



Modification No. 1

to the

**Franklin-Portland Gateway
Redevelopment Plan**

March 2, 2007

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

**Modification No. 1 to the Franklin-Portland Gateway
Redevelopment Plan
March 2, 2007**

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- #1..... Boundary Map - Changed
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March 2, 2007**

Plan Documents

Two plan documents have been prepared that are related to a proposed mixed income townhome-style rental and commercial project: this Modification No. 1 to the Franklin-Portland Gateway Redevelopment Plan and the Wellstone Tax Increment Finance ("TIF") Plan (the "Plans").

Modification No. 1 to the Franklin-Portland Gateway Redevelopment Plan expands the boundary of the project area and authorizes the creation of a new tax increment finance district as a tool for carrying out the redevelopment activities described therein.

The **Wellstone Tax Increment Finance Plan** creates a new housing tax increment financing district to finance the anticipated costs of public redevelopment activities, and establishes a preliminary budget for the project.

REDEVELOPMENT PLAN

I. Description of Project

Background

The Franklin-Portland Gateway project is a long-term plan to build 236 housing units on the four corners of the intersection of Franklin and Portland Avenues. Phase I, the four-story Children's Village Center, is a mixed-use new construction project located at the southeast corner of the Franklin-Portland intersection. This phase consists of 30 apartments, with community space and offices on the first floor. This portion of the project has been completed.

Phase II, the Jourdain, located at the southwest corner of the Franklin-Portland intersection, is a mixed-use, four-story building, with one level of underground parking. The project contains 41 units of housing, ranging in unit styles from single room only (SRO) units, one, two and three bedroom units. The Jourdain includes affordable townhome-style studios and two- and three-bedroom family units as well as market rate studios and two-bedroom units, and includes 4,000 square feet that will house a mini-market grocery store and office space. The retail will be neighborhood scale. Rent pricing ranges from affordable at 50% of AMI to market rate. This portion of the project has also been completed.

The Wellstone is the third phase of the Franklin-Portland Gateway development – a collaborative partnership between Hope Community, Inc. and Community Housing Trust (CCHT) to redevelop the northeast intersection of Franklin Avenue and Portland Avenue, located in the Ventura Village neighborhood of South Minneapolis.

The project will consist of high quality new construction of a 49-unit mixed-income rental townhome-style building, including ground floor commercial and underground parking. The Wellstone mixed-use project is designed to provide family-friendly, pedestrian-friendly, transit-friendly, and green-oriented places to live and work. The Wellstone provides urban density, including 49 units of mixed-income rental housing (37 tax credit units, 12 “market” units) and approximately 7,112 square feet of commercial space (4,441 square feet of restaurant space and 2,671 square feet of community commercial space for tenants). The four-story building is designed to accommodate a variety of household types, with unit sizes ranging from studios to spacious three-bedroom units for large families. Four studio units at the Wellstone are reserved for individuals experiencing long-term homelessness. Individuals will receive support services from St. Stephen’s Human Services/Housing First Team. Underground parking will be provided to reduce land acquisition costs and improve the livability of the site through increased green space.

While the primary objective of the Wellstone development (and Gateway in its entirety) is to develop quality affordable housing, there is a limited amount of commercial space included. Commercial space is situated at the first floor, at the corner of Franklin and extending north along the Portland Avenue street face. The retail tenants will be an adjunct community center and a neighborhood-based business.

The purpose of this Modification is to authorize the use of tax increment revenue to pay for public redevelopment activity - including new housing construction, administration, and other eligible project costs. Anticipated redevelopment activities include demolition of the current building to allow for the new construction of a four-story building along Portland and Franklin Avenues. Redevelopment activities include acquisition, demolition, new construction, administration, and other related activities.

The Wellstone will have a total of 49 rental units. The unit composition and rent levels for the rental building are shown below.

