

# Seven Points Tax Increment Financing Plan

Draft for Public Review:  
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### Table of Contents

- I. Introduction
  - II. TIF District Boundary
  - III. Type of TIF District
  - IV. Maximum Duration of the TIF District
  - V. Statement of Objectives
  - VI. Proposed Development Activity
    - A. Description of Proposed Development Activity
    - B. Property That May be Acquired
    - C. Other Anticipated Development Activity
  - VII. Description of Financing
    - A. Costs to be Paid With Tax Increment Revenue
    - B. Construction of Affordable Housing Outside the TIF District
    - C. Maximum Amount of Bonds to be Issued
    - D. Original Net Tax Capacity
    - E. Original Tax Capacity Rate
    - F. Fiscal Disparities Election
    - G. Projected Captured Net Tax Capacity and Tax Increment
  - VIII. Estimated Impact on Other Taxing Jurisdictions
  - IX. Basis for Finding That Development Would Not Occur Without TIF Assistance
- Exhibits
- 1. TIF District Boundary Map
  - 2. Site Plan and Renderings
  - 3. Assumptions Schedule
  - 4. Projected Tax Increment Schedule

### I. Introduction

The Seven Points Tax Increment Financing Plan has been prepared to help finance the construction of an apartment building containing approximately 46 units of affordable housing and 182 market rate units at the northeast corner of the intersection of Hennepin Avenue and 31<sup>st</sup> Street West.

The TIF Plan establishes a new housing TIF district to finance the costs of a qualified housing development and includes a budget for the use of tax increment revenue generated by the new TIF district.

### II. TIF District Boundary

The proposed Seven Points TIF District will consist of the tax parcel identified below by current address and property identification (PID) number.

<u>PID</u>	<u>Property Address</u>
04-028-24-12-0220	3045 Hennepin Ave

This property is located within the South Uptown neighborhood of Minneapolis.

A TIF District Boundary Map is attached as Exhibit 1.

### III. Type of TIF District

The 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).

Pursuant to M.S. Section 469.174, Subd. 11, a "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.

“Project” as defined in M.S. Section 469.174, subd. 8, materially includes a redevelopment project, a housing development project or a housing project or any combination of those projects.

A “Housing Development Project” as defined in M.S. Section 469.002, subd. 15 means any work or undertaking to provide housing for persons of moderate income and their families. This work or undertaking may include the planning of building and improvements, the acquisition of real property which may be needed immediately or in the future for housing purposes, the construction, reconstruction, alteration and repair of new or existing buildings and the provisions of all equipment, facilities and other real or personal property for necessary,

convenient or desirable appurtenances, streets, sewers, water service, utilities, site preparation, landscaping, administrative, community health, recreation or welfare or other purposes. The development to be included in the proposed TIF District qualifies as a Housing Development Project as defined in M.S. Section 469.002, subd. 15.

In accordance with M.S. Section 469.1761, the property receiving assistance from the Housing TIF District must comply with certain income restrictions. There is also a limit on the amount of space that can be occupied by non-residential uses.

In particular, for a 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. These income requirements specify that at least one of the following two income tests must be met:

- 1) 20@50 Test – Twenty percent or more of the residential units are occupied by individuals or families whose income is 50 percent or less of the area median gross income (AMI) as adjusted for family size.
- 2) 40@60 Test – Forty percent or more of the residential units are occupied by individuals or families whose income is 60 percent or less of AMI as adjusted for family size.

The Seven Points project meets the 20@50 test as 20% of units are restricted to households earning 50% or less of the Area Media Income (“AMI”).

Additionally, no more than 20 percent of the square footage of any building that receives tax increment financing assistance may consist of commercial, retail, or other non-residential uses. The development to be located within this proposed TIF district does not include any commercial, retail, or other non-residential uses.

#### **IV. Maximum Duration of the TIF District**

The maximum duration of the 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 from a housing district.

#### **V. Statement of Objectives**

The City of Minneapolis (the “City”) seeks to achieve the following objectives through the establishment of the TIF District:

- Increase the number of housing units and choices within the City.
- Provide housing units affordable to persons or families of low and moderate income.
- Support strong and diverse neighborhoods where people choose to live.
- Promote sustainable development.
- Increase the property tax base.

### VI. Proposed Development Activity

#### A. Description of Proposed Development Activity

Seven Points is a new apartment development in Minneapolis consisting of 228 apartments within a five-story multifamily building. The development is located south of Lake Street between Hennepin and Fremont Avenue South. A portion of the Seven Points Mall will be demolished to make space for the new multifamily housing building.

