

# Staff Report

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**Agenda Item: 6**

**Title: NRP Fund Balance Restoration**

Action  Discussion  Informational

**Date: March 29, 2017**

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**Attachments: NRP Fund Balance Restoration Schedule and Frequently Asked Questions**

## Requested Action

There is no action being requested. This item is for informational and discussion purposes only.

## Background

On Friday, February 10, the City Council approved repayment of \$9,141,951 to Phase II NRP plans over the next four years. This amount represents the \$10 million frozen by the City Council in 2010 less the \$858,049 returned to neighborhoods as Equity Funds through the 2012-2013 Community Participation Program cycle. The council actions are available at this link:

<http://www.minneapolismn.gov/meetings/legislation/WCMSP-193147>.

The Minneapolis Neighborhood Revitalization Program (NRP) was authorized by Minnesota Statute and City ordinance to support resident based planning starting in 1991. The program was originally to be capitalized over twenty years with \$404 million in tax increment revenues from Tax Increment Finance (TIF) districts located within the City's Common Project area. These Program funds would be allocated to neighborhoods in two phases, from 1990 to 2000, and 2001 to 2009. However, starting in 2001, a number of actions restricted the tax increment revenues available to capitalize Phase II of NRP:

- In 2001, changes to the state's property tax statute significantly reduced revenues from commercial properties, shifted that burden to residential properties, and drastically reduced the amount of tax increment generated by TIF districts across the City and State.
  - This undercut the main source of revenues for Phase II of NRP.
  - This also resulted in routine increases in residential property taxes.
- The 2003 recession also reduced property values in the City, and subsequently the amount of tax increment generated by TIF districts in the Common Project area.
- In response to the reduced amount of available tax increment revenues, the NRP Policy Board took action in 2004 to significantly reduce allocations for Phase II neighborhood action plans, and enacted policies to slow down neighborhood expenditures in order to manage cash flow.

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Para asistencia 612-673-2700 - Rau kev pab 612-673-2800 - Hadio aad Caawimaad u baahantahay 612-673-3500.

- In response to concerns about increasing residential property taxes, the City Council took action in late 2010 to temporarily reduce the size of the Consolidated TIF District by 50% for two years (2012 and 2013) in order to provide property tax relief to City taxpayers. During those two years no tax increment revenue was allocated to the NCR Department. Instead, \$10 million of NRP Phase II funds was used to fund the NCR Department and its programs (e.g. the Community Participation Program). In 2014 the Consolidated TIF District automatically returned to its original size.
- The same City Council action initially “froze” \$12.68 million of neighborhood allocations, but later actions of the City council restored \$3.538 million of NRP capitalization by authorizing staff to contract the additional amount of funds through NRP and CPP programs, leaving a balance of \$9,141,951.05 in “frozen” funds.

Total revenues over the twenty year period include \$309,941,631.03 in tax increment revenue, and \$26,427,166.93 of program income generated by neighborhood organizations’ NRP program investments in housing and other projects.

The 2010 Council action and subsequent actions in 2011 and 2012 reduced the capitalization of 66 neighborhood action plans by between \$1,000 and \$691,943.29 for each plan. The action approved by the City Council will recapitalize these plans with revenue from the Consolidated Redevelopment Tax Increment Financing District (the “Consolidated TIF District”) over the four years from 2017 through 2020.

Fulfillment of the recapitalization schedule is dependent on actual tax increment revenues in future years. As revenues are received in each year, funds will become available for contracting according to a schedule provided to the City Council.

The transfer of revenues from the Consolidated TIF District will require future action by the City Council to amend the current TIF Plan. This action will be brought forward by the Finance and Property Services Department within the next several months.