



Request for City Council Committee Action from the Department of Community Planning and Economic Development

Date: February 11, 2014

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee
Council Member John Quincy, Chair, Ways and Means Committee

Subject: Public Hearing and Approval of an Amended and Restated Spending Plan for Tax Increment Financing Funds in the Tornado Recovery Area.

Recommendation:

- (1) Conduct a public hearing and adopt the attached resolution approving the Amended and Restated Spending Plan for tax increment funds in the tornado recovery area;
- (2) Amend the 2014 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency fund 01CPJ – MILES I (01CPJ-8900900) by \$100,000 from the available fund balance;
- (3) Amend the 2014 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency fund 01CRS – Rosacker Nursery Site (01CRS-8900900) by \$100,000 from the available fund balance;
- (4) Amend the 2014 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency fund 01CS4 – SEMI Phase 4 (01CS4-8900900) by \$50,000 from the available fund balance;
- (5) Amend the 2014 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency fund 01CPO – Capital Project Other (01CPO-8900900) by \$250,000 from the available fund balance.

Previous Directives:

On October 7, 2011, the City Council approved Special Legislation permitting the use of tax increment revenue from any City TIF district for specified purposes in the tornado recovery area. On August 3, 2012, the City Council approved the Spending Plan for tax increment funds in the tornado recovery area and the Tornado Recovery Housing Program Guidelines.

Department Information

Prepared by: Tiffany Glasper, Senior Project Coordinator, 612-673-5221	
Approved by: Thomas A. Streit, Director, Housing Policy & Development	_____
Charles T. Lutz, Deputy Director	_____
Presenters in Committee: Tiffany Glasper, Senior Project Coordinator	
Funding Source and Appropriation Language Reviewed by	
Development Finance: Jeffrey Streder, Development Finance Director	_____

Financial Impact

Action requires an appropriation increase to the Capital Budget from available fund balances.

Community Impact

- Neighborhood Notification: None Required.
- City Goals: Eco-Focused; Livable Communities, Healthy Lives; Jobs & Economic Vitality
- Sustainability Targets: Affordable Housing Units – New Construction
- Sustainability: Green standards will be employed in construction of housing units developed under this program.
- Comprehensive Plan: On June 25, 2012, the City Planning Commission found that the Spending Plan and the Tornado Recovery Housing Program Guidelines are consistent with *The Minneapolis Plan for Sustainable Growth*.

Supporting Information

On May 22, 2011, a devastating tornado struck north Minneapolis, leaving many of the housing units decimated and unlivable. The City, in partnership with many others, is continuing to respond with an overall strategy that seeks to eliminate blighting influences, restore housing units, facilitate redevelopment opportunities and assist residents.

Pursuant to special legislation adopted during the 2011 First Special Session (Ch. 7, Art. 5, Sec. 12), attached, available tax increment revenues can be pooled to assist in recovery efforts within the federally designated disaster area resulting from the May 2011 tornado.

Normally, tax increment revenues are restricted to authorized uses within the area in which the revenues are generated. However, this legislation allows the City of Minneapolis to use available tax increment from any of its tax increment districts to fund recovery efforts in the tornado recovery area. Refer to Exhibit A, *Pooling of Tax Increment for Tornado Recovery Efforts*, for additional details.

In accordance with this special legislation, in August 2012, the City Council approved a Spending Plan authorizing the use of tax increment revenue to address tornado damaged properties. Additional tax increment revenue has since become available for this purpose. An Amended and Restated Spending Plan has been prepared outlining how these funds will be spent.

We will use this additional funding to support the acquisition and demolition activities of tornado damaged properties in accordance with the Tornado Recovery Housing Program (\$225,000), and for minimal administration costs associated with these activities (\$25,000).

Under the Tax Increment Financing Act, tax increment revenue from the districts identified in the Spending Plan must be maintained in a segregated fund. In order to maintain an accounting of the tax increment expenditures under the Spending Plan and to maintain the

revenues in their respective funds, all costs will initially be recorded in CPED fund 01CPO (Capital Projects – Other). On a periodic basis, the expenditures will be transferred from fund 01CPO to one or more of the tax increment funds listed in Recommendations #2-4 of this report.