Unit Composition	# of Units	30% of MMI	50% of MMI	60% of MMI	Mkt rate
Studio	5	4	1	0	0
One bedroom	6	0	3	0	3
Two bedroom	25	0	10	6	9
Three bedroom	13	0	7	6	0
Total Units	49	4	21	12	12

The rental apartment buildings will have a total of 5 studio apartments, 6 one-bedroom units, 25 two-bedroom units, and 13 three-bedroom units, with the rents and affordability levels shown above. Since there will be 25 units at or below 50% of MMI¹, this project complies with the City Affordable Housing Policy, which would require at least 10 affordable units (i.e. 20% of 49). In addition, there will be 12 units affordable at or below 60% of area median income for a total of 37 low income (75%) affordable units.

A. Boundary of Redevelopment Project

Under the authority of the Housing and Redevelopment Authorities Act, approval of this Modification expands the boundary of the Franklin-Portland Gateway Redevelopment Project in accordance with Minnesota Statutes Section 469.002 - 469.047. The Project Area Report and Documentation of Eligibility is attached as Exhibit # 5 to this Plan.

The proposed expanded project area includes vacant and underutilized lots in an area of high traffic with large visibility along Franklin Avenue. The revised boundary is shown on the boundary map (Exhibit #1). The tax parcels to be added to the existing Project Area are:

<i>Property Identification Number</i>	<i>Address</i>
26-029-24-33-0072	612 E. Franklin Avenue
26-029-24-33-0073	616 E. Franklin Avenue
26-029-24-33-0074	620 E. Franklin Avenue

B. Project Boundary Map

The Project Boundary Map is included in this Redevelopment Plan as Exhibit #1.

C. Objectives of the Redevelopment Plan – No Change

D. Types of Redevelopment Activities

The objectives of the redevelopment plan will be accomplished through the following actions: site assembly and preparation, demolition, new housing construction, parking, project administration, public improvements and other related activities. Public purposes include the provision of affordable rental housing units, removal of blight or the causes of blight, including vacant, underused land, the provision of supportive neighborhood retail, and the provision of decent, safe, and sanitary dwellings for persons of low and moderate income.

II. Land Use Plan

¹ Metropolitan Median Income

The parcels are currently zoned C1, and OR2. All parcels are included in the North Phillips Overlay District. The developer has submitted an application to rezone the site to accommodate the proposed mixed use development.

A. Land Use Map

The Land Use Map is included in this Redevelopment Plan as Exhibit # 2. The recommended land use is mixed use residential and commercial.

The development of this site is consistent with *The Minneapolis Plan* as shown on the Land Use Map and in conformance with this Redevelopment Plan.