The development will include 182 market rate apartments and the anticipated unit mix is as follows: 41 studios, 36 alcoves, 84 one-bedroom, 14 two-bedrooms and 7 three-bedroom units. In addition, this project will create 46 affordable apartments at 50% AMI with the following anticipated unit mix: 10 studios, 9 alcoves, 22 one-bedroom, 3 two-bedroom, and 2 three-bedroom units. Changes to the unit mix may occur as development plans are finalized.

The project is applying for TIF through the City's Inclusionary Zoning Policy, which allows developers to select one of several options for compliance. The Inclusionary Zoning TIF option requires the developer, Doran Companies, to provide more affordable units than any of the other compliance options, at a deeper level of affordability, for a longer duration. The Seven Points project will be required to provide 46 apartments affordable to households at 50% of Area Median Income for 30 years. The remaining 182 apartments will not be subject to income or rent restrictions and are planned to have rents affordable to households at 80%-120% of AMI.

See Exhibit 2 for a site plan and renderings of the planned development.

#### B. Property That May Be Acquired

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

#### C. Other Anticipated Development Activity

No other development activity is currently anticipated within the TIF District.

### VII. Description of Financing

The amount of tax increment financing identified in this TIF Plan is based on the best estimates and projections available at the time the 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 revenue beyond the amounts listed below, then a formal modification to this plan may be necessary. In this case, the modification would require the same review and approval process that was required with the original TIF Plan.

#### A. Costs to be Paid With Tax Increment Revenue

The total development cost of the qualified housing development is currently estimated to be approximately \$57,000,000. The maximum amount of TIF-eligible project costs that can be paid with tax increment revenue generated by the TIF District is shown below.

### Sources

Tax Increment Revenue	<u>\$15,605,000</u>
Total Sources	\$15,605,000

### Uses

Construction of Affordable Housing	\$6,264,000	40.1%
Pay-As-You-Go Note Interest	3,817,000	24.5%
Pooling for Affordable Housing	3,964,000	25.4%
City Administrative Costs	<u>1,560,000</u>	<u>10.0%</u>
Total Uses	\$15,595,305	100.0%

The City reserves the right to administratively adjust the amount of any of the line items listed above, or to incorporate additional eligible uses, provided that the Total Uses amount is not increased.

### **B. Construction of Affordable Housing Outside the TIF District**

Pursuant to M.S. Section 469.1763, Subd. 2(b), the expenditure of housing district TIF for a housing project, as defined in M.S. Section 469.174, Subd. 11, is deemed to be an in-district activity for pooling purposes. Accordingly, tax increment expenditures are not restricted to the TIF district or “project area” (as that term is defined in M.S. Section 469.174), but may be spent on housing projects meeting the qualifications of a housing district at M.S. Section 469.174, Subd. 11 anywhere within the City of Minneapolis.

### **C. Maximum Amount of Bonds to be Issued**

The City does not currently anticipate issuing any tax increment bonds for the Seven Points project. It is anticipated that the City will issue the developer a pay-as-you-go TIF revenue note in an amount not to exceed \$6,264,000. The City will semi-annually distribute net tax increment to the developer under the terms of the TIF note. The developer will use this tax increment revenue, along with net operating income from the housing development, to pay debt service on private debt (secured by the developer) that is used to finance the construction of the Seven Points project.

As provided in M.S. Section 469.178, Subd. 7, the City may advance one or more interfund loans between the tax increment (“TI”) special revenue fund for the TIF District and the other TI special revenue funds of the City. Each such interfund loan to or from the TIF District shall be in the principal amount needed to offset a negative cash balance. The interest rate charged on each such interfund loan to or from the TIF District shall be equal to the average interest rate that revenue in the City’s TI special revenue funds earn at the time the loan is made, and such interest rate shall vary over time. In no event will the interest rate charged on any such interfund loan exceed the greater of the rates specified under Minnesota Statutes, Section 270C.40 or 549.09, as such statutory rates are adjusted from time to time. The maximum term of each such interfund loan to the TIF District shall be the earlier of 1) the date that all principal and accrued interest on the loan is repaid, and 2) the date the TIF District is decertified. The maximum term of each such interfund loan from the TIF District to another TIF district shall be the earlier of 1) the date that all principal and accrued interest on the loan is repaid, and 2) the date the other TIF district is decertified.

### **D. Original Net Tax Capacity**

The TIF District is projected to have an original estimated market value (EMV) of \$4,500,000, and an original net tax capacity (ONTC) of \$56,250.

