

MEMORANDUM

TO: Neighborhood and Community Engagement Commission

FROM: NCEC letter on Consolidated TIF Plan Task Force Members: Tony Anastasia, Mark Hinds, Marcea Mariani, Melanie Majors

DATE: September 22, 2009

RE: **Agenda Item #3c: Task Forces- NCEC letter on Consolidated TIF Plan**

Requested Action:

Discuss draft NCEC letter on Consolidated TIF Plan.

Background:

At the August 25, 2009 commission meeting City staff from the Development Finance Division gave an update on the status of recertifying Consolidated Tax Increment Financing (TIF) districts for neighborhood revitalization purposes and Target Center debt relief. A task force was formed to draft a letter to the City Council stating the Neighborhood and Community Engagement Commission's position. This draft letter below provides the commission a beginning place to discuss the commission's collective viewpoint on the Consolidated TIF districts.

September 22nd, 2009

To: Mayor & City Council
CC: Minneapolis Neighborhood Organizations

RE: NCEC Position on Certification of the Consolidated TIF District

Background

The Minneapolis City Council created the Neighborhood and Community Engagement Commission (NCEC) to “[a]dvise the Mayor, City Council and City Departments on community issues and needs related to community participation and the City’s community participation system” and to “provide overall direction to the next phase of the Neighborhood Revitalization Program¹”

To fulfill our role as an advisory body to the City and our responsibility to neighborhoods, neighborhood organizations, and the community, the NCEC intends to communicate regularly with both the City and neighborhood organizations. Further, since the resolution creating the NCEC did not specify a regular or formal method for communications between the NCEC and the City, the NCEC would like to explore options to ensure regular two-way communication.

The NCEC believes that the upcoming certification decision on the Consolidated TIF District is critical to the future of community driven decision making, neighborhood organizations, the NCEC’s work, and the City’s community engagement efforts. The decision on the Consolidated TIF District is significant, because it will establish the funding stream and the level of capacity for neighborhood organizations for the next 10 years.

NCEC Position

The NCEC supports certification of 100 percent of the Consolidated TIF District. The NCEC further supports a policy that splits the revenues from the Consolidated TIF District with 50 percent going for neighborhood purposes and 50 percent for Target Center debt relief.

NCEC Rationale

Since 2000, neighborhood organization expenditures, including NRP and City administrative expenses billed to NRP, have ranged from \$7.8 million to \$22 million annually, with an average annual expenditure of \$13.5 million². An investment of 50 percent of the revenues from the Consolidated TIF District would provide a projected \$13.1 million annually; this would allow the City to maintain a similar level of investment in community engagement and neighborhood capacity as is currently being funded under NRP.

Certification of the Consolidated TIF District also provides the City with an important source of revenue to meet its long-term obligations on the Target Center. According to the Finance Department, the estimated debt load on the Target Center is \$120 million over the next 10 years, with \$60 million going to retire existing debt, \$37 million for improvements that the City is

¹ Framework for the Future, Final Report of the NRP Work Group to the City Council Committee of the Whole, July 24, 2008. (p-6)

² NRP Revenue and Expenditures (1990 to 2008) Final

obligated to make to maintain the Target Center as a “first class” facility, and \$23 million for interest payments on the debt³.

By including the Target Center debt relief in our recommendations, the NCEC is not commenting on the City’s current ownership of the Target Center or related contracts. Rather, we recognize that the City’s current contractual obligations on the Target Center mean that having a dedicated revenue source to eliminate the debt from the City’s books and cover its obligations for improvements will allow the City to be in a better financial position to provide other needed City services.

By certifying the Consolidated TIF District at 100 percent, the City will be able to invest in a level of neighborhood capacity that meets the City’s recognition that “[t]he capacity to organize at the neighborhood level is a basic city service⁴,” and to achieve the City’s core principals of community engagement in a meaningful way.

The NCEC also recognizes that investment in neighborhood organizations has provided a significant return on investment to the City by leveraging private investment and by providing people an opportunity to invest in their neighborhoods by volunteering their time.

The NCEC is concerned about the fiscal impact on the City and neighborhood organizations if the City only certifies 50 percent of the Consolidated TIF District. This scenario will:

- Forces a minimum of \$60 million in Target Center obligations back onto the City’s general fund.
- Result in at least \$45 million in lost revenue for the City, through the lost increment that the City only collects if the parcels are certified as part of the Consolidated TIF District.
- Create a \$20 million hole in funding for neighborhood organizations from the level approved as part of the City’s 2009 budget process.
- Jeopardize a revenue source that could provide funding to maintain a high-level of community engagement where neighborhood organizations have the resources and capacity to work with the City to reach out and truly engage everyone in our communities

We appreciate your consideration and look forward to forging a mutually beneficial relationship that will benefit all of Minneapolis.

³ Consolidated Redevelopment Tax Increment Financing District – Tax Increment Financing Plan, June 5, 2009 (p-5)

⁴ Framework for the Future, Final Report of the NRP Work Group to the City Council Committee of the Whole, July 24, 2008.