Modification No. 8 to the Southeast Minneapolis Industrial (SEMI) Area Redevelopment Plan, Modification No. 1 to the SEMI Area Phase 1 TIF Plan #69, Modification No. 2 to the SEMI Area Phase 2 TIF Plan #72, Modification No. 2 to the SEMI Area Phase 3 TIF Plan #79 and Modification No. 1 to the SEMI Area Phase 5 TIF #91

October 27, 2006

Minneapolis
City of Lakes

Prepared by:

Development Finance Division
Finance Department, City of Minneapolis
105 5th Avenue South, Minneapolis, Minnesota 55401

Modification No. 8 to the Southeast Minneapolis Industrial (SEMI) Area Redevelopment Plan

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Background

During the 2003 1st Special Session of the Minnesota Legislature, Chapter 21, Article 2 was enacted establishing a program for creation of the Bioscience Zone program. The program allowed the establishment of bioscience sub-zones. Minneapolis applied for and was granted designation of a sub-zone that included a 250-acre portion of the SEMI Redevelopment Project. That area is depicted on the attached map (See Exhibit #2). Bioscience sub-zone designation allowed for business subsidy agreements with bioscience businesses that provided a number of tax related incentives. Additionally legislation in 2005 that was amended in 2006 allowed for tax increment revenue generated within designated bioscience sub-zones to be pooled to finance public infrastructure within the bioscience sub-zone.

The sub-zone area within SEMI is to a great extent devoid of public infrastructure. The area was historically developed as a grain milling and storage area and a large rail yard. As such most of the infrastructure was privately developed and was designed to serve the activities of the time. The area is now planned as a research park, taking advantage of its proximity to the University of Minnesota; however, roads and stormwater management systems are needed to implement that plan. Additionally, Kasota Road has been planned to provide improved access to new industrial development undertaken in part with tax increment financing. The developments were designed to be accessed by the new alignment of Kasota. The new alignment is also intended to relieve the adjoining residential neighborhood of industrial traffic generated by the development. The pooled tax increment revenue from specific TIF districts within SEMI will allow the City to complete construction of Kasota.

Legislative Authority re: Pooling of TIF[1]

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Parcels within the Bioscience Zone that are located within the SEMI Project Area are listed below:

1.	648	24th Ave S E	19-029-23-31-0001	
2.	818	24th Ave S E	19-029-23-31-0003	
3.	2222	Elm St S E	19-029-23-31-0006	
4.	740	24th Ave S E	19-029-23-31-0007	
5.	800	24th Ave S E	19-029-23-31-0008	
6.	2101	17th Ave S E	19-029-23-31-0018	TIF # 69
7.	2100	Elm St S E	19-029-23-31-0019	
8.	1800	Elm St S E	19-029-23-32-0010	TIF # 69
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10.	600	Oak St S E	19-029-23-33-0004	
11.	2303	Marshall Ave S E	19-029-23-33-0005	
12.	700	Oak St S E	19-029-23-33-0016	
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14.	2200	7th St S E	19-029-23-34-0006	
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17.	2201	7th St S E	19-029-23-34-0017	
18.	1800 ½	Elm St SE	19-029-23-34-0019	
19.	730	24th Ave S E	19-029-23-42-0007	
20.	634	24th Ave S E	19-029-23-42-0008	
21.	745	Kasota Ave	19-029-23-42-0014	TIF # 91