### **E. Original Tax Capacity Rate**

The original tax capacity rate for the TIF District will be the total local tax capacity rate for all applicable taxing jurisdictions for taxes payable in 2026, which is not yet available. For the purpose of calculating the estimated impact on other taxing jurisdictions, the total tax capacity rate for taxes payable in 2025 was used (see Section VIII).

For tax increment projection purposes, a total tax capacity rate of 115 percent was assumed.

### **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 and 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 \$57,000,000 and the total net tax capacity (NTC) will be \$598,650. The captured NTC of the TIF District is therefore projected to be \$542,250.

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 the life of the TIF district.

## **VIII. Estimated Impact on Other Taxing Jurisdictions**

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

Nevertheless, it has been assumed in the analysis below that the proposed development would occur without TIF assistance. Under this assumption the projected captured net tax capacity at project completion would be immediately available to the applicable taxing jurisdictions, and the resulting property taxes would be as follows:

<u>Taxing Jurisdiction</u>	<u>Pay 2025 Tax Capacity Rate</u>	<u>Property Taxes Resulting From \$542,400 in Captured Net Tax Capacity</u>
City of Minneapolis	66.206%	\$359,002
Hennepin County	37.036%	200,844
Mpls. Special School Dist. No. 1	24.071%	130,547
Other	<u>6.772%</u>	<u>36,721</u>
Total	134.092%	\$727,114

### Fiscal and Economic Implications of the TIF District

The projected amount of tax increment revenue that would be distributed to the City over the maximum duration of the TIF District is \$15,604,646.

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 projected amount of tax increment revenue 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 18 percent of the total tax rate, is \$2,808,836.

The projected amount of tax increment revenue generated over the life of the TIF District that would be attributable to the County, assuming the County's tax rate remains at approximately 27.6 percent of the total tax rate, is \$4,306,882.

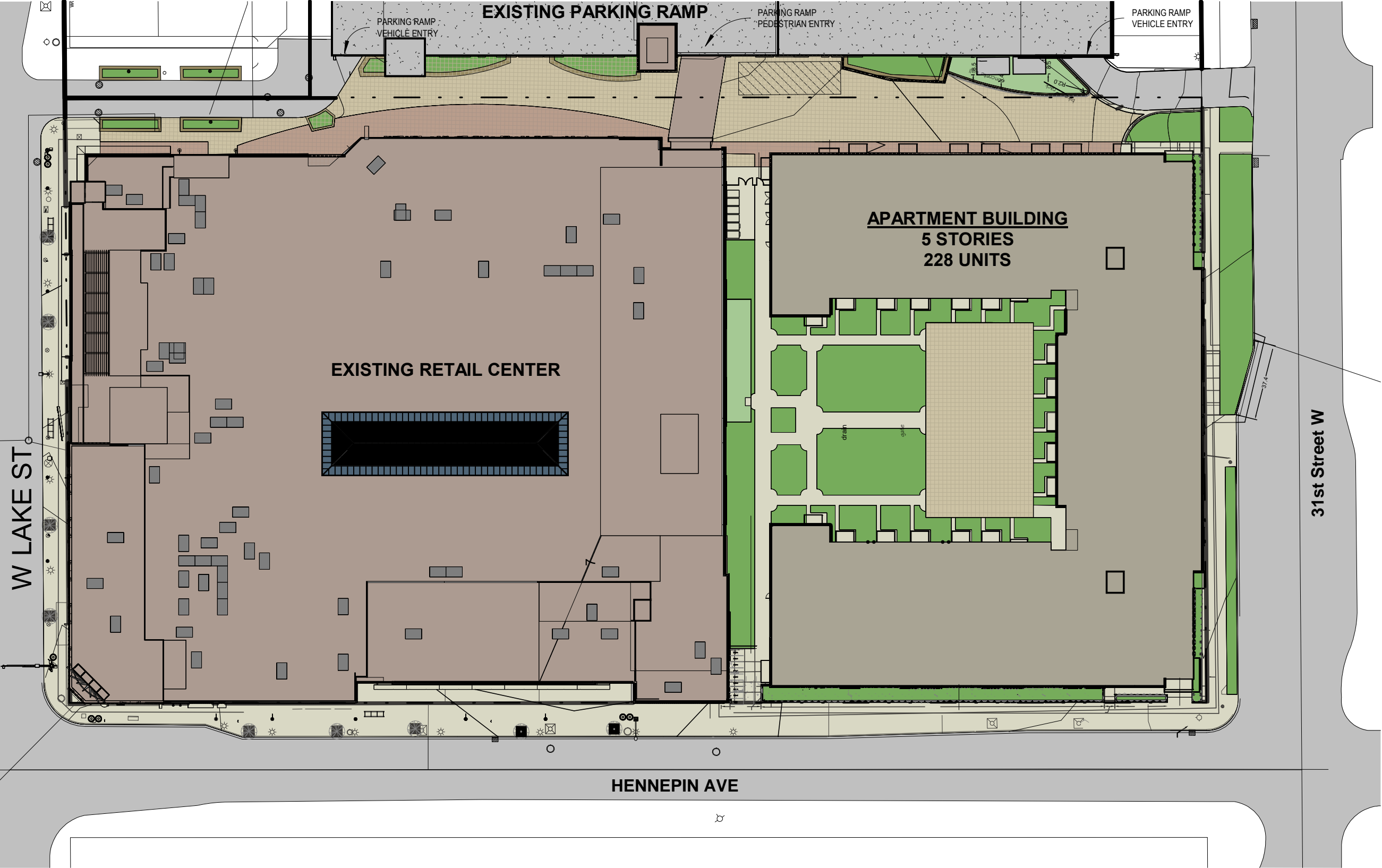
### **IX. Basis for Finding That Development Would Not Occur Without TIF Assistance**

