



City of Minneapolis

**Modification No. 2
to the
Ivy Tower
Tax Increment Finance Plan**

March 18, 2005

Prepared by:

Development Finance Division
Minneapolis Finance Department
105 5th Avenue South, Minneapolis, MN 55401

Modification No. 2 to the Ivy Tower Tax Increment Finance Plan
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- I. Tax Increment District Boundary (No Change)
- II. Statement of Objectives (No Change)
- III. Development Program (No Change)
 - A. Description of Development Program (No Change)
 - B. Property That May Be Acquired (No Change)
 - C. Development Activity For Which Contracts Have Been Signed (No Change)
 - D. Other Development Activity (No Change)
- IV. Description of Financing **(Changed)**
 - A. Project Costs **(Changed)**
 - B. Bonded Indebtedness to be Incurred **(Changed)**
 - C. Sources of Revenue (No Change)
 - D. Original Net Tax Capacity (No Change)
 - E. Estimated Captured Net Tax Capacity at Completion **(Changed)**
 - F. Duration of District (No Change)
 - G. Fiscal Disparities Election (No Change)
 - H. Original Tax Capacity Rate (No Change)
 - I. Permit Activity and Prior Planned Improvements (No Change)
 - J. Affordable Housing & Expenditures Outside TIF District (No Change)
- V. Type of Tax Increment Financing District (No Change)
- VI. Estimated Impact on Other Taxing Jurisdictions **(Changed)**
- VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance (No Change)
- VIII. Modifications to Tax Increment Financing Plans (No Change)

Exhibits – No Change

- 1) Boundary Map
- 2) Acquisition Map
- 3) Project Area Report and Documentation of Blight

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Background

The original Ivy Tower Redevelopment Plan (Plan) was approved by the Minneapolis City Council by Resolution No. 2001R-516, on December 20, 2001 and approved by the Mayor of the City of Minneapolis on December 20, 2001. The Minneapolis Community Development Agency (MCDA) Board of Commissioners adopted this plan by Resolution 01-2533M on December 20, 2001.

On December 29, 2003, the Minneapolis City Council, by Resolution 2003R-625 and the MCDA Board of Commissioners, by Resolution 2003-2863M, transferred all Programs, Projects and Districts from the MCDA to the City of Minneapolis effective January 1, 2004. Those actions included the Ivy Tower Redevelopment Plan, Tax Increment Financing (TIF) Plan and Tax Increment Financing District.

On October 8, 2004, the Minneapolis City Council, by Resolution 2004R-431, adopted Modification No. 1 to the Ivy Tower Redevelopment and TIF Plans to reflect a change in the development program from primarily office use to owner occupied housing and hotel uses. On-site parking in support of the new development was increased and additional uses within the project included a fitness center and a limited amount of leasable commercial space.

This modification to the Ivy Tower TIF Plan reflects an increase in the TIF district budget and an increase in the bonded indebtedness that may be incurred by the City in providing public assistance to the project. Such changes have resulted from an increase in the size, scope and cost of the project over the past six months.

TAX INCREMENT FINANCE PLAN

- I. Tax Increment District Boundary – No Change**
- II. Statement of Objectives – No Change**
- III. Development Program – No Change**

IV. Description of Financing – Changed

The purpose of this plan is to authorize public redevelopment activities and expenditures to assist with the Ivy Tower Project. Anticipated public redevelopment activities may include land acquisition, pollution remediation, historic rehabilitation and renovation, public improvements, administration, and other related activities.

The figures, sources and methods of financing identified in this finance 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 project costs or indebtedness of this project beyond the amounts listed herein, a modification to the plan might 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 for this project is established by the redevelopment contract. This TIF plan establishes a permissive rather than proscriptive ceiling on public expenditures.

A. Project Costs – Changed

TIF District Budget

	<u>Up-Front</u>	<u>Over Time</u>
Sources		
Developer Funds	\$3,300,000	---
Bond Proceeds	6,200,000	---
Tax Increment	---	\$23,900,000
Capitalized Interest	---	<u>1,100,000</u>
Total Sources	\$9,500,000	\$25,000,000
Uses		
Rehab./Renovation & Public Improvement Costs	\$8,150,000	---
Capitalized Interest	1,100,000	---
Discount & Costs of Issuance	250,000	---
Pay-Go Note Principal	---	\$3,300,000
Pay-Go Note Interest	---	4,300,000
Bond Principal	---	6,200,000
Bond Interest	---	6,000,000
Affordable Housing Outside TIF District Administration	---	<u>2,390,000</u>
Total Uses	\$9,500,000	\$25,000,000

B. Bonded Indebtedness to be Incurred – **Changed**

It is currently anticipated that tax increment financing will be provided to the project through the issuance of 1) a taxable pay-as-you-go TIF revenue note and 2) tax-exempt TIF revenue bonds. The note will be issued in an amount not to exceed \$3,300,000 and will be payable solely from tax increment generated by the non-housing development in the TIF District (hotel, retail, parking, etc.). The bonds will be issued in an amount not to exceed \$6,200,000 and will be payable solely from tax increment generated by the for-sale housing development in the TIF District.

C. Sources of Revenue – No Change

D. Original Net Tax Capacity – No Change

E. Estimated Captured Net Tax Capacity at Completion – No Change

Upon completion of the redevelopment it is currently projected that the estimated market value (EMV) of taxable property in the TIF District will increase from \$1,051,000 to approximately \$58,000,000. This represents an increase of \$56,949,000. It is currently projected that the total net tax capacity (NTC) of the TIF District will be approximately \$722,690 and the captured net tax capacity of the TIF District will be approximately \$703,170.

Based upon the preliminary payable 2005 total local tax rate (136.379%), this would generate annual gross tax increment of approximately \$958,976 (excluding deduction for State Auditor fee).

F. Duration of District – No Change

G. Fiscal Disparities Election – No Change

H. Original Tax Capacity Rate

I. Permit Activity and Prior Planned Improvements – No Change

J. Affordable Housing & Expenditures Outside TIF District – No Change

V. Type of Tax Increment Financing District – No Change

VI. Estimated Impact on Other Taxing Jurisdictions – Changed

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 this analysis that the proposed development 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. Under this assumption the estimated annual impact on the taxing jurisdictions would be as follows:

Taxing Jurisdiction	Tax Capacity Rate (Preliminary Payable 2005)	Property Tax Revenues Resulting from \$703,170 Captured Net Tax Capacity
City of Minneapolis	61.870%	\$435,051
Hennepin County	39.085	274,834
Special School District #1	26.784	188,337
Other Taxing Jurisdictions	<u>8.640</u>	<u>60,754</u>
Total	136.379%	<u>\$958,976</u>

VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance – No Change

VIII. Modifications to Tax Increment Finance Plans – No Change