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22.	668	24th Ave S E	19-029-23-43-0003	
23.	700	24th Ave S E	19-029-23-43-0004	
24.	2500	Elm St S E	19-029-23-43-0006	TIF # 72
25.	1	Address Pending	19-029-23-44-0012	
26.	1701	6th St S E	24-029-24-41-0026	
27.	1700	Elm St S E	24-029-24-41-0028	TIF # 69
28.	1503	4th St S E	24-029-24-13-0061	
29.	500	16th Ave S E	24-029-24-44-0003	
30.	705	Oak St S E	24-029-24-44-0074	
31.	540	Malcolm Ave S E	30-029-23-11-0004	
32.	620	Malcolm Ave S E	30-029-23-11-0005	
33.	580 1/2	Malcolm Ave S E	30-029-23-11-0006	
34.	528 1/2	Malcolm Ave S E	30-029-23-11-0009	
35.	526 1/2	Malcolm Ave S E	30-029-23-11-0010	
36.	518	Malcolm Ave S E	30-029-23-11-0011	
37.	600	Malcolm Ave S E	30-029-23-11-0012	
38.	301	29th Ave S E	30-029-23-12-0001	
39.	501	29th Ave S E	30-029-23-12-0003	
40.	649	26th Ave S E	30-029-23-12-0004	
41.	600	25th Ave S E	30-029-23-12-0005	
42.	600	27th Ave S E	30-029-23-12-0006	
43.	602	27th Ave S E	30-029-23-12-0007	
44.	600 1/2	27th Ave S E	30-029-23-12-0008	
45.	530	25th Ave S E	30-029-23-12-0009	
46.	700	29th Ave S E	30-029-23-12-0010	
47.	701	29th Ave S E	30-029-23-12-0011	
48.	2721	Beacon St S E	30-029-23-12-0012	
49.	504	29th Ave S E	30-029-23-12-0014	
50.	419	29th Ave S E	30-029-23-13-0009	
51.	501	30th Ave S E	30-029-23-13-0010	
52.	2813	4th St S E	30-029-23-13-0026	
53.	2929	University Ave S E	30-029-23-13-0029	
54.	2901	4th St S E	30-029-23-13-0030	
55.	3001	4th St S E	30-029-23-13-0040	
56.	3000	4th St S E	30-029-23-13-0041	
57.	3001	University Ave S E	30-029-23-13-0042	
58.	2635	4th St S E	30-029-23-13-0054	
59.	2721	4th St S E	30-029-23-13-0055	
60.	520	Malcolm Ave S E	30-029-23-14-0002	
61.	522 1/2	Malcolm Ave S E	30-029-23-14-0003	
62.	520 1/2	Malcolm Ave S E	30-029-23-14-0004	
63.	3201	5th St S E	30-029-23-14-0005	
64.	3171	5th St S E	30-029-23-14-0006	
65.	502	Malcolm Ave S E	30-029-23-14-0011	
66.	2	Malcolm Ave S E	30-029-23-14-0013	
67.	3141	Eustis St S E	30-029-23-14-0039	TIF # 79
68.	3024	4th St S E	30-029-23-14-0040	
69.	3033	University Ave S E	30-029-23-14-0041	

70.	543	Malcolm Ave S E	30-029-23-14-0050	
71.	445	Malcolm Ave S E	30-029-23-14-0051	
72.	501	Malcolm Ave S E	30-029-23-14-0052	
73.	3117	University Ave S E	30-029-23-14-0053	
74.	3245	4th St S E	30-029-23-14-0057	TIF # 79
75.	415	29th Ave S E	30-029-23-14-0058	
76.	1	Malcolm Ave S E	30-029-23-14-0059	
77.	504	Malcolm Ave S E	30-029-23-14-0060	TIF # 78
78.	670	25th Ave S E	30-029-23-21-0001	
79.	650	25th Ave S E	30-029-23-21-0002	
80.	2525	4th St S E	30-029-23-21-0010	
81.	2609	4th St S E	30-029-23-21-0019	
82.	2613	4th St S E	30-029-23-21-0036	
83.	420	25th Ave S E	30-029-23-21-0049	
84.	520	25th Ave S E	30-029-23-21-0059	
85.	2515	University Ave S E	30-029-23-24-0059	
86.	3401	University Ave S E	30-029-23-41-0003	TIF # 79
87.	3357	University Ave S E	30-029-23-41-0049	
88.	3353	University Ave S E	30-029-23-41-0050	
89.	3329	University Ave S E	30-029-23-41-0054	
90.	3121	University Ave S E	30-029-23-41-0116	
91.	3319	University Ave S E	30-029-23-41-0118	
92.	3224	4th St S E	30-029-23-41-0120	
93.	3349	University Ave S E	30-029-23-41-0051	

I. Description of Project (No Change)

A. Boundary of the Redevelopment Project (No Change)

B. Project Boundary Map (No Change)

C. Objectives of the Redevelopment Plan (No Change)

D. Types of Redevelopment Activities (No Change)

II. Land Use Plan (No Change)

III. Project Proposals (No Change)

A. Property Acquisition Map (**Updated**)

See attached Exhibit #3, Property Acquisition Map.

B. Property Acquisition (**Updated**)

<u>List of Property That May Be Acquired</u>

By including in this Redevelopment Plan a list of Property That May Be Acquired, the City of Minneapolis is signifying that it is interested in acquiring the property listed, subject to limitations imposed by availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the City to acquire a property.