B. Land Use Provisions and Requirements – No Change

C. Period During Which Land Use Provisions and Requirements Will Be In Effect – No Change

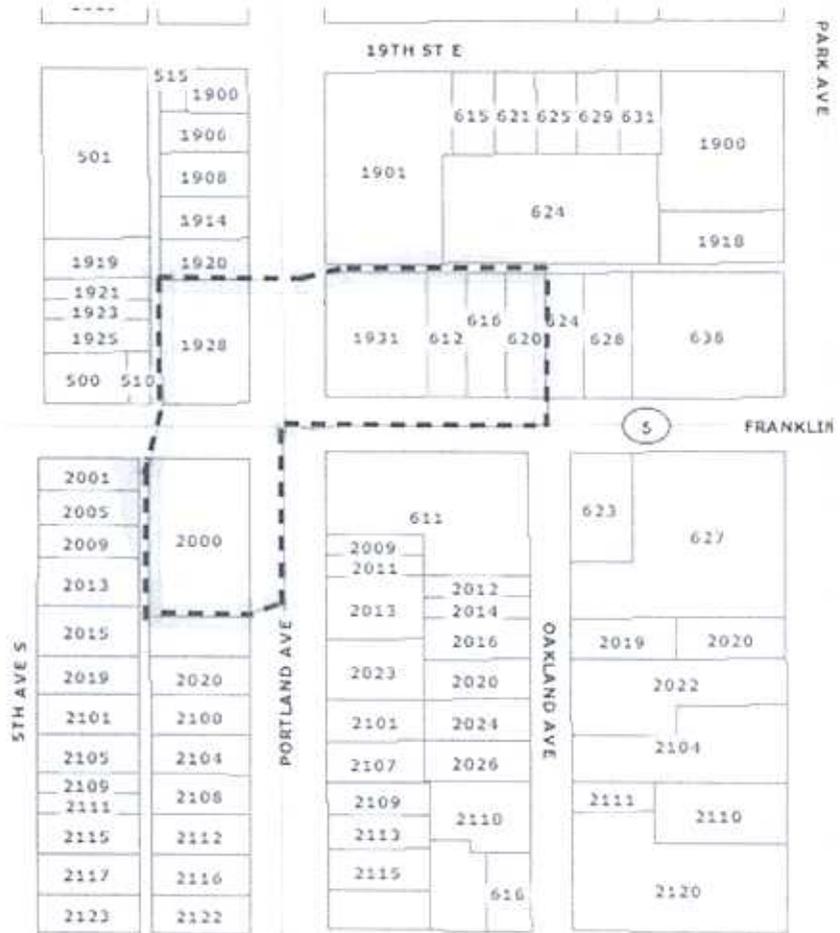
III. Project Proposals

A. Redevelopers' Obligations

The general requirements to be imposed upon the redevelopers, their successors or assigns, will be established in the development agreements. The City will negotiate a development agreement with CCHT and Hope Community, Inc.

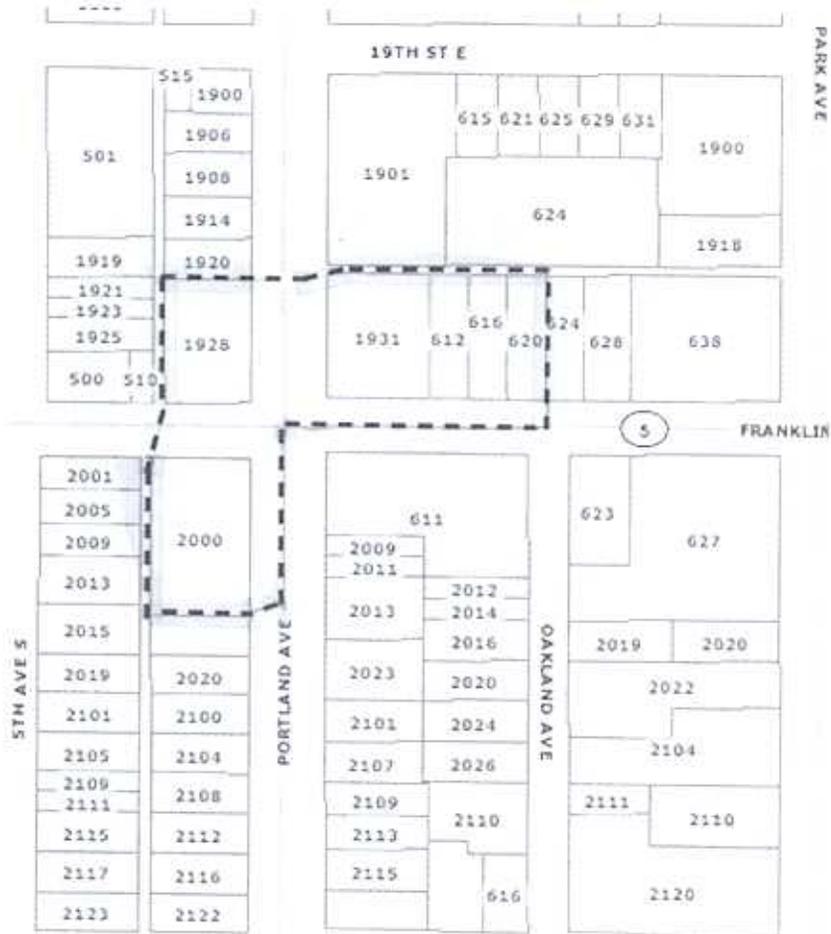
IV. Official Action to Carry Out the Redevelopment Plan – No Change

V. Procedure for Changes in Approved Redevelopment Plan – No Change



Franklin-Portland Gateway Redevelopment
Project Boundary Map
Revised March 2, 2007

--- Project Area Boundary



Franklin-Portland Gateway Redevelopment
Land Use
Revised March 2, 2007

----- mixed use residential and commercial

**PROJECT AREA REPORT
AND ELIGIBILITY DOCUMENTATION**

**Modification No. 1 to the Franklin-Portland Gateway Redevelopment Plan
and
The Wellstone Tax Increment Finance Plan
March 2, 2007**

The purpose of this Project Area Report and Documentation of Eligibility is to describe the conditions that qualify the Wellstone project for inclusion in a housing tax increment finance (TIF) district, and to describe the conditions that qualify the proposed expanded area of the Franklin-Portland Gateway site for inclusion in a redevelopment project area as defined in 469.002, Subd. 11.

