



Lyndale Neighborhood Association
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July 14, 2009

Jeff Streder, Development Finance Director
City of Minneapolis
Finance Department, RM 325M
Minneapolis, MN, 55415-1315

RE: Comments on the Consolidated Tax Increment Financing District and Plan

To: Mr. Streder,

I am writing to you on behalf of the Lyndale Neighborhood Association to convey our thoughts on the proposed Consolidated Tax Increment Financing District and Plan.

The Lyndale Neighborhood Association fully supports the creation of the Consolidated Tax Increment and Financing District as one important source of stable and reliable funding for neighborhood organizations. This TIF District will help neighborhood organizations across Minneapolis continue our work to provide Minneapolis community members with the opportunity to help shape the direction of their city. LNA further supports the City Council's action to certify 100 percent of the eligible parcels in the district.

LNA does have a number of concerns with how current City policy allocates funds for eligible expenses and urges the City Council to adopt these changes as part of the approval process for certifying the TIF Districts.

1. Move general neighborhood revitalization purposes to become the second funding priority behind Target Center debt. LNA understands the rationale for refinancing the Target Center debt and the legal obligations connected to selling bonds as the rationale for why Target Center debt is the first funding priority. However, since the intent of the legislation was to fund neighborhood revitalization purposes and Target Center debt relief, it only makes sense that these two functions come ahead of expedited Target Center debt relief and neighborhood commercial revitalization.
2. LNA recommends that an inflationary adjustment factor be added to the cap on the funding for the general neighborhood revitalization purposes. LNA would suggest tying the amount to the Consumer Price Index for the Twin Cities Metropolitan Area. The CPI rate from 1999 to 2007 has averaged 2.7 percent. By adding an inflationary factor to neighborhood funding the City Council will help avoid two significant problems with neighborhood funding over the next 10 years – both of which are the result of placing a hard cap on a funding stream that will suffer from inflationary pressure.

The first problem is an actual dollar problem that will be caused by funding the operational budget for the Community Engagement Department from the new district (See Attachment A for more details). Funding the department budget from a capped funding stream will mean that department will either have to shed capacity over the 10 year life of the district; continually consume a larger piece of the available resources – e.g reducing the amount of funds available for neighborhoods; or be funded through another funding source, which is most likely to be the general fund.

LNA's analysis shows that the result of adjusting the Department's budget at the annual rate of inflation (2.7 percent) causes a direct reduction in the amount of funding available for neighborhood purposes. A reduction that means there will be \$600,000 less in actual dollars for neighborhoods in 2021 than

there will be in 2011. It is important to note that this increase in Department funding is just to hold the Department's initial capacity constant.

The second and more significant funding problem is a constant dollar problem caused by using a capped funding stream – a problem that is compounded by funding the Department from the District. Setting a hard cap of \$8.5 million for neighborhood funding means the buying power for neighborhoods will decline each year as inflation increases. By making the amount available to neighborhoods flexible based on an index like the CPI the City can keep the capacity of neighborhoods stable over the 10 year life of the program.

When the constant dollar problem is added into the actual dollar problem it shows that neighborhoods will see a 35 percent reduction in buying power from 2011 to 2021. In constant dollar terms the \$94,000 available per neighborhood in 2011 will shrink to \$65,000 in 2021.

There are significant advantages to the City to adopt an inflation adjusted cap for neighborhood revitalization purposes. By adopting a flexible cap the City is decreasing the amount of pressure that will be placed on the general fund for funding both neighborhood revitalization purposes and the Department. This will make it much easier for the City and neighborhoods to conduct long-range financial planning and will increase the amount of resources available to engage a growing and increasingly diverse population.

By making the cap flexible the City will not take on any additional financial responsibilities, since the current policy reduces the amount of revenue available for each purpose if the District does not bring in enough revenue. There is also no danger to the Target Center bond payments, since they are in the first position and because the payments for them will be a set amount based on the initial bond sale.

3. LNA also urges the City Council to either eliminate item B under the current policy or to add the following language *“when they are no longer needed for Target Center debt, neighborhood revitalization purposes, or neighborhood commercial revitalization.”* By adding this language the City will be preserving its future financial flexibility and the resources necessary for strong neighborhoods.
4. LNA further urges the Council to have the process for spending neighborhood commercial community revitalization funds be determined by the Neighborhood Community Engagement Commission, similar to the method for determining how funds for neighborhood revitalization purposes will be allocated.

LNA believes that the funding being made available through this TIF district has the potential to provide the reliable source of funding that neighborhood organizations and the City need to help foster strong community engagement in Minneapolis.

Please feel free to contact me if you have any questions or would like to discuss these comments further. I can be reached at 612.824.9402 ext 16 or mark@lyndale.org.

Sincerely,



Mark Hinds
Executive Director

Enclosed: Attachments

CC: Minneapolis Mayor & City Council
Minneapolis Neighborhood Organizations
NCEC Commissioners

Analysis of Neighborhood Funding From the Consolidated TIF District

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sources	Forecast										
Consolidated TIF District Revenue	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Total Sources	8,500										
Expenses											
(1) Neighborhood Investment & Community Innovation Funds ⁽⁴⁾	4,591	4,241	4,207	4,172	4,136	4,099	4,062	4,023	3,983	3,942	3,900
(2) Neighborhood Operations ⁽³⁾	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
(3) Department of Neighborhood & Community Relations ^{(1) (2)}	909	1,259	1,293	1,328	1,364	1,401	1,438	1,477	1,517	1,558	1,600
Total Uses	8,500										
Amount Available for Neighborhood Organizations in actual dollars	7,591	7,241	7,207	7,172	7,136	7,099	7,062	7,023	6,983	6,942	6,900
Allocation per neighborhood based on a proportionate distribution model ⁽⁵⁾	94	89	89	89	88	88	87	87	86	86	85
Amount available for neighborhood organizations in constant 2011 dollars ⁽¹⁾	7,591	7,051	6,833	6,621	6,415	6,214	6,018	5,828	5,642	5,462	5,286
Allocation per neighborhood based on a proportionate distribution model in constant 2011 dollars ⁽⁵⁾	94	87	84	82	79	77	74	72	70	67	65

Notes: All dollar figures are shown in 1,000s

For the sake of simplicity this analysis excludes additional department functions that are funded via other sources in the 2009 City Budget

(1) Assumes a future rate of inflation rate at 2.7 percent annually

(2) Assumes an initial level of funding consistent with current NRP Central Administration Costs as detailed by the City's 2009 approved budget

(3) Proposed TIF Amendment caps TIF district funding at "up to \$3 million" which differs from the NCEC report language of "at least \$3 million"

(4) Assumes that Neighborhood Investment & Community Innovation Funds are allocated last out of available funding sources

(5) There are 81 designated neighborhoods in Minneapolis

Prepared by the Lyndale Neighborhood Association for more information contact Mark Hinds at 612.824.9402 ex 16 or mark@lyndale.org