Several parcels listed below are not within a tax increment financing district, but are located within the SEMI redevelopment project area. Many parcels have been designated as Property That May be Acquired in previous SEMI plan actions.

The list of Property That May be Acquired is updated to include:

1)	648	24th Ave S E	19-029-23-31-0001	
2)	818	24th Ave S E	19-029-23-31-0003	
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Legislative Authority re: Pooling of TIF[2]

[MN Laws 2005, Chapter 152, Article 2, Sections 16 and 17, as amended by MN Laws 2006, Chapter 259, Article 10, subdivisions 5 through 8.]

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Subd. 3. **Five-year rule**. (a) Revenues derived from tax increments are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs: . . .3(a)(5) expenditures are made for….public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

I. Tax Increment District Boundary (Changed)

The following parcels are to be deleted from the SEMI, Phase 3 TIF District (County Designation #79) (see revised boundary map Exhibit #4 attached) upon payment in full of the Tax Increment Limited Revenue Note (Bedford Street Townhouses Project), dated as of April 1, 2002 (the "Bedford Note"):

30-029-23-41-0126	30-029-23-41-0131	30-029-23-41-0135
30-029-23-41-0128	30-029-23-41-0132	30-029-23-41-0136
30-029-23-41-0129	30-029-23-41-0133	
30-029-23-41-0130	30-029-23-41-0134	

Upon approval of this modification, the Bedford Note will be paid in full and the County will be directed to decertify the above listed parcels from the SEMI, Phase 3 TIF District (County Designation #79). The pre-payment of the Bedford Note and the decertification of the above parcels will occur prior to December 31, 2006.

When the parcels have been decertified and removed from the SEMI, Phase 3 TIF District, the only remaining parcels within the SEMI, Phase 3 TIF District will be located within the boundaries of the Bioscience Zone. As a result of this action, all remaining

[2] Due to General Legislation cited here, the limitations of MN Statutes, Section 469.176, subd 4g(c) do not apply.

tax increment revenue generated within the SEMI Phase 3 TIF District will be eligible to be pooled within the Bioscience Zone.

II. Statement of Objectives (No Change)

III. Development Program (Changed)

A. Development Program (No Change)

D. Property That May Be Acquired (**Updated**)

By including in this plan document a list of Property That May Be Acquired, the City of Minneapolis is signifying that it is interested in acquiring the property listed, subject to limitations imposed by availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the City to acquire a property.

Several parcels listed below are not within a tax increment financing district, but are located within the SEMI redevelopment project area. Many parcels have been designated as Property That May be Acquired in previous SEMI plan actions.

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13.	600	Oak St S E (address unassigned)	19-029-23-33-0030	
14.	2200	7th St S E	19-029-23-34-0006	
15.	800	23rd Ave S E	19-029-23-34-0014	
16.	601	25th Ave S E	19-029-23-34-0016	
17.	2201	7th St S E	19-029-23-34-0017	
18.	1800 ½	Elm St SE	19-029-23-34-0019	
19.	730	24th Ave S E	19-029-23-42-0007	
20.	634	24th Ave S E	19-029-23-42-0008	