The proposed TIF District is located within the Franklin-Portland Gateway Redevelopment Project, approved by the Minneapolis City Council on December 23, 2004.

The **Franklin-Portland Gateway Redevelopment Project** (the “Redevelopment Project”) is a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16). According to Subdivision 14, Paragraph 1, redevelopment projects are established “for the purpose of removing, preventing, or reducing blight, blighting factors, or the causes of blight.” The redevelopment project area therefore must be found to be a blighted area, which is defined in Section 469.002, Subd. 11 of the Act as:

“... any area with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community.”

Area Characteristics

The Franklin-Portland Gateway Project Area is located in south Minneapolis in the 6th ward of the Ventura Village neighborhood of the Phillips Community. The proposed expansion to the Redevelopment Project Area consists of 3 vacant tax parcels along Franklin Avenue near its intersection with Portland Avenue.

Findings of Blight within the Proposed Redevelopment Project Expansion Area

CPED Construction Management Specialist Duane Nygren conducted inspections of the proposed expanded area in February 2007. The proposed expansion to the project area includes three parcels consisting of open and vacant land for a total of 22,032 square feet for all three parcels. The three parcels are zoned C1/Neighborhood Commercial District with two of the three parcels fenced. Two parcels have a large mound of fill approximately 8 to 10 feet high adjacent to the alley; it is not known what this fill consists of as access was not available. The property consists of unused, underused or inappropriately used land, inadequate/inappropriate for existing land use.

Conclusion

These vacant and underutilized lots are in an area of high traffic with high visibility. The surrounding area is going through redevelopment and upgrading. Open or undeveloped land may be determined to be blighted due to unusual and difficult physical characteristics of the ground, faulty planning characterized by lots laid out in disregard of contours or of irregular form and shape or of inadequate size (no access) or other conditions which have prevented normal development of the land.

The deterioration of the vacant parcels undermines the value of adjacent property. Vacant parcels constitute a repository for debris, fire hazard, and may attract vagrants and criminal elements of the population. The vacant space is not only an uneconomic use of inner city real estate, but is considered a blighting condition.

This report does not address environmental issues (e.g. pollution, contamination, fugitive spills, asbestos, PCB containing transformers), or other unknown physical or geo-technical problems.

Project Description

The rental apartment building will have a total of 5 studio apartments, 6 one-bedroom units, 25 two-bedroom units, and 13 three-bedroom units. Since there will be 25 units at or below 50% of MMI¹, this project complies with the City Affordable Housing Policy, which would require at least 10 affordable units (i.e. 20% of 49). In addition, there will be 12 units affordable at or below 60% of area median income for a total of 37 low income (75%) affordable units.

Tax Increment Finance District Eligibility The Wellstone TIF District is to be a housing TIF district as defined in the Minnesota Statutes, Section 469.174, Subdivision 11, and 469.1761 which states:

"Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in

¹ Metropolitan Median Income

chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts and that satisfies the requirements of section 469.1761.

In order for a tax increment financing district to qualify as a housing district: (1) the income limitations provided in this section must be satisfied; and (2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses².

There are two specific questions that must be answered in order to confirm the eligibility to establish a Housing TIF District to finance eligible public redevelopment costs of the Wellstone Project.

- 1) Does the project comply with the income restrictions for rental housing projects identified in Minnesota Statutes, Section 469.1761, Subdivision 3?
- 2) Does the square footage of the buildings that receive assistance from tax increments consist of no more than 20% of commercial, retail, or other nonresidential uses in the district?

