



City of Minneapolis

**Modification No. 1  
To the  
Ivy Tower  
Tax Increment Finance Plan**

**August 27, 2004**

Prepared by the Development Finance Division  
105 5th Avenue South, Minneapolis, Minnesota 55401

**Amendment No. 1 to the Ivy Tower Tax Increment Finance Plan**  
**August 27, 2004**

- I. Tax Increment District Boundary (No Change)
  - II. Statement of Objectives (Added)
  - III. Development Program
    - A. Description of Development Program (Added)
    - 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
    - A. Project Costs
    - B. Bonded Indebtedness To Occur
    - C. Sources of Revenue
    - D. Original Net Tax Capacity
    - E. Estimated Captured Net Tax Capacity at Completion
    - F. Duration of District
    - G. Fiscal Disparities Election
    - H. Original Tax Capacity Rate
    - I. Permit Activity and Prior Planned Improvements
    - J. Affordable Housing & Expenditures Outside TIF District (Added)
  - V. Type of Tax Increment Financing District (No Change)
  - VI. Estimated Impact on Other Taxing Jurisdictions
  - VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance
  - 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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**Introduction**

The original Ivy Tower Redevelopment Plan (Plan) was approved by the Minneapolis City Council by Resolution No. 22001R-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 Plan and Tax Increment Financing District.

The Ivy Tower Redevelopment and Tax Increment Finance Plans are being modified to reflect a change in the development program from primarily office use to owner occupied housing (including affordable housing in accordance with the City's Affordable Housing Policy<sup>1</sup>) and hotel uses. On-site parking in support of this new development is being increased from approximately 40 to approximately 140 underground spaces. Additional uses found within the project include a fitness center and a limited amount of leasable commercial space. The historic restoration of the Ivy Tower remains a primary objective of the Plan.

**TAX INCREMENT FINANCE PLAN**

- I. Tax Increment District Boundary – No Change**
- II. Statement of Objectives – Changed**

The objectives for this project are described in the Ivy Tower Redevelopment Plan in Section I. C.

The following objective is being added:

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<sup>1</sup> To be in conformance with the City's Affordable Housing Policy, 20% of the units must be affordable to buyers making no more than 50% of the Minneapolis/St. Paul MSA median income.

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, not the TIF plan, which establishes a permissive rather than proscriptive ceiling on public expenditures.

A. Project Costs

**Ivy Tower TIF District**

<u>Sources</u>	Up-Front	Over Time
Developer Funds	\$3,300,000	---
Bond Proceeds	5,100,000	
Tax Increment	---	23,000,000
Capitalized Interest	---	900,000
<b>Total Sources</b>	<b>\$8,400,000</b>	<b>\$23,900,000</b>
<u>Uses</u>		
Rehabilitation/ Renovation & Public Improvement Costs	\$7,250,000	---
Capitalized Interest	900,000	---
Discount & Costs of Issuance	250,000	---
Pay-As-You-Go Note Principal	---	\$3,300,000
Pay-As-You-Go Note Interest	---	4,300,000
Bond Principal	---	5,100,000
Bond Interest	---	6,300,000
Affordable Housing Outside TIF District Administration	---	2,600,000
	---	2,300,000
<b>Total Uses</b>	<b>\$8,400,000</b>	<b>\$23,900,000</b>

B. Bonded Indebtedness to be Incurred

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 \$5,100,000 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

The Original Net Tax Capacity of the TIF District is currently \$19,520 (pay 2004).

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 \$1,055,700 to approximately \$49,910,160. This represents an increase of \$48,854,460. This will generate a total net tax capacity of approximately \$618,453, and an estimated captured net tax capacity of \$598,933.

Based upon a total local tax rate of 147%, this will generate an estimated annual gross tax increment payment of \$880,432 (excluding deduction for State Auditor Fee).

F. Duration of District – No Change

G. Fiscal Disparities Election – No Change

H. Original Tax Capacity Rate

The Original Tax Capacity Rate of the TIF District is 147.663%

I. Permit Activity and Prior Planned Improvements – No Change

J. Affordable Housing & Expenditures Outside TIF District (Added)

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.173, Subd. 2, paragraph (d), which states that such expenditures must:

- (1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);
- (2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and
- (3) be used to:
  - (i) acquire and prepare the site of the housing;
  - (ii) acquire, construct, or rehabilitate the housing; or
  - (iii) make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or project area, but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to M.S. Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenses are considered expenditures outside of the district, except that such administrative expenses can be considered expenditures inside the district, if the only other expenses outside of the district are for affordable housing purposes as described above.

Pursuant to the provisions, requirements and restrictions noted above, the City elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district.

**V. Type of Tax Increment Financing District – No Change**

**VI. Estimated Impact on Other Taxing Jurisdictions**

It is the position of the Minneapolis Community Development Agency and 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 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:

<b>Taxing Jurisdictions</b>	<b>Tax Capacity Rate Payable 2004</b>	<b>Property Tax Revenues Resulting from \$598,933 Captured Tax Capacity</b>
City of Minneapolis	64.538	\$386,539
Hennepin County	41.932	\$251,145
Special School District #1	32.373	\$193,893
Other Taxing Jurisdictions	8.913	\$ 53,382
<b>Total</b>	<b>147.756%</b>	<b>\$884,959</b>

**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**