21.	745	Kasota Ave	19-029-23-42-0014	TIF # 91
22.	668	24th Ave S E	19-029-23-43-0003	
23.	700	24th Ave S E	19-029-23-43-0004	
24.	2500	Elm St S E	19-029-23-43-0006	TIF # 72
25.	1	Address Pending	19-029-23-44-0012	
26.	1701	6th St S E	24-029-24-41-0026	
27.	1700	Elm St S E	24-029-24-41-0028	TIF # 69
28.	1503	4th St S E	24-029-24-13-0061	
29.	500	16th Ave S E	24-029-24-44-0003	
30.	705	Oak St S E	24-029-24-44-0074	
31.	540	Malcolm Ave S E	30-029-23-11-0004	
32.	620	Malcolm Ave S E	30-029-23-11-0005	
33.	580 1/2	Malcolm Ave S E	30-029-23-11-0006	
34.	528 1/2	Malcolm Ave S E	30-029-23-11-0009	
35.	526 1/2	Malcolm Ave S E	30-029-23-11-0010	
36.	518	Malcolm Ave S E	30-029-23-11-0011	
37.	600	Malcolm Ave S E	30-029-23-11-0012	
38.	301	29th Ave S E	30-029-23-12-0001	
39.	501	29th Ave S E	30-029-23-12-0003	
40.	649	26th Ave S E	30-029-23-12-0004	
41.	600	25th Ave S E	30-029-23-12-0005	
42.	600	27th Ave S E	30-029-23-12-0006	
43.	602	27th Ave S E	30-029-23-12-0007	
44.	600 1/2	27th Ave S E	30-029-23-12-0008	
45.	530	25th Ave S E	30-029-23-12-0009	
46.	700	29th Ave S E	30-029-23-12-0010	
47.	701	29th Ave S E	30-029-23-12-0011	
48.	2721	Beacon St S E	30-029-23-12-0012	
49.	504	29th Ave S E	30-029-23-12-0014	
50.	419	29th Ave S E	30-029-23-13-0009	
51.	501	30th Ave S E	30-029-23-13-0010	
52.	2813	4th St S E	30-029-23-13-0026	
53.	2929	University Ave S E	30-029-23-13-0029	
54.	2901	4th St S E	30-029-23-13-0030	
55.	3001	4th St S E	30-029-23-13-0040	
56.	3000	4th St S E	30-029-23-13-0041	
57.	3001	University Ave S E	30-029-23-13-0042	
58.	2635	4th St S E	30-029-23-13-0054	
59.	2721	4th St S E	30-029-23-13-0055	
60.	520	Malcolm Ave S E	30-029-23-14-0002	
61.	522 1/2	Malcolm Ave S E	30-029-23-14-0003	
62.	520 1/2	Malcolm Ave S E	30-029-23-14-0004	
63.	3201	5th St S E	30-029-23-14-0005	
64.	3171	5th St S E	30-029-23-14-0006	
65.	502	Malcolm Ave S E	30-029-23-14-0011	
66.	2	Malcolm Ave S E	30-029-23-14-0013	

67.	3141	Eustis St S E	30-029-23-14-0039	TIF # 79
68.	3024	4th St S E	30-029-23-14-0040	
69.	3033	University Ave S E	30-029-23-14-0041	
70.	543	Malcolm Ave S E	30-029-23-14-0050	
71.	445	Malcolm Ave S E	30-029-23-14-0051	
72.	501	Malcolm Ave S E	30-029-23-14-0052	
73.	3117	University Ave S E	30-029-23-14-0053	
74.	3245	4th St S E	30-029-23-14-0057	TIF # 79
75.	415	29th Ave S E	30-029-23-14-0058	
76.	1	Malcolm Ave S E	30-029-23-14-0059	
77.	504	Malcolm Ave S E	30-029-23-14-0060	TIF # 78
78.	670	25th Ave S E	30-029-23-21-0001	
79.	650	25th Ave S E	30-029-23-21-0002	
80.	2525	4th St S E	30-029-23-21-0010	
81.	2609	4th St S E	30-029-23-21-0019	
82.	2613	4th St S E	30-029-23-21-0036	
83.	420	25th Ave S E	30-029-23-21-0049	
84.	520	25th Ave S E	30-029-23-21-0059	
85.	2515	University Ave S E	30-029-23-24-0059	
86.	3401	University Ave S E	30-029-23-41-0003	TIF # 79
87.	3357	University Ave S E	30-029-23-41-0049	
88.	3353	University Ave S E	30-029-23-41-0050	
89.	3329	University Ave S E	30-029-23-41-0054	
90.	3121	University Ave S E	30-029-23-41-0116	
91.	3319	University Ave S E	30-029-23-41-0118	
92.	3224	4th St S E	30-029-23-41-0120	
93.	3349	University Ave S E	30-029-23-41-0051	

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

SEMI, Phase 1 In May 1995 the City of Minneapolis created the Southeast Minneapolis Industrial (SEMI) Area Redevelopment Project in order to facilitate public redevelopment activity on a 30 acre industrial area located southeast of the intersection of Elm Street and 18th Avenue SE. Both a Redevelopment Project and a Redevelopment TIF district were created to assist this project, which is now referred to as SEMI Phase 1. SEMI Phase 1 resulted in construction of three buildings totaling about 450,000 square feet. The public redevelopment costs were financed with a tax increment revenue “pay-as-you-go” note of $2,100,000.