Refer to Exhibit B, *Amended and Restated Spending Plan for Tax Increment Financing District Nos. 46 (MILES I), 78 (SEMI Phase 4), 83 (Rosacker Nursery Site), 97 (Nicollet Franklin) and 137 (Clare Apartments)*, for additional details and Exhibit C, *Tornado Recovery Housing Program*.

Since the Council's original approval of the Spending Plan and the Tornado Recovery Housing Program in August 2012, CPED, with the assistance of its partners and other City departments has successfully completed acquisition of 54 tornado damaged properties. Some of these properties will be demolished and others will be rehabbed. CPED has also demolished more than 23 tornado damaged structures. To date, CPED has reviewed and/or inspected more than 241 tornado damaged properties.

CITY OF MINNEAPOLIS

SPENDING PLAN

**FOR TAX INCREMENT FINANCING DISTRICT NOS. 46 (MILES I), 78 (SEMI PHASE
4), 83 (ROSACKER NURSERY SITE), 97 (NICOLLET-FRANKLIN) AND 137 (CLARE
APARTMENTS/OLD THIRD AVENUE TOWNHOMES)**

**(TORNADO TIF AUTHORITY UNDER LAWS 2011, FIRST SPECIAL SESSION,
C.7, ART. 5, § 12)**

ADOPTED BY CITY COUNCIL AUGUST 3, 2012

AMENDED AND RESTATED _____, 2014

AMENDED AND RESTATED SPENDING PLAN

FOR TAX INCREMENT FINANCING DISTRICT NOS. 46 (MILES I), 78 (SEMI PHASE 4), 83 (ROSACKER NURSERY SITE), 97 (NICOLLET-FRANKLIN), AND 137 (CLARE APARTMENTS/OLD THIRD AVENUE TOWNHOMES)

**(TORNADO TIF AUTHORITY UNDER LAWS 2011, FIRST SPECIAL SESSION,
C.7, ART. 5, § 12)**

I. PURPOSE

The City of Minneapolis (the "City") proposes to adopt an amended and restated spending plan (the "Spending Plan") for Tax Increment Financing District Nos. 46 (MILES I), 78 (SEMI Phase 4), 83 (Rosacker Nursery Site), 97 (Nicollet-Franklin) and 137 (Clare Apartments/Old Third Avenue Townhomes) (the "TIF Districts") in accordance with Laws 2011, First Special Session, c. 7, art. 5, § 12, referred to as the "Tornado TIF Authority Act."

Under the Tornado TIF Authority Act, the City is authorized to spend available tax increment from any existing tax increment financing district, notwithstanding any other law to the contrary:

- (a) To provide improvements, loans, interest rate subsidies, or assistance in any form to private development consisting of reconstruction or substantial rehabilitation of buildings and ancillary facilities damaged as a result of the May 22, 2011 tornado; and
- (b) To pay or finance City costs relating to the recovery of properties within the disaster area.

Expenditures are subject to the following conditions:

- (a) The City Council approves a written spending plan (after a duly noticed public hearing) that specifically authorizes the City to take such actions; and
- (b) The tax increments authorized under the Spending Plan are contractually committed or spent by June 6, 2014 (36 months after the June 7, 2011 disaster declaration FEMA-1990-DR).

The City has determined to authorize expenditures of tax increment from the TIF Districts under the Tornado TIF Authority Act as further described in this Spending Plan.

II. SPENDING PLAN

The City is authorized as follows:

- (a) The City may use any available tax increments from the TIF Districts received through June 6, 2014 and not otherwise pledged to any

outstanding contract or obligation (referred to as “Available Spending Plan Increment”) for the purposes set forth below. The anticipated sources of the Available Spending Plan Increment are as follows:

TIF District	Amount
MILES I (TIF #46)	\$ 165,000
SEMI Phase 4 (TIF #78)	315,000
Rosacker Nursery Site (TIF #83)	325,000
Nicollet-Franklin (TIF #97)	380,000
Clare Apartments/Old Third Avenue Townhomes (TIF #137)	<u>65,000</u>
	\$ 1,250,000

