice of the required public hearing.
- City Goals: Increase the city's population and tax base by developing and supporting housing choices citywide through preservation of existing housing and new construction.
- Comprehensive Plan: The TIF plan modification conforms to the general plan for the development or redevelopment of the City as a whole.
- Zoning Code: Not applicable.

**Background**

The Grant Park Project (the "Project") is located in the Elliot Park Neighborhood and is bounded by Grant St. E., Portland Ave. S., 14<sup>th</sup> St. E., and the exit ramp off of 35W. In 1999 the developer, Apex Asset Management Corporation, approached the MCDA and City with a proposed large scale for-sale housing development for the site (initially named The Towers at Elliot Park). The MCDA agreed to provide approximately \$7.3M in tax increment financing assistance to the project and established a TIF district around the site in June of 2000.

Over the next several years the proposed project remained in flux until 2001 when Apex partnered with Opus Northwest as equity provider and contractor. A redesigned project was then brought forward to the City which comprised a 27 story - 284 unit condominium tower, 30 cityhomes, 13 townhomes, and a 533 stall structured parking facility. On August 1, 2002 the MCDA entered into a Contract for Private Redevelopment (the "Contract") with Urban Condos, LLC (an affiliate of Apex Asset Management Corporation)(the "Developer").

The Contract provided for public financial assistance to the project in the form of a NRP grant and tax increment financing. On August 28, 2002 the MCDA issued \$9,825,000 in Taxable Tax Increment Revenue Notes (the "TIF Notes"), which provided \$7,300,000 in net proceeds to the Developer, provided approximately \$2.1M in capitalized interest funds and paid for various costs of issuance. Funds provided to the Developer were used to pay a portion of land acquisition costs (\$2.0M) and a portion of the construction of the underground parking for the Project (\$5.3M). The TIF Notes mature on August 1, 2007 and are secured by a minimum assessment agreement on the property and a limited debt service guarantee by Opus Northwest, LLC.

## **The Refinancing**

Pursuant to the Contract, the City is required to refinance the TIF Notes with long-term tax-exempt tax increment revenue refunding bonds (the "TIF Bonds") when 1) the project has been fully constructed and substantially all units have been sold, and 2) the Developer has submitted to the City a complete and acceptable profit statement for the Project. At this time, both of these conditions have been met. Recapture provisions in the Contract called for the sharing of any profit received by the Developer in excess of \$8.5M ("Excess Profit") to be shared on a 50%/50% basis between the Developer and the City. However, total profit received by the Developer was approximately \$7.1M and therefore no Excess Profit exists for the Project.

The accompanying resolutions 1) approve Modification No. 2 to the Grant Park TIF Plan (see attached) which updates the tax increment budget and bonded indebtedness sections to allow for the refinancing, and 2) authorizes the issuance of the TIF Bonds in an amount not to exceed \$11,000,000. Proceeds from the sale of the TIF Bonds will be used to prepay the TIF Notes, fund a debt service reserve, and pay for various issuance costs.

The TIF Bonds will not be general obligation debt of the City, and debt service on the TIF Bonds will be payable solely from tax increment collected from the TIF District. Upon issuance of the TIF Bonds the minimum assessment agreement on the project will be terminated pursuant to federal tax code regulations. It is currently anticipated that the refinancing will occur in early September of this year.