



Spirit on Lake Redevelopment Plan

Draft for Public Review
March 30, 2012

Spirit on Lake Redevelopment Plan

Table of Contents

I.	Introduction	1
II.	Description of Project	1
	A. Boundary of Redevelopment Project	1
	B. Objectives of Redevelopment Plan	1
	C. Types of Redevelopment Activities	1
	D. Public Purpose	2
	E. Citizen Participation	2
	F. Public Financing	2
III.	Land Use Plan.....	2
	A. Future Land Use	2
	B. Conformance with Approved City Plans	3
	C. Land Use Restrictions	4
IV.	Project Proposals	4
	A. Proposed Development Activity	4
	B. Property Acquisition	5
	C. Relocation.....	5
	D. Redevelopers' Obligations.....	5
V.	Official Action to Carry Out Redevelopment Plan.....	5
VI.	Procedure for Changes in Approved Redevelopment Plan.....	6

Exhibits

1. Project Boundary Map
2. Future Land Use Map
3. Project Area Report
4. Site Plan and Elevation

Spirit on Lake Redevelopment Plan

I. Introduction

Three plan documents have been prepared to facilitate the development of a four-story, 46-unit affordable rental apartment project at the northwest corner of the intersection of 13th Avenue South and East Lake Street in south Minneapolis:

- This Spirit on Lake Redevelopment Plan establishes a new redevelopment project and identifies the project boundary, redevelopment objectives, land use provisions, and the development activity that is expected to occur.
- The Spirit on Lake Tax Increment Financing (TIF) Plan establishes a new housing TIF District within the Spirit on Lake Redevelopment Project to help finance various public project costs and to establish a budget for the use of tax increment revenue generated by the new TIF District.
- Modification No. 22 to the Model City Urban Renewal Plan changes the project boundary to remove the Spirit on Lake Redevelopment Project area from the Model City Urban Renewal Area.

II. Description of Project

A. Boundary of Redevelopment Project

Under the authority of Minnesota Statutes Sections 469.001 to 469.047 (the Housing and Redevelopment Authorities Act), approval of this Redevelopment Plan establishes a new redevelopment project as defined in Minnesota Statutes Section 469.002, Subdivision 14.

The Spirit on Lake Redevelopment Project area consists of two tax parcels identified below. The .84-acre project area is located at the intersection of 13th Avenue South and East Lake Street within the Midtown Phillips neighborhood and Ward 9 of south Minneapolis.

Property Identification Number	Property Address
35-029-24-43-0035	2930 13 th Avenue South
35-029-24-43-0217	1238 East Lake Street

The Project Boundary Map is included in this Redevelopment Plan as Exhibit 1. Documentation of the area's eligibility as a redevelopment project is presented in Exhibit 3.

B. Objectives of Redevelopment Plan

The City of Minneapolis seeks to achieve the following objectives through this Redevelopment Plan:

- Increase the number of housing units and choices within the city.
- Increase housing density.
- Provide affordable housing units.
- Eliminate blighting influences.

- Clean a contaminated property.
- Support strong and diverse neighborhoods where people choose to live.
- Promote transit-oriented and sustainable development.
- Increase the property tax base.

C. Types of Redevelopment Activities

The objectives of this Redevelopment Plan may be accomplished through the following public and private redevelopment activities: environmental remediation, site preparation, public improvements, new construction, project administration and other related activities.

D. Public Purpose

Public purposes of this Redevelopment Plan include removal of blight or the causes of blight, redevelopment of an underused parcel, remediation of a contaminated property, provision of affordable housing units, and tax base enhancement.

E. Citizen Participation

The Midtown Phillips Neighborhood Association, Inc. (MPNAI) is the recognized neighborhood group for the project area.

MPNAI and the Powderhorn Park Neighborhood Association (PPNA) will be given the opportunity to review and comment on this Redevelopment Plan prior to consideration of the plan by the City Council.

F. Public Financing

Potential sources of public financing include tax increment financing, housing revenue bonds, the City's Affordable Housing Trust Fund, federal tax credits, Minnesota Housing Finance Agency funds, and state and local environmental and development grants.

III. Land Use Plan

A. Future Land Use

The proposed reuses of land within the project area are those specified in the City's comprehensive plan, *The Minneapolis Plan for Sustainable Growth*, and include the following land use categories:

- Urban Neighborhood – Predominantly residential area with a range of densities, with highest densities generally to be concentrated around identified nodes and corridors. May include undesignated nodes and some other small-scale uses, including neighborhood-serving commercial and institutional and semi-public uses (for example, schools, community centers, religious institutions, public safety facilities, etc.) scattered throughout.
- Mixed Use – Allows for mixed use development, including mixed use with residential. Mixed use may include either a mix of retail, office or residential uses

Spirit on Lake Redevelopment Plan

within a building or within a district. There is no requirement that every building be mixed use.

- Commercial Corridor – Historically have been prominent destinations with a mix of uses, with commercial uses dominating. Residential density is allowed at high density (50-120 du/acre), transitioning down to medium density in surrounding areas.

The Future Land Use Map is included in this Redevelopment Plan as Exhibit 2.

B. Conformance with Approved City Plans

The proposed development described in Section IV.A. of this Redevelopment Plan conforms to City-approved plans and ordinances.

The Minneapolis Plan for Sustainable Growth

The Minneapolis Plan for Sustainable Growth indicates the Spirit on Lake Redevelopment Project area is located along the Lake Street Commercial Corridor. The proposed mixed use development is consistent with the comprehensive plan's Mixed Use and Urban Neighborhood future land use designations and with the description of Commercial Corridors.

The proposed development conforms to the following comprehensive plan policies:

Policy 1.10: Support development along Commercial Corridors that enhances the street's character, fosters pedestrian movement, expands the range of goods and services available, and improves the ability to accommodate automobile traffic.

1.10.1 Support a mix of uses – such as retail sales, office, institutional, high-density residential and clean low-impact light industrial – where compatible with the existing and desired character.

1.10.4 Encourage a height of at least two stories for new buildings along Commercial Corridors, in keeping with neighborhood character.

1.10.5 Encourage the development of high-density housing on Commercial Corridors.

Policy 3.1: Grow by increasing the supply of housing.

3.1.1 Support the development of new medium- and high-density housing in appropriate locations throughout the city.

Policy 3.2: Support housing density in locations that are well connected by transit, and are close to commercial, cultural and natural amenities.

3.2.1 Encourage and support housing development along commercial and community corridors, and in and near growth centers, activity centers, retail centers, transit station areas, and neighborhood commercial nodes.

Policy 3.3: Increase housing that is affordable to low and moderate income households.

3.3.1 Continue to utilize housing development finance programs to foster growth in the

Spirit on Lake Redevelopment Plan

city's affordable housing stock in all parts of the city.

- 3.3.3 Work to provide affordable housing for both rental and ownership markets at a broad range of income levels.
- 3.3.4 Support policies and programs that create long-term and perpetually affordable housing units.
- 3.3.5 Support the development of housing with supportive services that help households gain stability in areas such as employment, housing retention, parenting and substance abuse challenges.
- 3.3.8 Foster partnerships with housing developers, financial institutions, faith communities and others to extend the city's capacity to create affordable housing.

Small Area Plans

The Midtown Greenway Land Use and Development Plan was approved by the City Council on February 23, 2007. It has since been incorporated as part of *The Minneapolis Plan for Sustainable Growth*. A portion of the Spirit on Lake development site falls within the plan's study area and recommendations.

The proposed use is consistent with the small area plan. On the plan's land use map, this area is shown as "Medium-density housing (10-50 DU/acre)".