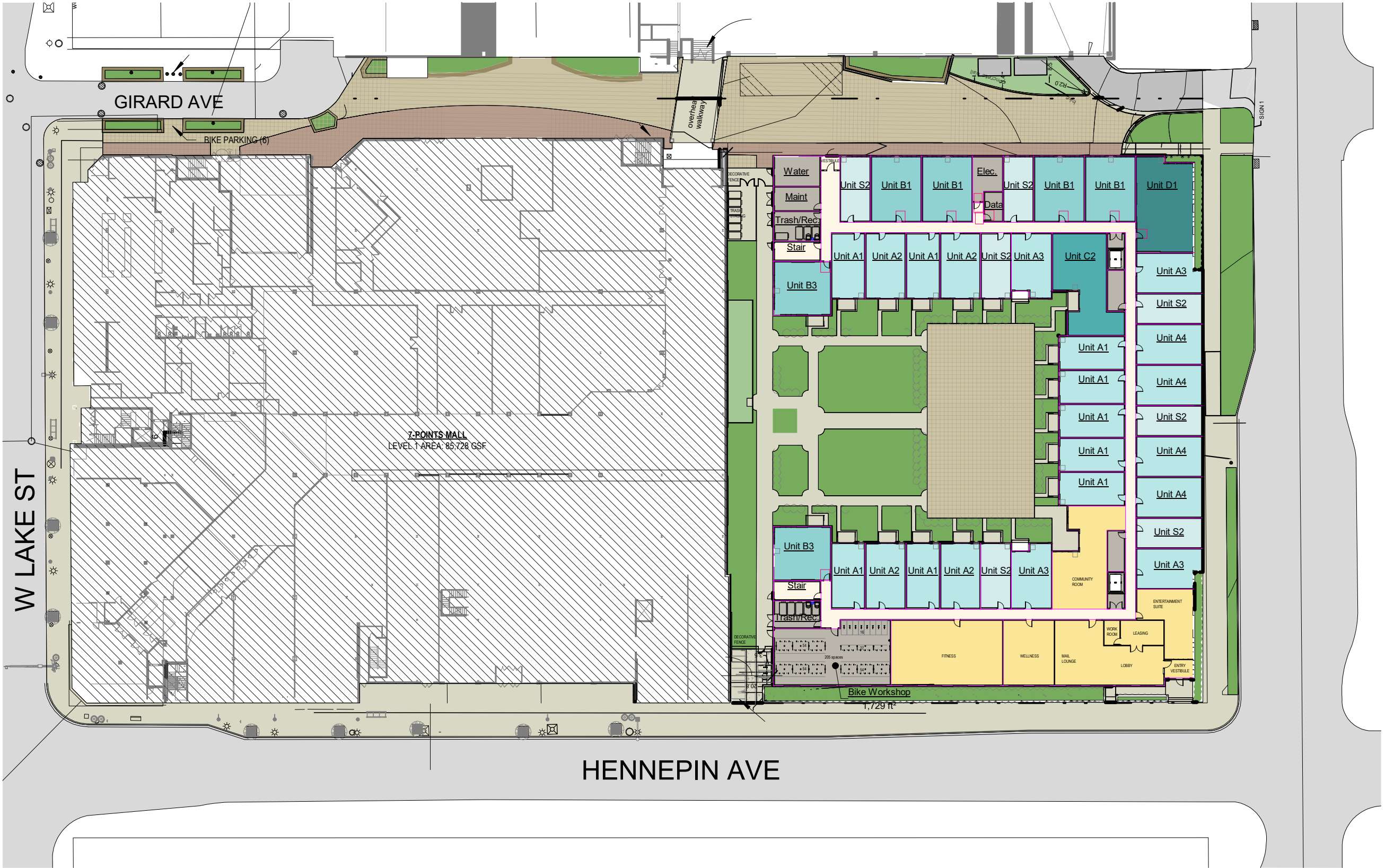
M.S. Section 469.175, Subd. 3 provides that, prior to approval of a TIF plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and therefore the use of TIF is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