Income Restrictions^{3, 4} Moderate-income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the metropolitan median family income. Low-income housing is defined as housing affordable to families with incomes below 80 percent of the metropolitan median (MMI) family income.

The proposed rental project must satisfy the income requirements for a Housing Tax Increment Finance District as stated in the Minnesota Tax Increment Act (Minnesota Statutes, Section 469.1761, Subdivision 3). Subdivision 3 states that rental housing must meet one of the following tests in order to qualify as a Housing Tax Increment District:

1. At least 20 percent (10) of the units must be occupied by individuals whose income is 50 percent or less of the Metropolitan area median gross income (21 of 49 units are available at or below 50%); or

² Minnesota Statutes, 84th Legislative Session (2005-2006)

³ The FY2006 Median Family Income Metro Area, State of Minnesota is \$78,500 as estimated by HUD

⁴ The MMI for Tax Credit Income Limits for 2006 is \$77,000 effective date 3/8/06

2. At least 40 percent (20) of the units must be occupied by individuals whose income is 60 percent or less of the area median gross income (12 units are available at or below 60%, 21 are at or below 50% and 4 units are available at or below 30% of MMI for a total of 37 affordable units).

The proposed project meets both of the income requirements for a Housing TIF District. Income guidelines will be monitored for the life of the district, as the requirements of this subdivision apply for the duration of the tax increment financing.

Square Footage Test In addition to the rental apartments, the project will include about 4, 441 sq. ft. of commercial space on the main level and 2,671 square feet of auxiliary commercial space for Hope/tenants. According to Minnesota Statutes, Section 469.174, Subdivision 11, and Section 469.1761, in order to establish a housing TIF district, no more than 20% of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses.

It has been estimated that the gross square footage of the Wellstone development will be 94,925 total square feet, of which 7,112 square feet will be commercial space (including the restaurant space and the auxiliary tenant space). This means that approximately 7.49% of the total square footage of the development is attributable to the commercial space in the project.

Minneapolis Housing Policy In 2002, modifications were made to the City's Comprehensive Plan ("The Minneapolis Plan") that strengthened its commitment to policies of housing growth and to increasing the supply of affordable housing. The principal goals of city housing policy are to improve choices, both for households with constrained choice and for households with many choices. The Zoning Code was also amended to allow developers of affordable housing to construct more housing units than would otherwise be allowed in instances where a proposed development includes affordable housing units. Previously city housing policy was contained in a number of documents which were approved at various times for specific reasons. Council action on June 18, 2004 adopted a Unified City of Minneapolis Housing Policy. This Policy shall be consistent with The Minneapolis Plan, goals 4.9.1 through 4.19.

The Wellstone project is consistent with the following policy statements:

- 4.9 Minneapolis will grow by increasing its supply of housing.
- 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households.
- 4.11 Minneapolis will improve the availability of housing options for its residents.

- 4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens.

Minneapolis Tax Increment Finance Policy

The Minneapolis City Council approved the Minneapolis Tax Increment Policy to guide staff in forming recommendations regarding the use of tax increment financing and negotiating contract terms with developers; to provide a framework within which the City Council and Mayor can evaluate and compare proposed uses of tax increment financing; and to inform the public of the City's position on the use of tax increment financing and the process through which decisions regarding the use of the tool are made. Objectives that will be accomplished through the Wellstone tax increment financing district are:

- Provide an array of housing choices that meet the needs of current residents and attract new residents to the city, with an emphasis on providing affordable housing.
- Eliminate blighting influences throughout the city, and
- Support neighborhood retail services, commercial corridors and employment hubs.

Eligibility Findings The proposed project qualifies as a Housing Tax Increment Financing District under Minnesota Statutes.

Documentation supporting these findings is on file in the office of the Development Finance Division, Finance Department, Suite 575, Crown Roller Mill, 105 5th Avenue South, Minneapolis, Minnesota.

**Method Proposed for Financing and Preliminary Budget
Modification No. 1 to the Franklin-Portland Gateway Redevelopment Plan
(Wellstone Tax Increment Finance Plan)
March 2, 2007**

Description of Development

The Wellstone is the third phase of the Franklin-Portland Gateway development – a collaborative partnership between Hope Community, Inc. and Community Housing Trust (CCHT) to redevelop the northeast intersection of Franklin Avenue and Portland Avenue, located in the Ventura Village neighborhood of South Minneapolis.