Zoning Ordinance

The City's zoning code regulates land use and development intensity in order to carry out the policies of the City's comprehensive plan.

The proposed project area is zoned C2 (Neighborhood Corridor Commercial) District, an appropriate zoning to facilitate the above noted goals of the comprehensive plan and this Redevelopment Plan.

The City Planning Commission approved the developer's application for a conditional use permit, a variance and site plan review on March 26, 2012.

C. Land Use Restrictions

A redevelopment contract between the City and the developer of property within the project area will contain specific requirements regarding the terms and conditions under which City assistance is provided, including land use restrictions.

IV. Project Proposals

A. Proposed Development Activity

The Spirit on Lake Limited Partnership, established by Everwood Development LLC and Powderhorn Residents Group, Inc., proposes to develop 46 units of affordable rental housing in a new four-story building with 4,200 square feet of first-floor commercial

Spirit on Lake Redevelopment Plan

space and underground parking on a .84-acre site at the northwest corner of the intersection of 13th Avenue South and East Lake Street.

The project will include 29 one-bedroom and 17 two-bedroom units. All units will be affordable to households and individuals earning 50 percent or less of the Area Median Income. The developer is attempting to secure five project-based Section 8 units to serve individuals experiencing long-term homelessness. While following fair housing requirements, the project will be targeted to the aging gay, lesbian, bisexual and transgender (GLBT) community.

The building will include a common lobby, community room and exercise room for residents, and 4,200 square feet of first-floor commercial space fronting on Lake Street.

Site improvements will include environmental remediation and soil stabilization activities and will result in additional green space with on-site storm water management via rain gardens.

The site is currently occupied by a surface parking lot. A one-story building formerly housing a church was demolished in 2010. The site has significant environmental cleanup and soil correction requirements.

B. Property Acquisition

The City does not currently intend to acquire any property within the Redevelopment Project.

C. Relocation

It is not anticipated that any businesses or residents will be displaced by public redevelopment activities within the project area.

D. Redevelopers' Obligations

The requirements imposed upon redevelopers, their successors or assigns, will be established in a development agreement between the City and the developer of property within the project area.

V. Official Action to Carry Out Redevelopment Plan

Minnesota law requires that the Minneapolis City Planning Commission review this Redevelopment Plan and that its written opinion, if any, accompany the Redevelopment Plan when it is officially submitted to the City Council for approval (Minnesota Statutes, Section 469.027).

In approving this Redevelopment Plan, the City Council is responsible for carrying out those elements of the plan requiring official action by the City.

VI. Procedure for Changes in Approved Redevelopment Plan

This Redevelopment Plan may be modified as provided in Minnesota Statutes, Section 469.029, Subdivision 6:

A redevelopment plan may be modified at any time. The modification must be adopted by the authority and the governing body of the political subdivision in which the project is located, upon the notice and after the public hearing required for the original adoption of the redevelopment plan. If the authority determines the necessity of changes in an approved redevelopment plan or approved modification thereof, which changes do not alter or affect the exterior boundaries, and do not substantially alter or affect the general land uses established in the plan, the changes shall not constitute a modification of the redevelopment plan nor require approval by the governing body of the political subdivision in which the project is located.

