



Modification No. 1 to the
Parcel C
Tax Increment Finance Plan

Draft for Public Review
July 9, 2010

Parcel C Tax Increment Finance Plan

Modification No. 1

Introduction **(New)**

- I. Tax Increment District Boundary
- II. Statement of Objectives
- III. Development Program
 - A. Description of Development Program
 - B. Property That May Be Acquired
 - C. Development Activity For Which Contracts Have Been Signed
 - D. Other Development Activity
- IV. Description of Financing **(Changed)**
 - A. Project Costs **(Changed)**
 - B. Bonded Indebtedness to be Incurred **(Changed)**
 - C. Sources of Revenue
 - D. Original Net Tax Capacity **(Changed)**
 - E. Estimated Captured Net Tax Capacity at Completion **(Changed)**
 - F. Duration of District
 - G. Fiscal Disparities Election
 - H. Original Tax Capacity Rate **(Changed)**
 - I. Permit Activity and Prior Planned Improvements
 - J. Affordable Housing and Expenditures Outside TIF District **(New)**
- V. Type of Tax Increment Financing District
- 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

Exhibits

- Boundary Map
- Project Area Report and Documentation of Blight

Introduction

The Parcel C Tax Increment Financing (TIF) District, located within the Industry Square and Historic Milwaukee Depot Reuse Redevelopment Projects in downtown Minneapolis, is bounded by Second Street South, Washington Avenue South, Fifth Avenue South and Portland Avenue South. At the time of approval of the TIF Plan, on December 14, 2001, the former railroad property was used for surface parking. New development within the TIF District includes CSM Corporation's Depot Office Center with first floor retail space, the 22-unit Metropolitan Lofts ownership housing development, the new home of the MacPhail Center for Music, and structured parking.

This Modification No. 1 to the Parcel C TIF Plan amends the project budget, updates other financial information, and adds language describing the use of tax increment revenues to assist qualified low-income rental housing projects elsewhere within the city, in accordance with Minnesota Statutes Sections 469.176, Subd. 4k and 469.1763, Subd. 2, paragraph (d).

Section IV – Description of Financing is updated by Modification No. 1. Changes are described in italics prior to each affected subsection. Only those parts of the TIF Plan changed by Modification No. 1 appear below.

IV. Description of Financing

[Subsections A, B, D, E and H are modified as described below. Subsection J is added.]

IV.A. Project Costs

[Section IV.A. is replaced by the following language.]

The total development cost, both public and private, of the Parcel C project was approximately \$45,000,000. The project costs listed below only include the anticipated public development expenditures to be financed by tax increment revenues from the new TIF District.

The current estimate of the maximum project costs to be financed by tax increment revenues from the Parcel C Tax Increment Financing District is \$6,617,997. Anticipated public expenditures are listed below.

Modification No. 1 to the Parcel C Tax Increment Finance Plan

	Original Budget		Revised Budget	
	Up-Front	Over Time	Up-Front	Over Time
Sources				
Developer Funds	\$4,099,300	---	\$3,535,906	---
Tax Increment	---	\$13,159,585	---	\$6,617,997
Total Sources	\$4,099,300	\$13,159,585	\$3,535,906	\$6,617,997
 Uses				
Public Facilities (Parking)	\$3,894,300	---	\$3,215,906	---
Affordable Housing	205,000	---	320,000	\$1,180,000
Pay-As-You-Go Note Principal	---	\$4,099,300	---	3,215,906
Pay-As-You-Go Note Interest	---	7,744,326	---	1,647,091
Administration	---	1,315,959	---	575,000
	\$4,099,300	\$13,159,585	\$3,535,906	\$6,617,997

IV.B. Bonded Indebtedness to be Incurred

[Section IV.B. is replaced by the following language.]

Tax increment financing assistance was provided to the Parcel C project in the form of Pay-As-You-Go financing. With Pay-As-You-Go tax increment financing, the developer or a third party lender finances the agreed upon tax increment eligible public redevelopment costs under contract with the City in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the project. It is not anticipated that tax increment bonds will be issued for this project.

IV.D. Original Net Tax Capacity

[The following language is added to Section IV.D.]

For taxes payable in 2010, the Original Net Tax Capacity of the TIF District was \$40,867.

IV.E. Estimated Captured Net Tax Capacity of the Tax Increment Financing District at Completion

[The following language is added to Section IV.E.]

For taxes payable in 2010, the total net tax capacity was \$407,263, the captured net tax capacity was \$366,396, and the gross tax increment (before the State Auditor fee) was \$467,012.

IV.H. Original Tax Capacity Rate

[Section IV.H. is replaced by the following language.]

The Original Tax Capacity Rate for this district is 147.663%.

IV.J. Affordable Housing and Expenditures Outside TIF District

[Section IV.J. is added to the TIF Plan.]

Pursuant to Minnesota Statutes Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of Minnesota Statutes Section 469.1763, 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 Internal Revenue Code);
- 2) not exceed the qualified basis of the housing (as defined in Section 42(c) of the Internal Revenue Code) less the amount of any credit allowed under Section 42; and
- 3) be used to:
 - acquire and prepare the site of the housing;
 - acquire, construct, or rehabilitate the housing; or
 - 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” (as that term is defined in Minnesota Statutes Section 469.174), but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to Minnesota Statutes 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 expenditures are normally considered expenditures outside of the TIF district. However, if the only other expenditures outside of the TIF district are for affordable housing purposes as described above, the administrative expenditures are then considered spent within the TIF district.