The project will consist of high quality new construction of a 49-unit mixed-income rental townhome-style building, including ground floor commercial and underground parking. The Wellstone mixed-use project is designed to provide family-friendly, pedestrian-friendly, transit-friendly, and green-oriented places to live and work. The Wellstone provides urban density, including 49 units of mixed-income rental housing (37 tax credit units, 12 “market” units) and approximately 7,112 square feet of commercial space (4,441 square feet of restaurant space and 2,671 square feet of community commercial space for tenants). The four-story building is designed to accommodate a variety of household types, with unit sizes ranging from studios to spacious three-bedroom units for large families. Four studio units at the Wellstone are reserved for individuals experiencing long-term homelessness. Individuals will receive support services from St. Stephen’s Human Services/Housing First Team. Underground parking will be provided to reduce land acquisition costs and improve the livability of the site through increased green space.

While the primary objective of the Wellstone development (and Gateway in its entirety) is to develop quality affordable housing, there is a limited amount of commercial space included. Commercial space is situated at the first floor, at the corner of Franklin and extending north along the Portland Avenue street face. The retail tenants will be an adjunct community center and a neighborhood-based business.

Total development costs for the Wellstone project is currently estimated at approximately \$13,373,791. Tax increment financing assistance in an amount not to exceed \$705,800 may be provided for housing construction. This TIF assistance will be provided to developer through the issuance of a pay-as-you-go tax increment revenue note (the “TIF Note”). The TIF Note will be issued by the City and will have a stated interest rate.

As tax increment is generated by the project in future years, a portion of the tax increment collected by the City will be paid to the noteholder (twice a year) as payment of principal and interest on the TIF Note. A portion of the tax increment collected by the City may also be used for administrative purposes or other affordable housing purposes as allowed by Minnesota State Statutes and stated in the tax increment budget. The tax increment budget for the TIF district is shown below. Total estimated tax increment expenditures over time are estimated at \$1,825,263 which includes Pay-As-You-Go Note Principal, Pay-As-You-Go Interest and Administration.

Wellstone TIF District Budget

Sources	Up Front	Over Time
Developer Funds	\$705,800	--
Tax Increment		\$1,825,263
Total Sources	\$705,800	\$1,825,263
Uses		
Housing Construction	\$705,800	
Pay-As-You-Go Note Principal		\$705,800
Pay-As-You-Go Note Interest		936,937
Administration		182,526
Total Uses	\$705,800	\$1,825,263