After thorough financial analysis, it is the position of the City of Minneapolis that the proposed private development to be constructed in the Seven Points TIF District would not occur within the reasonably foreseeable future without public financial assistance. This analysis indicates that projected development costs exceed available funding sources, and that a significant upfront funding gap exists. This funding gap is in large part due to the inclusion of the affordable rental housing units in the project. The amount of TIF assistance that has been requested is reasonable when compared to the overall cost of developing the project, and TIF assistance is therefore deemed necessary and appropriate to close this funding gap.















CONCEPTUAL RENDERING -- SOUTHWEST CORNER (HENNEPIN & 31ST)





RENDERING - 31ST & GIRARD



# Assumptions Schedule

## Seven Points TIF Plan

Type of Tax Increment Financing District	Housing
Maximum Duration of TIF District	26 Years of Tax Increment Collection
Certification Request Date	10/01/25
Decertification Date	12/31/52 (Years of Increment = 26)

Construction Year =	2024	2025	2026	2027
Assessment Year =	2025	2026	2027	2028
Taxes Payable Year =	2026	2027	2028	2029

### Housing Property

EMV Upon Completion (a)		57,000,000	\$57,000,000	\$57,000,000
Percent Complete		25%	90%	100%
Total Estimated Market Value	\$4,500,000	\$14,250,000	\$51,300,000	\$57,000,000
Percent of Housing Property - Class 4a	100%	100%	80%	80%
Percent of Housing Property - Class 4d	0%	0%	20%	20%
Class Rate - 4a	1.25%	1.25%	1.25%	1.25%
Class Rate - 4d	0.25%	0.25%	0.25%	0.25%
Net Tax Capacity (NTC)	\$56,250	\$178,125	\$538,650	\$598,500

Assessment Year =	2024	2025	2026	2027	2028
Taxes Payable Year =	2025	2026	2027	2028	2029
Original EMV (c)	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000
Times: Class Rate	1.25%	1.25%	1.25%	1.25%	1.25%
Original Net Tax Capacity	NA	\$56,250	\$56,250	\$56,250	\$56,250

### Pay-As-You-Go Note

Interest Start Date	02/01/26	Total Tax Capacity Rate	115.000%
Annual Interest Rate (e)	4.00%	City Administrative Fee	10.00%
		Annual TI Coverage Percent	139.3%

### Notes

- (a) Residential EMV based on 228 Apartments with an average per-unit EMV of \$250,000  
 (b) Original EMV based on pay-2026 Assessed value.

# Projected Tax Increment Schedule

## Seven Points TIF Plan

Year Ending (1)	Total Net Tax Capacity (2)	<u>Less:</u> Original Net Tax Capacity (3)	<u>Equals:</u> Retained Captured NTC (4)	<u>Times:</u> Total Tax Capacity Rate (5)	<u>Equals:</u> Annual Gross Tax Increment (6)	<u>Less:</u> State Aud. Fee @ 0.36% (7)	<u>Equals:</u> Increment Distributed to City (8)	<u>Less:</u> City Adm. Fee @ 10.00% (9)	<u>Equals:</u> Available Tax Increment (10)	<u>Less:</u> Pay-Go Note Payments (11)	<u>Equals:</u> TI Coverage (12)	TI Coverage Percent (10/11) (13)
12/31/27	178,125	56,250	121,875	115.000%	140,156	505	139,651	13,965	125,686	90,227	35,459	139%
12/31/28	538,650	56,250	482,400	115.000%	554,760	1,997	552,763	55,276	497,487	357,134	140,353	139%
12/31/29	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/30	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/31	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/32	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/33	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/34	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/35	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/36	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/37	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/38	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/39	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/40	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/41	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/42	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/43	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/44	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/45	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/46	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/47	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/48	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/49	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/50	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/51	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
12/31/52	598,500	56,250	542,250	115.000%	623,588	2,245	621,343	62,134	559,209	401,442	157,767	139%
					\$15,661,028	\$56,382	\$15,604,646	\$1,560,457	\$14,044,189	\$10,081,969	\$3,962,220	