Spirit on Lake Redevelopment Plan Project Boundary Map

29TH ST E

Legend

 Redevelopment Project

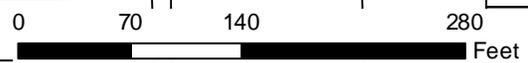
13TH AVE S

14TH AVE S

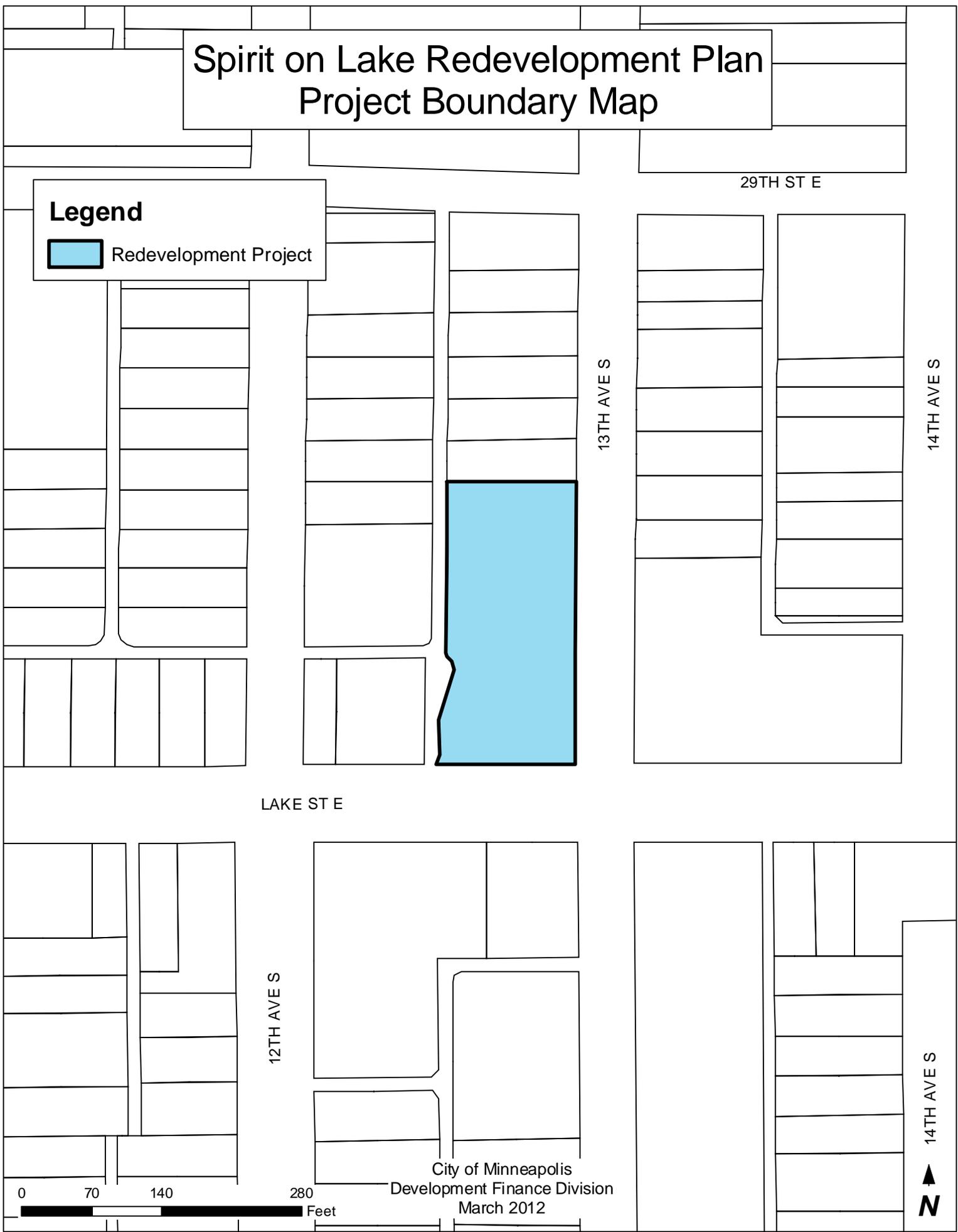
LAKE ST E

12TH AVE S

14TH AVE S



City of Minneapolis
Development Finance Division
March 2012



Spirit on Lake Redevelopment Plan Future Land Use Map

Legend

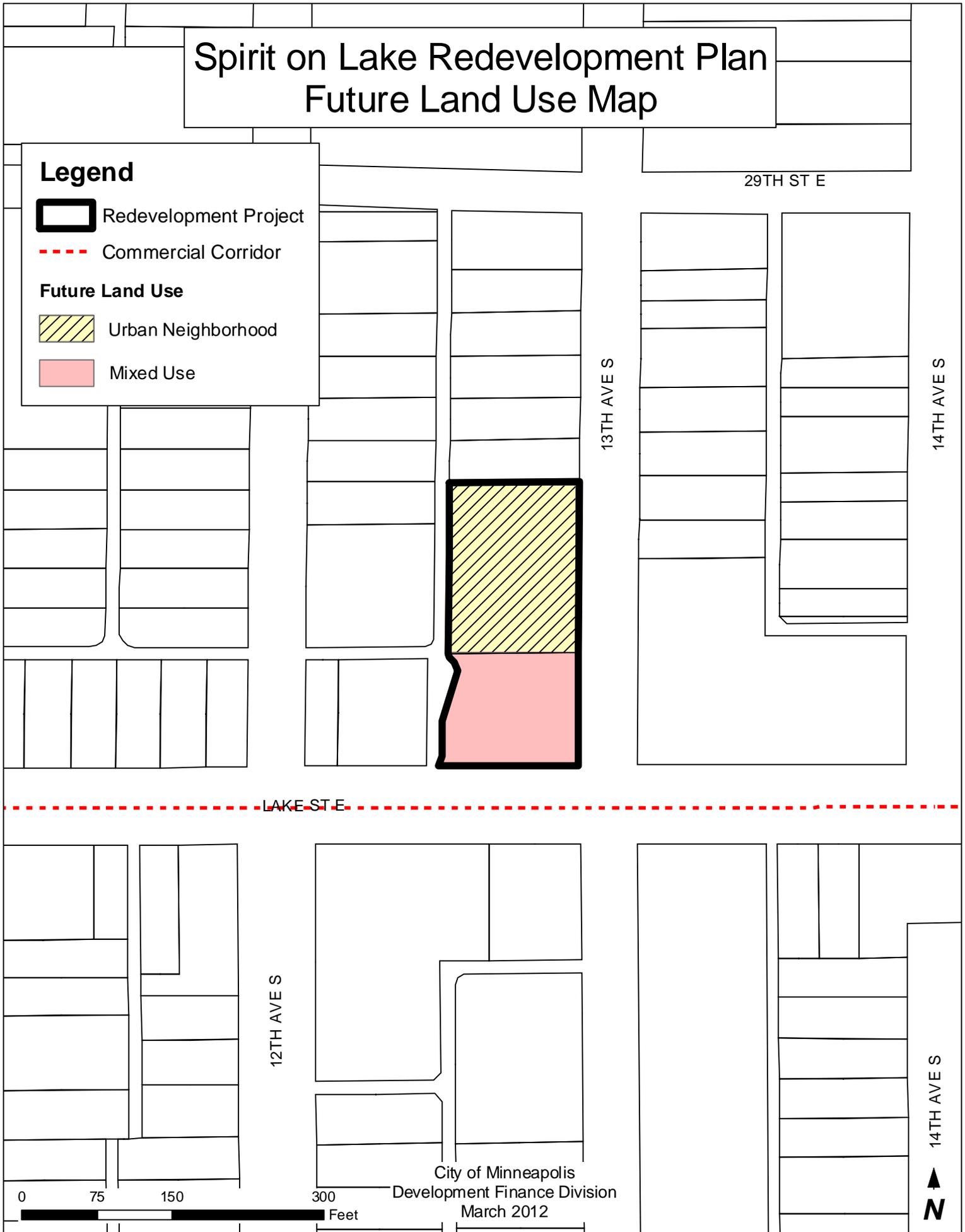
 Redevelopment Project

 Commercial Corridor

Future Land Use

 Urban Neighborhood

 Mixed Use



Spirit on Lake Redevelopment Plan

Project Area Report

This report describes the conditions that qualify the proposed Spirit on Lake Redevelopment Project area as a redevelopment project as defined in Minnesota Statutes Section 469.002, Subdivision 14.

Sources of information for this report include City of Minneapolis and Hennepin County records, including information gathered during an exterior inspection conducted in March 2012 by the City's Community Planning and Economic Development (CPED) Construction Management staff. These records are available for review in City of Minneapolis offices at 105 5th Avenue South, Minneapolis, Minnesota.

General Description of Project Area

The proposed project area consists of two tax parcels identified below, comprising a .84-acre site at the northwest corner of the intersection of 13th Avenue South and East Lake Street within the Midtown Phillips neighborhood of south Minneapolis. The project boundary is depicted on the Project Boundary Map (see Exhibit 1).

Property Identification Number	Property Address
35-029-24-43-0035	2930 13 th Avenue South
35-029-24-43-0217	1238 East Lake Street

The project area is located along the Lake Street Commercial Corridor, as identified in the City's comprehensive plan, *The Minneapolis Plan for Sustainable Growth*. The Midtown Exchange development is two blocks to the west of the site and the Midtown Greenway is one block to the north. The *Minneapolis Plan's* land use designation for the site is Mixed Use (allows for mixed use development, including mixed use residential) and Urban Neighborhood (a predominantly residential area with a range of densities, with a limited amount of other uses appropriate in a residential setting). The property in the project area is zoned C2 (Neighborhood Corridor Commercial) District.

Property Conditions

The southern portion of the site fronting on East Lake Street is occupied by a surface parking lot. A building that had occupied the northern portion of the site was demolished in December 2010. A March 2012 inspection of the vacant lot found a site overgrown with vegetation and strewn with litter and debris.

The site has significant environmental remediation and soil stabilization requirements. Past use of the site as a used car lot, body shop and paint shop adversely affected the soil in the project area.

A Phase II Environmental Site Assessment identified contaminated fill material across much of the site. This material was likely imported to the site prior to development of the property.

Spirit on Lake Redevelopment Plan

Additional contamination likely resulted from the property being used for automotive services and from releases of automotive fluids and other petroleum products from a former underground storage tank. Compounds present at the site at concentrations exceeding regulatory standards include arsenic, cadmium, lead, selenium, polynuclear aromatic hydrocarbons and methyl isobutyl ketone. Diesel range organics and vapor phase volatile organic compounds consisting of petroleum and solvent related compounds are also present at the site.

Contaminants appear to be spread across the site, but appear to be at higher concentrations on the northern portion of the site. Contaminants extend from the near surface to depths greater than 20 feet.

Corrective actions will include removal of contaminated soils within the accessible zone as defined by the Minnesota Pollution Control Agency and installation of a pavement barrier.

Eligibility

Minnesota Statutes Section 469.002, Subdivision 14 includes in its definition of a redevelopment project “any work or undertaking to acquire blighted areas and other real property for the purpose of removing, preventing, or reducing blight, blighting factors, or the causes of blight.”