- (b) The purposes for which the Available Spending Plan Increment may be used are as follows:
 - (1) Tornado Recovery Housing Program (public acquisition/demolition of tornado damaged property) – up to \$825,000 for costs associated with the acquisition and/or demolition of buildings damaged in the May 2011 tornado and related maintenance costs. Please refer to the attached Tornado Recovery Housing Program guidelines.
 - (2) Green Homes North Program (private new housing construction on tornado damaged property) – up to \$300,000 for development gap grants to facilitate the new construction of green homes on vacant City-owned lots in the tornado recovery area. Please refer to the attached Green Homes North Program guidelines.
 - (3) City Administrative Costs - \$125,000 to help pay the City’s administrative costs related to these efforts. These costs include, but are not necessarily limited to staff time, land surveys, etc.
- (c) This Spending Plan authorizes, but does not obligate, the City to spend Available Spending Plan Increment. Any obligation to provide assistance to a private party under this Spending Plan must be evidenced by a contact approved by the City Council, entered into with a private party who otherwise meets the requirements of this Spending Plan and the Tornado TIF Authority Act.

- (d) In accordance with the Tornado TIF Authority Act, the authority to contractually commit or spend Available Spending Plan Increment under this Spending Plan expires on June 6, 2014. No Available Spending Plan Increment may be contracted or spent under this Spending Plan after June 6, 2014 unless such expenditure is otherwise authorized by law without regard to the Tornado TIF Authority Act.
- (e) The City acknowledges that assistance provided pursuant to this Spending Plan will be subject to Minnesota Statutes, Sections 116J.993 to 116J.995 (the "Business Subsidy Act"), unless the assistance provided to a specified recipient is exempt from the Business Subsidy Act under the terms of that statute.
- (f) The City may amend this Spending Plan at any time in accordance with the procedures for approval of the Spending Plan under the Tornado TIF Authority Act.
- (g) City staff are authorized and directed to maintain a copy of this Spending Plan with the City's records for the TIF Districts and to file a copy of the Spending Plan with the Office of the State Auditor (as requested by the State Auditor in the August, 2010 TIF Division Newsletter).

CITY OF MINNEAPOLIS

TORNADO RECOVERY HOUSING PROGRAM

The Minneapolis Community Planning and Economic Development (CPED) department proposes to use up to \$850,000 of the \$1.25 million in tornado recovery tax increment financing (TIF) funds authorized under Laws 2011, First Special Session, c. 7, art. 5, §12 on a concentrated three-year effort to address the problem of vacant and/or boarded one- and two-unit structures in north Minneapolis that were damaged during the May 2011 tornado.

PROGRAM PURPOSE

One of the major blighting influences in inner city neighborhoods is the presence of vacant and boarded structures which are visually unattractive, present a health and safety hazard, depress property values and discourage potential homebuyers from locating in the area.

CPED, in partnership with Regulatory Services and others, has identified properties in north Minneapolis that suffered moderate to severe damage during the May 2011 tornado and which have not yet been repaired or rehabbed.

In addition to the property damage, many of these structures appear to be vacant and/or abandoned.

PROGRAM DETAILS

CPED will use the tornado recovery TIF funds for the acquisition and demolition of these structures and then dispose of the vacant lots in accordance with the City's existing Real Estate Acquisition and Real Estate Disposition policies (http://www.minneapolismn.gov/policies/policies_real-estate-transactions) and the guidelines below:

1. Funds will be used only for single family and duplex properties damaged by the May 2011 tornado.
2. Funds will be used for acquisition and demolition costs.
3. CPED will follow standard due diligence procedures in determining property eligibility.
4. CPED staff will continue to work with City Regulatory Services in identifying damaged properties.
5. Vacant lots will be sold for their fair market value under CPED's disposition procedures via Single Family Housing's Vacant Lot List or they will be sold for \$1 under CPED's disposition procedures via the Green Homes North program (attached).
6. CPED will follow all City policies and internal protocols currently in place with respect to demolition of structures, neighborhood and council member notifications, land sales, construction management and other related activities.