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. No more than 10% of the increment collected from the district (over its lifetime) may be used for administrative purposes, and no more than 35% of the increment collected from the district (over its lifetime) may be used for affordable housing purposes as described above.



Modification No. 1 to the
Heritage Landing Apartments
Tax Increment Finance Plan

Draft for Public Review
July 9, 2010

Heritage Landing Apartments Tax Increment Finance Plan

Modification No. 1

Introduction **(New)**

- I. Tax Increment District Boundary
- II. Statement of Objectives
- III. Statement of Development Program
 - A. Housing Development Program
 - B. List of Property That May Be Acquired
 - C. Development Activity for which Contracts Have Been Signed
 - D. Other Development Activity Expected to Occur
- IV. Description of Financing **(Changed)**
 - A. Project Costs **(Changed)**
 - B. Bonded Indebtedness to be Incurred
 - C. Sources of Revenue
 - D. Most Recent Net Tax Capacity **(Changed)**
 - E. Estimated Captured Net Tax Capacity of the Tax Increment Financing District at Completion **(Changed)**
 - F. Duration of District
 - G. Fiscal Disparities Election
 - H. Original Tax Capacity Rate **(Changed)**
 - I. LGA/HACA Penalty Exemption
 - J. Permit Activity and Prior Planned Improvements
 - K. Affordable Housing and Expenditures Outside TIF District **(New)**
- V. Type of Tax Increment Financing District
- 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 Finance Plans

Map 1 Boundary Map

Exhibit 1 Site Plan and Architectural Renderings
Exhibit 2 Documentation of Project and Site Eligibility
Exhibit 3 Assessor's Office Statement of Estimated Market Value
Exhibit 4 Affirmative Action Plan

Introduction

The Heritage Landing Apartments Tax Increment Financing (TIF) District is located within the Heritage Landing Apartments Housing Development Project in the North Loop neighborhood of downtown Minneapolis. The original TIF Plan was approved on November 13, 1998. Hunt/Gregory completed the 229-unit mixed-income rental housing project at 415 First Street North in 2000.

This Modification No. 1 to the Heritage Landing Apartments TIF Plan amends the project budget, updates other financial information, and adds language describing the use of tax increment revenues to assist qualified low-income rental housing projects elsewhere within the city, in accordance with Minnesota Statutes Sections 469.176, Subd. 4k and 469.1763, Subd. 2, paragraph (d).

Section IV – Description of Financing is updated by Modification No. 1. Changes are described in italics prior to each affected subsection. Only those parts of the TIF Plan changed by Modification No. 1 appear below.

IV. Description of Financing

[Subsections A, D, E and H are modified as described below. Subsection K is added.]

IV.A. Project Costs

[The following language is deleted from Section IV.A.]

~~The current estimate of the maximum project costs to be financed by tax increment revenues is \$7,150,000. Anticipated public expenditures are listed below.~~

[The Preliminary Project Tax Increment Budget is replaced by the following budget.]

	Original Budget		Revised Budget	
	Up-Front	Over Time	Up-Front	Over Time
Sources				
Developer Funds	\$6,500,000	---	\$6,200,000	---
Tax Increment	---	\$18,162,545	---	\$19,975,000
Total Sources	\$6,500,000	\$18,162,545	\$6,200,000	\$19,975,000
 Uses				
Public Redevelopment Costs	\$6,500,000	---	\$6,200,000	---
Affordable Housing	---	---	---	\$2,550,000
Pay-As-You-Go Note				
Principal	---	\$6,500,000	---	6,200,000
Pay-As-You-Go Note Interest	---	11,012,545	---	10,575,000
Administration	---	650,000	---	650,000
	\$6,500,000	\$18,162,545	\$6,200,000	\$19,975,000

IV.D. Most Recent Net Tax Capacity

[The following language is added to Section IV.D.]

For taxes payable in 2010, the Original Net Tax Capacity of the TIF District was \$7,500.

IV.E. Estimated Captured Net Tax Capacity of the Tax Increment Financing District at Completion

[The following language is added to Section IV.E.]

For taxes payable in 2010, the total net tax capacity was \$364,402, the captured net tax capacity was \$356,902, and the gross tax increment (before the State Auditor fee) was \$454,911.

IV.H. Original Tax Capacity Rate

[Section IV.H. is replaced by the following language.]

The Original Tax Capacity Rate for this district is 146.158%.

IV.K. Affordable Housing and Expenditures Outside TIF District

[Section IV.K. is added to the TIF Plan.]

Pursuant to Minnesota Statutes Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of Minnesota Statutes Section 469.1763, 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 Internal Revenue Code);
- 2) not exceed the qualified basis of the housing (as defined in Section 42(c) of the Internal Revenue Code) less the amount of any credit allowed under Section 42; and
- 3) be used to:
 - acquire and prepare the site of the housing;
 - acquire, construct, or rehabilitate the housing; or
 - 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” (as that term is defined in Minnesota Statutes Section 469.174), but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to Minnesota Statutes Section 469.1763, Subd. 2, up to 20% of the tax increment from a housing 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 30%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenditures are normally considered expenditures

outside of the TIF district. However, if the only other expenditures outside of the TIF district are for affordable housing purposes as described above, the administrative expenditures are then considered spent within the TIF district.

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. No more than 10% of the increment collected from the district (over its lifetime) may be used for administrative purposes, and no more than 30% of the increment collected from the district (over its lifetime) may be used for affordable housing purposes as described above.