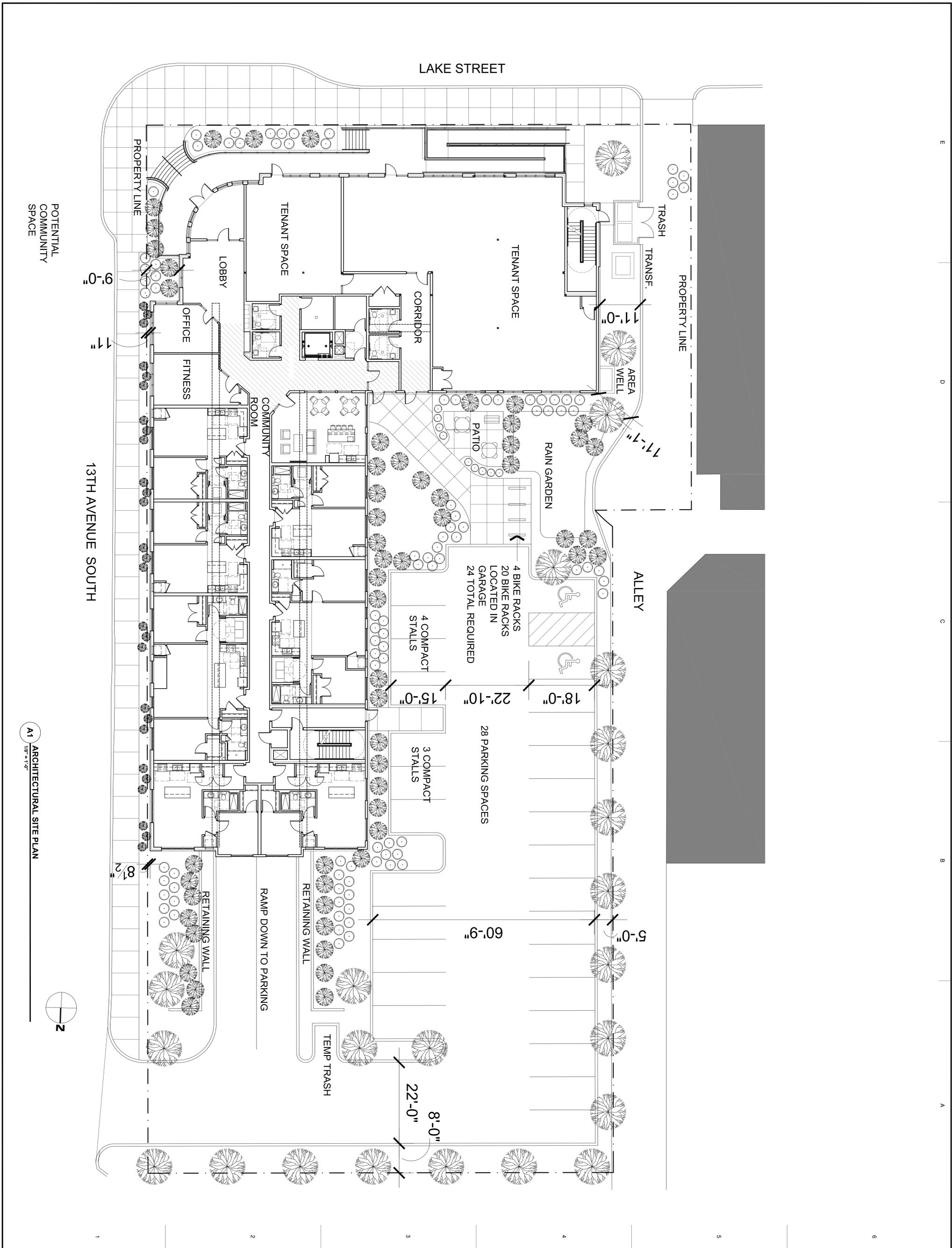
A “blighted area” is defined in Minnesota Statutes Section 469.002, Subdivision 11 as “any area with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious 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.”

The proposed Spirit on Lake Redevelopment Project area is determined to be a blighted area, based on the conditions described herein. Indicators of blight observed in the project area include deleterious land use (underused and vacant land), poorly maintained premises, and significant soil contamination.

The proposed redevelopment activity in the project area will remove blight and redevelop underused parcels.

Location of Documents

Documentation supporting these findings is on file in City of Minneapolis offices. Detailed records, including maps, photographs, tax records and inspections records, are available for examination in City offices at 105 5th Avenue South, Minneapolis, Minnesota.



POTENTIAL
COMMUNITY
SPACE

13TH AVENUE SOUTH

LAKE STREET

A1
1/8" = 1'-0"
ARCHITECTURAL SITE PLAN



Spirit on Lake

1238 EAST LAKE STREET, MINNEAPOLIS MN

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SITE PLAN

Issue:	Date:	Project #:
PLANNING SUBMITTAL	02-14-2012	011-0057
Drawn by:	Author	Date:
Checked by:	Checker	02-14-2011

I hereby certify that this plan, specification, or report was prepared by me or under my direct supervision and that I am a duly Licensed Architect under the laws of the State of Minnesota.

PRINT NAME _____
 SIGNATURE _____
 REGISTRATION NUMBER _____ DATE _____

EVERWOOD DEVELOPMENT
 ADDRESS 1
 3550 Labore Rd.
 Suite 10
 St Paul, MN, 55110
 PHONE NUMBER _____

STRUCTURAL
 ADDRESS 1
 ADDRESS 2
 CITY, STATE, ZIP CODE
 PHONE NUMBER _____

MECHANICAL
 ADDRESS 1
 ADDRESS 2
 CITY, STATE, ZIP CODE
 PHONE NUMBER _____

WESTWOOD PROFESSIONAL SERVICES INC
 7699 ANAGRAM DRIVE
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DJR
 ARCHITECTURE, INC
 333 Washington Ave N, Suite 210
 Minneapolis, Minnesota 55401
 612.676.2700 www.djr-inc.com

AS100





Spirit on Lake
Tax Increment Financing Plan

Draft for Public Review
March 30, 2012

Spirit on Lake Tax Increment Financing Plan

Table of Contents

I. Introduction	1
II. TIF District Boundary.....	1
III. Type of TIF District.....	1
IV. Maximum Duration of the TIF District	2
V. Statement of Objectives	2
VI. Proposed Development Activity.....	2
A. Description of Proposed Development Activity.....	2
B. Property That May Be Acquired	3
C. Other Expected Development Activity	3
VII. Description of Financing.....	3
A. Costs to be Paid with Tax Increment.....	3
B. Maximum Bonds to be Issued	4
C. Other Sources of Funding	4
D. Original Net Tax Capacity	4
E. Original Tax Capacity Rate	4
F. Fiscal Disparities Election	5
G. Projected Captured Net Tax Capacity and Tax Increment	5
VIII. Estimated Impact on Other Taxing Jurisdictions.....	5
IX. Basis for Finding That Development Would Not Occur Without TIF Assistance.....	6

Exhibits

1. TIF District Boundary Map
2. Documentation of Eligibility
3. Assumptions Schedule
4. Projected Tax Increment Schedule
5. Market Value Test Schedule
6. Site Plan and Elevation

Spirit on Lake Tax Increment Financing Plan

I. Introduction

Three plan documents have been prepared to facilitate the development of a four-story, 46-unit affordable rental apartment project at the northwest corner of the intersection of 13th Avenue South and East Lake Street in south Minneapolis:

- The Spirit on Lake Tax Increment Financing (TIF) Plan establishes a new housing TIF District to help finance various public project costs and to establish a budget for the use of tax increment revenue generated by the new TIF District.
- The Spirit on Lake Redevelopment Plan establishes a new redevelopment project within which the Spirit on Lake TIF District will be located.
- Modification No. 22 to the Model City Urban Renewal Plan changes the project boundary to remove the Spirit on Lake Redevelopment Project area from the Model City Urban Renewal Area.

II. TIF District Boundary

The Spirit on Lake TIF District consists of two tax parcels identified below. The TIF District is located at the northwest corner of the intersection of 13th Avenue South and East Lake Street within the Midtown Phillips neighborhood and Ward 9 of south Minneapolis.

Property Identification Number	Property Address
35-029-24-43-0035	2930 13 th Avenue South
35-029-24-43-0217	1238 East Lake Street

The TIF District Boundary Map is attached as Exhibit 1.