SEMI, Phase 2 In February 1996, the SEMI Redevelopment Project Area was expanded to encompass a total area of about 125 acres, including most of the land within the larger SEMI area that was located

north of the Union Pacific railroad tracks, which had been identified for potential industrial redevelopment within the 1995 SEMI Master Plan. At that time a new redevelopment TIF district was established to assist with the redevelopment of the 15.6 acre vacant Archer Daniels Midland (ADM) site at Kasota Avenue SE that was occupied by a long idle grain elevator complex. A hazardous substance subdistrict was subsequently created to assist with the extraordinary costs of asbestos abatement necessitated by the demolition of the elevator complex. This project is referred to as SEMI Phase 2. SEMI Phase 2 is a redevelopment TIF project of about 12 acres resulting in construction of two buildings totaling about 200,000 square feet. The public development costs were financed with a tax increment revenue "pay-as-you-go" note of $1,270,000.

SEMI, Phase 3 established in 1996, is a redevelopment TIF project of about 7 acres resulting in remediation of pollution on the site. The public costs were financed with a tax increment revenue "pay-as-you-go" note of $534,431. This TIF district was expanded to finance public redevelopment activities that assisted the development of twelve owner-occupied townhouses (Bedford Street Townhouse Project) on the former Kampa Tire site.

SEMI, Phase 4 authorized the creation of a new economic development tax increment financing district in order to facilitate the industrial redevelopment of the Metal Coatings/Lewis Nut & Bolt site. Construction of a 143,000 square foot light industrial building was completed in 1997.The public redevelopment costs were financed with a tax increment revenue "pay-as-you-go" note of $1,000,000.

SEMI, Phase 5 is a redevelopment TIF and hazardous substance subdistrict project of about 7 acres resulting in construction of one building totaling about 110,000 square feet. The public redevelopment costs were financed with a tax increment revenue "pay-as-you-go" note of $1,142,760.

Public infrastructure to be constructed will include completion of Kasota Road. This road is a realignment of Kasota Avenue that will improve access to industrial properties that are now served by Elm Street. The new Kasota alignment will also relieve the neighboring Como Southeast Neighborhood of truck traffic that resulted from the SEMI Phase 1, SEMI, Phase 2, and SEMI Phase 5 TIF districts. The road is depicted on the attached map. (See Exhibit #1).

Construction of Granary Road from the St. Paul border to 15th Avenue Southeast will also be undertaken if sufficient poolable revenue is available. This will be north of and roughly parallel to the University of Minnesota's Intercampus Transitway and will provide access to a redevelopment area planned as a research park associated with the University. That area is currently not served by public roads.

Regional stormwater management facilities are also planned and if sufficient funds are available will be financed in part by pooled tax increment. These regional stormwater management ponds will be built adjacent to Kasota Road and Granary Road.

D. Other Development Activity (No Change)

IV. Description of Financing (Added)

A. Project Costs

	Up-Front	Over Time
Sources		
Tax Increment Bonds	$6,700,000	---
Tax Increment	---	$13,230,000
Total Sources	$6,700,000	$13,230,000
Uses		
Public Infrastructure	$6,550,000	---
Underwriter's Discount	100,000	---
Costs of Bond Issuance	50,000	---
Bond Principal	---	$6,700,000
Bond Interest	---	5,207,000
Administrative Fees	---	1,323,000
Total Uses	$6,700,000	$13,230,000

B. Bonded Indebtedness to be Incurred

It is currently the City's intention to issue tax-exempt tax increment bonds to fund the public project costs identified above. These bonds will be 100% payable from tax increment collections and may be issued as either general obligation or revenue obligations. The City reserves the right to issue such bonds in an amount not to exceed $6,700,000.

C. Sources of Revenue[3]

[3] Due to General Legislation cited here, the limitations of MN Statutes, Section 469.176, subd 4g(c) do not apply.

[Minnesota Statutes, Section 469.1763, subdivisions 2 and 6]

Subd. 2**. Expenditures outside district.** 2(e) For a district created within a biotechnology and health sciences industry zone as defined in section 469.330, subdivision 6, or for an existing district located within such a zone, tax increment derived from such a district may be expended outside of the district but within the zone only for expenditures required for the construction of public infrastructure necessary to support the activities of the zone. Public infrastructure expenditures are considered as expenditures for activities within the district.

Subd. 3. **Five-year rule**. (a) Revenues derived from tax increments are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs: . . .3(a)(5) expenditures are made for….public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

D. Original Net Tax Capacity

E. Estimated Captured Net Tax Capacity at Completion

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)

V. Type of Tax Increment Financing District (No Change)

VI. Estimated Impact on Other Taxing Jurisdictions (No Change)

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)

Exhibits:

1 Roadway Improvements Map
2 Bioscience Subzone Map
3 Property Acquisition Map
4 Revised SEMI Phase 3 TIF Boundary Map