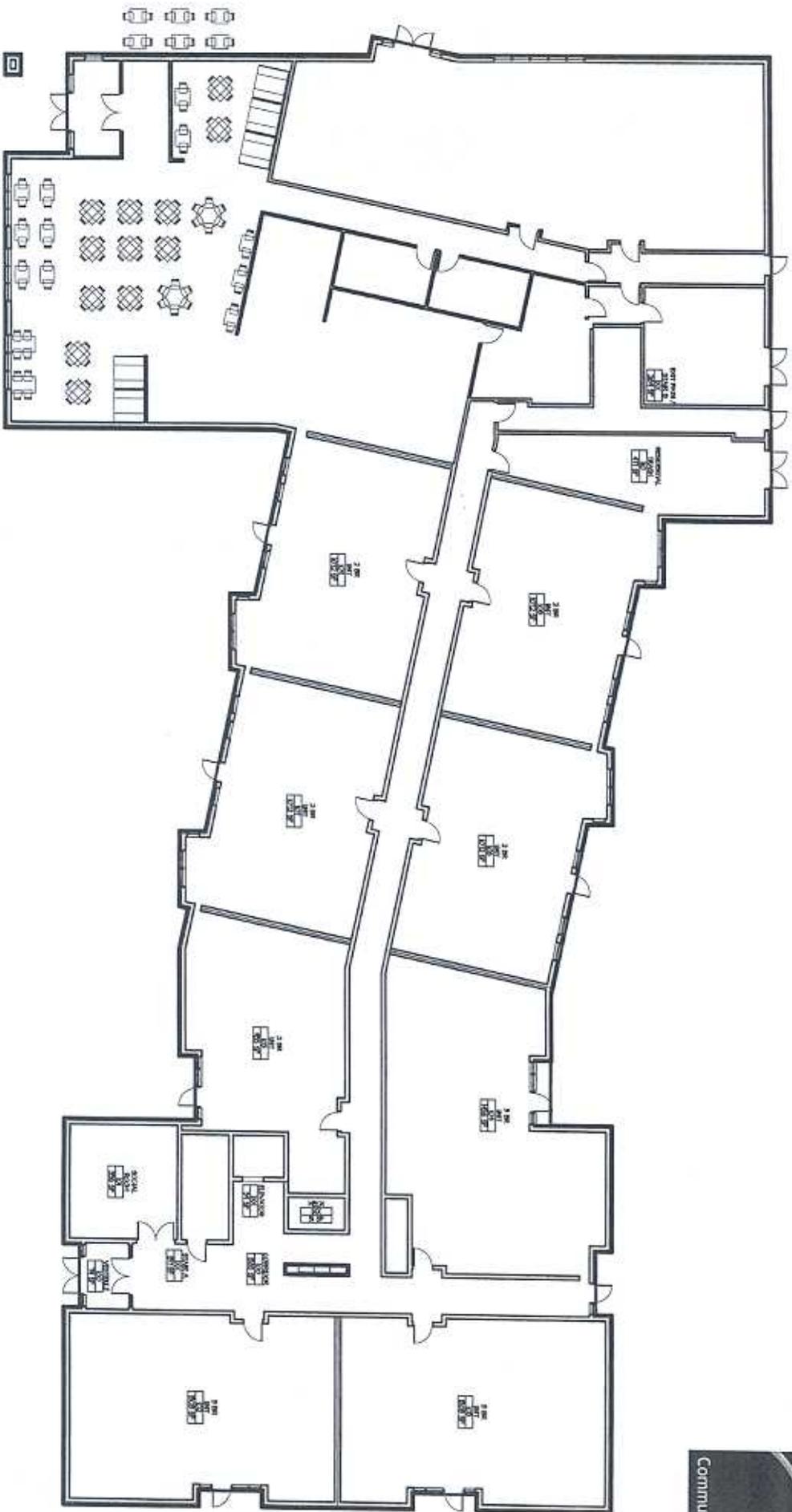
The figures, sources and methods of financing identified in this TIF Plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of this TIF Plan, or result in an increase in the public redevelopment costs or indebtedness beyond the amounts listed herein, a modification to the TIF Plan will 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 to be incurred within this Project Area is established in each redevelopment agreement entered into by the City and each developer, not by the TIF Plan, which establishes a permissive rather than proscriptive ceiling on public expenditures.

Sources of Revenue

Tax increment generated within the TIF District will be one source of public funds used to pay a portion of the public redevelopment costs associated with the Wellstone Project.

The proposal intends to capture the annual tax increment revenue via a pay-as-you-go note to increase the amount of the proposed first mortgage financing. The pay-as-you-go note capitalized to support a HUD-insured 221(d) 4 first mortgage will provide the capital resources (via a construction and permanent mortgage) to develop the Wellstone. The development will require public financing beyond the TIF requested. This is primarily due to the number of households earning between 30% and 50% of the area median income, the “gap” between market rent (what monthly rent should be, based on the development cost for that unit) and the affordable rent must be filled in order for the development to remain financially feasible into the future. CPED has committed \$1,175,000 of Affordable Housing Trust Fund resources to support the Wellstone development. Other sources include First Mortgage, Syndication Proceeds, CPED Non-Profit Admin funds, FHF, Home Depot Foundation, Met Council LCDA, MHFA ELTH, Hennepin County TOD, Hennepin County ERF, and MN Green Community Funds.





Franklin Portland Gateway - The Wellstone

Minneapolis, MN 13 June 2008

GRADE LEVEL FLOOR PLAN

1/8" = 1'-0"