III. Type of TIF District

The Spirit on Lake TIF District is a “housing district” as defined in the Minnesota Tax Increment Financing Act (the “TIF Act”, M.S. Sections 469.174-469.1799):

M.S. Section 469.174, Subd. 11 "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 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. Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

M.S. Section 469.1761, Subd. 1. (a) 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 uses. (b) The requirements imposed by this section apply to property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions of this section do not apply to districts located in a targeted area as defined in M.S. Section 462C.02, Subd. 9, clause (e).

M.S. Section 469.1761, Subd. 3. For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The requirements of this subdivision apply for the duration of the tax increment financing district.

Additional information about the District's eligibility as a housing TIF District is provided in Exhibit 2.

IV. Maximum Duration of the TIF District

The maximum duration of the Spirit on Lake TIF District is that which is prescribed by the TIF Act for a housing district. At the time this document was prepared, the TIF Act allowed for a maximum of 26 years of tax increment collection.

V. Statement of Objectives

The City of Minneapolis (the "City") seeks to achieve the following objectives through this TIF Plan:

- Increase the number of housing units and choices within the city.
- Increase housing density.
- Provide affordable housing units.
- Eliminate blighting influences.
- Clean a contaminated property.
- Support strong and diverse neighborhoods where people choose to live.
- Promote transit-oriented and sustainable development.
- Increase the property tax base.

VI. Proposed Development Activity

A. Description of Proposed Development Activity

The Spirit on Lake Limited Partnership, established by Everwood Development LLC and Powderhorn Residents Group, Inc., proposes to develop 46 units of affordable rental housing in a new four-story building with 4,200 square feet of first-floor commercial space and underground parking on a .84-acre site at the northwest corner of the intersection of 13th Avenue South and East Lake Street.

Spirit on Lake Tax Increment Financing Plan

The project will include 29 one-bedroom and 17 two-bedroom units. All units will be affordable to households and individuals earning 50 percent or less of the Area Median Income. The developer is attempting to secure five project-based Section 8 units to serve individuals experiencing long-term homelessness. While following fair housing requirements, the project will be targeted to the aging gay, lesbian, bisexual and transgender (GLBT) community.

The building will include a common lobby, community room and exercise room for residents, and 4,200 square feet of first-floor commercial space fronting on Lake Street.

Site improvements will include environmental remediation and soil stabilization activities and will result in additional green space with on-site storm water management via rain gardens.

The site is currently occupied by a surface parking lot. A one-story building formerly housing a church was demolished in 2010. The site has significant environmental cleanup and soil correction requirements.

B. Property That May Be Acquired

The City does not currently intend to acquire any property within the TIF District.

C. Other Expected Development Activity

No additional development activity is anticipated within the TIF District.

VII. Description of Financing

The figures, sources, and methods of financing identified in this TIF Plan are based on the best estimates and projections available at the time this plan was prepared. Slight changes can be expected. However, if significant changes occur that affect the structure or financial feasibility of the project, or increase the project costs to be paid with tax increment or bonded indebtedness to be incurred beyond the amounts listed in this TIF Plan, then a formal modification to this plan may become necessary. Such a modification would require the same review and approval process as the original approval of this TIF Plan.

A. Costs to be Paid with Tax Increment

The total cost of the project is currently estimated to be approximately \$9.3 million. The maximum amount of project costs that can be paid utilizing tax increment revenues generated from within the Spirit on Lake TIF District is shown below.

Spirit on Lake Tax Increment Financing Plan

The City reserves the right to administratively adjust the amount of any of the line items listed, or to incorporate additional eligible line items, provided that the total use figures listed below are not exceeded.

Sources

Tax Increment	<u>\$1,213,270</u>
Total Sources	\$1,213,270

Uses

Affordable Housing Construction	\$ 522,800
Pay-As-You-Go Note Interest	569,143
City Administration Costs	<u>121,327</u>
Total Uses	\$1,213,270

B. Maximum Bonds to be Issued

It is not anticipated that the City will issue any tax increment bonds for the Spirit on Lake project. It is anticipated that the City will issue to the developer a pay-as-you-go TIF note in an amount not to exceed \$522,800. The City will semi-annually distribute net tax increment to the developer under the terms of the TIF note which will be used, along with operating revenue generated by the housing project itself, to pay semi-annual debt service on one or more series of housing revenue bonds that the City will issue to help construct the project.

C. Other Sources of Funding

In addition to the housing revenue bonds described in Section VII B, other sources of funding to construct the project may include developer land equity, tax credit syndication proceeds, deferred developer fees, the Family Housing Fund, the City's Affordable Housing Trust Fund, Minnesota Housing Finance Agency funds, and environmental remediation and development grant funds from Hennepin County, the Metropolitan Council and the Minnesota Department of Employment and Economic Development (DEED).

D. Original Net Tax Capacity

The original Estimated Market Value (EMV) of the TIF District (as of January 2, 2011) is \$492,300. It is projected that upon project completion and property reclassification the Original Net Tax Capacity of the TIF District will be \$4,089.

E. Original Tax Capacity Rate

The Original Tax Capacity Rate of the TIF District will be 152.317%, which is the total tax capacity rate for all applicable taxing jurisdictions for taxes payable in 2012. For tax increment projection purposes (see Section VII G), a total tax capacity rate of 146.000% was used.

F. Fiscal Disparities Election

For the purpose of calculating tax increment, the City of Minneapolis elects that the fiscal disparity contribution, that is required for all commercial/industrial property located within the TIF District, will be made from “outside” the TIF District (M.S. Section 469.177, Subd. 3, Paragraph (a)).

G. Projected Captured Net Tax Capacity and Tax Increment

Upon project completion it is projected that the total EMV of the property in the TIF District will be \$4,500,000, and the total net tax capacity (NTC) will be \$37,375. The captured net tax capacity of the TIF District at completion is therefore projected to be \$33,286 (for taxes payable in 2015).

The Assumptions Schedule (Exhibit 3) shows the various assumptions used in projecting net tax increment from the TIF District.

The Projected Tax Increment Schedule (Exhibit 4) shows how tax increment was projected over a 26-year period (2014 to 2039).

VIII. Estimated Impact on Other Taxing Jurisdictions

It is the position of the City of Minneapolis that the development of the property included in this TIF District would not occur as proposed without tax increment financing assistance.

Nevertheless, if it is assumed for the purpose of analysis that the proposed development would occur without tax increment financing assistance, and that the estimated captured net tax capacity at project completion would be immediately available, then the estimated annual impact to the applicable taxing jurisdictions would be as follows:

Spirit on Lake Tax Increment Financing Plan

Taxing Jurisdiction	Pay 2012 Tax <u>Capacity Rate</u>	Property Taxes Resulting From \$33,286 in Captured Net <u>Tax Capacity</u>
City of Minneapolis	72.510%	\$24,136
Hennepin County	47.594	15,842
Special School District #1	24.255	8,073
Other	<u>8.724</u>	<u>2,649</u>
Total	152.317%	\$50,700

Fiscal and Economic Implications of the TIF District

The estimated amount of total tax increment that would be generated over the maximum duration of the TIF District is \$1,213,270.

The probable impact of the TIF District on City-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the TIF District is projected to be very minor due to the small size of the project in comparison to the size of the City budget and tax base.

The estimated amount of tax increment generated over the life of the TIF District that would be attributable to the School District, assuming the School District's tax rate remains at approximately 16 percent of the total tax rate, would equal approximately \$194,000.

The estimated amount of tax increment generated over the life of the TIF District that would be attributable to the County, assuming the County's tax rate remains at approximately 31 percent of the total tax rate, would equal approximately \$376,000.

As of the date this plan was prepared, neither the County nor School District have requested any additional information which could assist them in determining additional costs that may accrue due to the development in the TIF District.

IX. Basis for Finding That Development Would Not Occur Without TIF Assistance

M.S. Section 469.175, Subd. 3 provides that, prior to the approval of a TIF Plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and therefore the use of tax increment financing is deemed necessary.

It is the position of the City of Minneapolis that the private development to be constructed in the Spirit on Lake TIF District would not occur without public participation

Spirit on Lake Tax Increment Financing Plan

and financial assistance. This conclusion and finding is based upon the factors and circumstances described below.

The developer has stated that “but-for” the use of tax increment financing the development will not proceed. A financial analysis conducted by the City indicated that projected development costs, including significant environmental cleanup and soil correction costs, exceed available funding sources and that a funding gap exists. In order to close this funding gap, tax increment financing assistance is deemed necessary and appropriate.

The project is consistent with development objectives set forth in the Minneapolis Tax Increment Policy in that it will 1) provide housing choices that meet the needs of current residents and attract new residents to the city, 2) provide affordable housing, 3) develop an underutilized site, 4) clean contaminated land and 5) eliminate blighting influences.

The amount of tax increment financing requested is reasonable when compared to the overall cost of developing the project, and the developer has explored other options to secure private and public funding for these costs prior to requesting tax increment financing assistance from the City.

In addition to the environmental cleanup and soil correction costs, the funding gap is in part due to the inclusion of 46 affordable rental units within the project, in compliance with the City’s Unified Housing Policy. The Unified Housing Policy recognizes the serious shortage of affordable housing in Minneapolis and seeks to “grow the population and to have no net loss of housing across all income levels.”

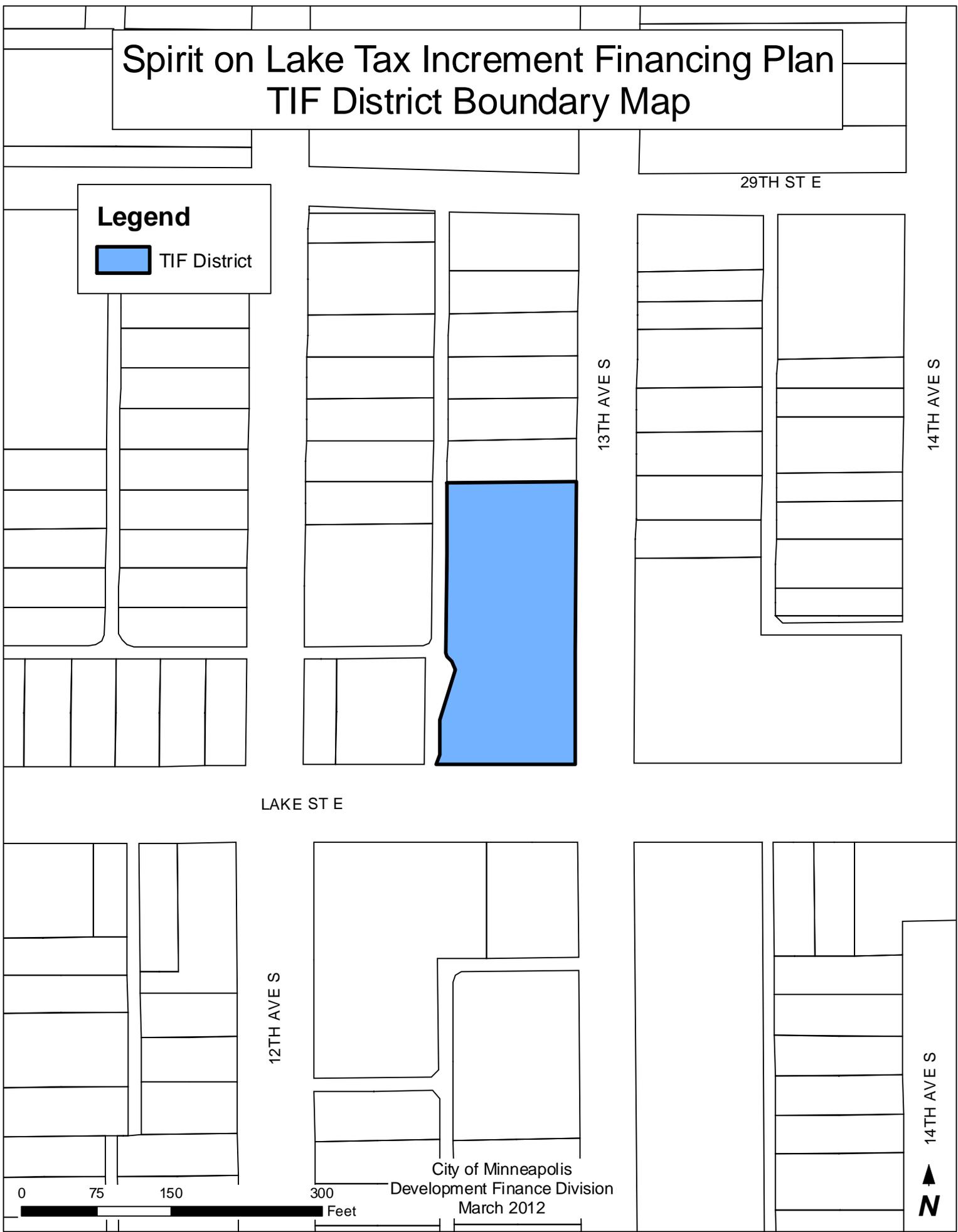
The Unified Housing Policy also states that the City will focus on linking incentives to housing opportunities in proximity to jobs and transit. The Spirit on Lake development site’s East Lake Street location is in close proximity to several Metro Transit bus lines and is within one mile of the Hiawatha LRT Corridor’s Lake Street Midtown Station. The 13th Avenue South entrance to the Midtown Greenway bicycle and walking trail is one block north of the site.

A tax increment financing district site must also pass a “market value test” in order to support the finding that the development could not occur without tax increment assistance (M.S. Section 469.175, Subd. 3(b)(2)(ii)). Exhibit 5 contains the calculations necessary to demonstrate that this test has been satisfied.

Spirit on Lake Tax Increment Financing Plan TIF District Boundary Map

Legend

 TIF District



City of Minneapolis
Development Finance Division
March 2012



Documentation of Eligibility

The purpose of this exhibit is to describe the conditions that qualify the Spirit on Lake Tax Increment Financing (TIF) District as a housing district as defined in Minnesota Statutes Section 469.174, Subd. 11:

"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 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. Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

and Section 469.1761, Subd. 1:

(a) 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 uses. (b) The requirements imposed by this section apply to property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions of this section do not apply to districts located in a targeted area as defined in M.S. Section 462C.02, Subd. 9, clause (e).

and Section 469.1761, Subd. 3:

For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The requirements of this subdivision apply for the duration of the tax increment financing district.

Compliance with Income Restrictions

The income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code are such that one of two tests must be met:

- a. **20-50 Test** Twenty percent or more of the residential units in the project are occupied by individuals whose income is 50 percent or less of area median gross income.

Spirit on Lake Tax Increment Financing Plan

- b. **40-60 Test** Forty percent or more of the residential units in the project are occupied by individuals whose income is 60 percent or less of area median gross income.

All 46 units in the Spirit on Lake development will be occupied by individuals whose income is 50 percent or less of the Area Median Income, and thus the project meets the first test.

Compliance with Requirements for Non-Residential Uses

M.S. Section 469.1761, Subd. 1(a) provides that no more than 20 percent of the square footage of buildings that receive tax increment assistance may consist of commercial, retail or other non-residential uses. The Spirit on Lake development will include 4,200 square feet of non-residential uses, or 6.6 percent of the total 63,988-square foot development.

Assumptions Schedule

Spirit on Lake

**As-developed EMV: \$4,500,000 (\$350,000 Commercial, \$4,150,000 Housing)
EMV based on approximately \$83.33/s.f. for Commercial, \$90,217/unit for Housing**

Type of Tax Increment Financing (TIF) District	Housing
Maximum Duration of TIF District	26 Years of Tax Increment Collection
Certification Request Date	07/01/12
Decertification Date	12/31/39 (Years of Increment = 26)

	Construction Year =	2011	2012	2013	2014	
	Assessment Year =	2012	2013	2014	2015	
	Taxes Payable Year =	2013	2014	2015	2016	
Housing Estimated Market Value		\$492,300	\$792,300	\$4,150,000	\$4,150,000	
Times: blended rate (1)	0.83%	4,089	0	0	0	
Times: 4d tax rate	0.75%	0	5,942	31,125	31,125	
Commercial Estimated Market Value		\$0	\$0	\$350,000	350,000	
Times: First	\$150,000	1.50%	0	0	2,250	2,250
Excess		2.00%	0	0	4,000	4,000
Commercial Net Tax Capacity (NTC)		\$0	\$0	\$6,250	\$6,250	
Total Net Tax Capacity (NTC)		\$4,089	\$5,942	\$37,375	\$37,375	

	Assessment Year =	2012
	Taxes Payable Year =	2013
Original Estimated Market Value (EMV)		\$492,300
Times: Blended rate (1)		0.83%
Original Net Tax Capacity (ONTC)		\$4,089

Total Tax Capacity Rate (2)	146.000%
City Administrative Fee	10.00%

Pay-As-You-Go Note

Note Date	11/01/12
Annual Rate	5.50%

Notes

1. Blended rate combines 4d and 3a classifications according to their proportions of total EMV.
2. Tax Capacity Rate of 146.000% used for projection purposes.

Projected Tax Increment Schedule

Spirit on Lake
As-developed EMV: \$4,500,000 (\$350,000 Commercial, \$4,150,000 Housing)
EMV based on approximately \$83.33/s.f. for Commercial, \$90,217/unit for Housing

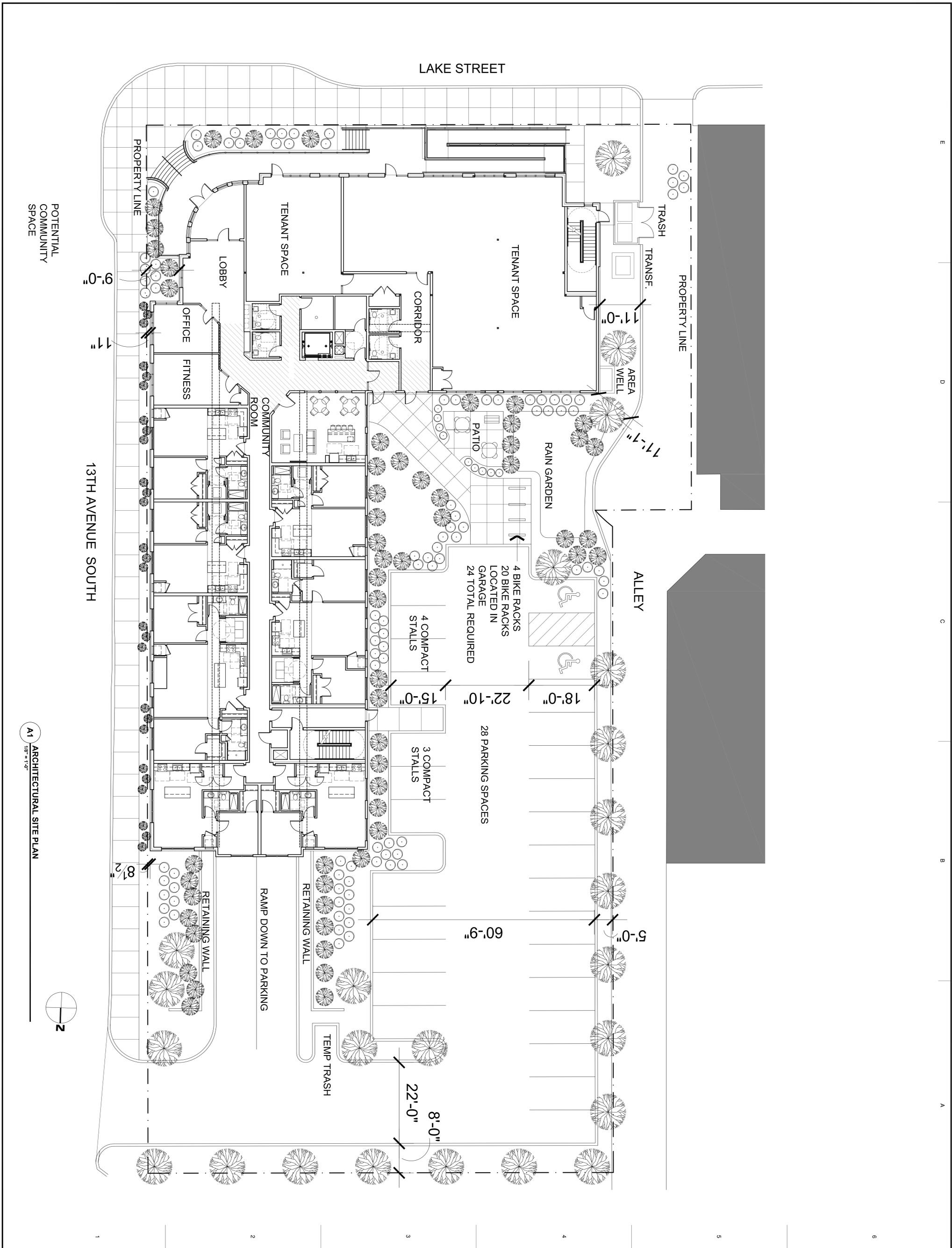
Year Ending	Total Net Tax Capacity	<u>Less:</u> Original Net Tax Capacity	<u>Less:</u> Fiscal Disp. @ 0.0000%	<u>Equals:</u> Retained Captured NTC	<u>Times:</u> Total Tax Capacity Rate	<u>Equals:</u> Annual Gross Tax Increment	<u>Less:</u> State Aud. Fee @ 0.36%	<u>Equals:</u> Increment Distributed to City	<u>Less:</u> City Adm. Fee @ 10.00%	<u>Less:</u> Pooling for Housing @ 0.00%	<u>Equals:</u> Net Tax Increment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(9)	(10)	(10)
12/31/12	4,089	4,089	0	0	146.000%	0	0	0	0	0	0
12/31/13	4,089	4,089	0	0	146.000%	0	0	0	0	0	0
12/31/14	5,942	4,089	0	1,853	146.000%	2,705	10	2,695	270	0	2,425
12/31/15	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/16	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/17	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/18	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/19	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/20	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/21	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/22	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/23	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/24	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/25	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/26	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/27	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/28	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/29	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/30	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/31	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/32	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/33	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/34	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/35	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/36	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/37	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/38	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/39	37,375	4,089	0	33,286	146.000%	48,598	175	48,423	4,842	0	43,581
12/31/40	37,375	37,375	0	0	146.000%	0	0	0	0	0	0
						\$1,217,655	\$4,385	\$1,213,270	\$121,320	\$0	\$1,091,950

Spirit on Lake TIF District

Valuation and Tax Increment Assumptions				
	Pay 2012	Pay 2013	Pay 2014	Pay 2015
Total Estimated Market Value (EMV)	\$492,300	\$792,300	\$4,500,000	\$4,500,000
Less: Original EMV	492,300	492,300	492,300	492,300
Captured EMV	\$0	\$300,000	\$4,007,700	\$4,007,700
Total Net Tax Capacity (NTC)	\$4,089	\$5,942	\$37,375	\$37,375
Less: Original NTC	4,089	4,089	4,089	4,089
Captured NTC	\$0	\$1,853	\$33,286	\$33,286
Times: Projected Total Tax Rate	146.000%	146.000%	146.000%	146.000%
Gross Tax Increment	\$0	\$2,705	\$48,598	\$48,598
Less: State Auditor's Fee (.36%)	0	10	175	175
Tax Increment Distributed to City	\$0	\$2,695	\$48,423	\$48,423

26 Years of TI Collection		
Years of TIF Collection	Payable Year	Tax Increment Distributed To City
---	2012	\$0
---	2013	0
1	2014	2,695
2	2015	48,423
3	2016	48,423
4	2017	48,423
5	2018	48,423
6	2019	48,423
7	2020	48,423
8	2021	48,423
9	2022	48,423
10	2023	48,423
11	2024	48,423
12	2025	48,423
13	2026	48,423
14	2027	48,423
15	2028	48,423
16	2029	48,423
17	2030	48,423
18	2031	48,423
19	2032	48,423
20	2033	48,423
21	2034	48,423
22	2035	48,423
23	2036	48,423
24	2037	48,423
25	2038	48,423
26	2039	48,423
		\$1,213,270
P.V. @ 5.00%		\$621,466

Market Value Test	
<u>Analysis Required by M.S. Section 469.175, Subd. 3 (2)</u>	
(1) "... the increased market value of the site that could reasonably be expected to occur without the use of tax increment ...":	
(a) Projected estimated market value without the use of tax increment	\$492,300
(b) Original estimated market value	492,300
(c) Increased estimated market value without the use of tax increment = (a) - (b)	\$0
(2) "... increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan.":	
(d) Increase in the estimated market value of the completed development.	\$3,657,700
(e) Present value of the projected tax increment for the maximum duration of the district	621,466
(f) Difference = (d) - (e)	\$3,036,234
(3) Since (c) is less than (f), the proposed development or redevelopment passes the test.	



POTENTIAL
COMMUNITY
SPACE

13TH AVENUE SOUTH

LAKE STREET

ALLEY

A1
1/8" = 1'-0"
ARCHITECTURAL SITE PLAN



Spirit on Lake

1238 EAST LAKE STREET, MINNEAPOLIS MN

Copyright 2011 DJR Architecture, Inc.
SITE PLAN

AS100

Issue: PLANNING SUBMITTAL Date: 02-14-2012 Project #: 011-0057
 Date: 02-14-2011
 Drawn by: Author
 Checked by: Checker

I hereby certify that this plan, specification, or report was prepared by me or under my direct supervision and that I am a duly Licensed Architect under the laws of the State of Minnesota.

PRINT NAME: _____
 SIGNATURE: _____
 REGISTRATION NUMBER: _____ DATE: _____

EVERWOOD DEVELOPMENT
 ADDRESS 1
 ADDRESS 2
 Suite 10
 St Paul, MN, 55110
 PHONE NUMBER

STRUCTURAL
 ADDRESS 1
 ADDRESS 2
 CITY, STATE, ZIP CODE
 PHONE NUMBER

MECHANICAL
 ADDRESS 1
 ADDRESS 2
 CITY, STATE, ZIP CODE
 PHONE NUMBER

WESTWOOD PROFESSIONAL SERVICES INC
 7699 ANAGRAM DRIVE
 EDEN PRAIRIE, MN, 55344
 952.937.5150

DJR
 ARCHITECTURE, INC

333 Washington Ave N, Suite 210
 Minneapolis, Minnesota 55401
 612.676.2700 www.djr-inc.com





Modification No. 22 to the
Model City Urban Renewal Plan

Draft for Public Review
March 30, 2012

Modification No. 22 to the Model City Urban Renewal Plan

Original Plan	September 11, 1969; Revised November 26, 1969 and March 5, 1970
Modification No. 1	March 18, 1971
Modification No. 2	May 1, 1972
Modification No. 3	May 17, 1984; Revised September 14, 1984
Modification No. 4	February 1, 1985
Modification No. 5	October 30, 1986
Modification No. 6	March 19, 1987
Modification No. 7	June 17, 1988
Modification No. 8	October 5, 1989
Modification No. 9	May 3, 1990
Modification No. 10	February 22, 1991
Modification No. 11	February 7, 1992
Modification No. 12	April 20, 1992
Modification No. 13	July 2, 1992
Modification No. 14	November 4, 1992
Modification No. 15	January 14, 1994
Modification No. 16	March 18, 1994
Modification No. 17	July 30, 1997
Modification No. 18	March 27, 1998
Modification No. 19	October 10, 2003
Modification No. 20	July 7, 2006; Revised August 7, 2006
Modification No. 21	December 2, 2008

A. Table of Contents	
B. Description of Project	
1. Narrative Description of Boundary	Changed
2. Project Boundary Map	Changed
C. Development Objectives	
1. Urban Renewal Plan Objectives	No Change
2. Model Neighborhood General Land Use Objectives	No Change
D. General Land Use Plan	
1. Land Use Map	No Change
2. Description of Predominant Land Use Categories	No Change
3. Planning Criteria or Standards	No Change
E. Urban Renewal Techniques to be Used to Achieve Plan Objectives	
1. Rehabilitation	No Change
2. Acquisition and Clearance	No Change
a. Property Acquisition Map	No Change
b. Description of Conditions Under Which Property Will be Acquired	No Change
3. Architectural Preservation	No Change
F. Land Disposition	No Change
G. Relocation	No Change
H. Official Actions to Carry Out the Plan	No Change
I. Procedures for Changes in Approved Plan	No Change
J. Extent and Duration of Controls	No Change
K. Redevelopment Plan	No Change

Modification No. 22 to the Model City Urban Renewal Plan

Introduction

Three plan documents have been prepared to facilitate the development of a four-story, 46-unit affordable rental apartment project at the northwest corner of the intersection of 13th Avenue South and East Lake Street in south Minneapolis:

- The Spirit on Lake Tax Increment Financing (TIF) Plan establishes a new housing TIF District to help finance various public project costs and to establish a budget for the use of tax increment revenue generated by the new TIF District.
- The Spirit on Lake Redevelopment Plan establishes a new redevelopment project within which the Spirit on Lake TIF District will be located.
- This Modification No. 22 to the Model City Urban Renewal Plan changes the project boundary to remove the Spirit on Lake Redevelopment Project area from the Model City Urban Renewal Area.

Only those portions of the Model City Urban Renewal Plan that are being modified appear in this document.

Modification No. 22

The following language is added to Section B of the Model City Urban Renewal Plan:

B. Description of Project

1. Narrative Description of Boundary

The following properties are removed from the Model City Urban Renewal Area:

Property Identification Number	Property Address
35-029-24-43-0035	2930 13 th Avenue South
35-029-24-43-0217	1238 East Lake Street

2. The Project Boundary Map dated July 7, 2006 is replaced by the attached Project Boundary Map dated March 2012 (Exhibit 1).

Model City Urban Renewal Plan Modification No. 22 - Project Boundary Map

Legend

 Model City Urban Renewal Area

