



# 3030 Nicollet Tax Increment Financing Plan

Draft for Public Review:  
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**I. Introduction**

The 3030 Nicollet Tax Increment Financing Plan has been prepared to help finance the construction of a six-story apartment building containing 110 units of affordable housing. The project is located at the Northwest corner of Nicollet Avenue and West 31<sup>st</sup> Street in the Lyndale neighborhood of South Minneapolis.

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 3030 Nicollet TIF District (the “TIF District”) will consist of one tax parcel. The parcel is being created through a replatting process, and is a portion of the property currently identified with the following PID and property address:

<u>PID</u>	<u>Property Address</u>
03-028-24-21-0134	3030 Nicollet Avenue South

This property is located within the Lyndale 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. Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

In order for a TIF district to qualify as a housing district, the development 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).
- 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.

Both tests are met as 100 percent of the residential units will be occupied by individuals or families whose income is 50 percent or less of the area median 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 project will contain 13,300 square feet of commercial space, which represents approximately 6.5% of the total building area of 204,000 square feet.

#### 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

The 3030 Nicollet Tax Increment Financing Plan has been prepared to help finance the construction of a new 6-story apartment building containing 110 units of affordable housing at the intersection of Nicollet Avenue and West 31<sup>st</sup> Street in the Lyndale neighborhood of South Minneapolis. It will contain 12 apartments affordable to and occupied by households at or below 30% Area Median Income (AMI), and 98 apartments affordable to and occupied by households at or below 50% AMI. There will be 15 studio, 10 one-bedroom, 55 two-bedroom, 20 three-bedroom apartment and 10 four-bedroom apartments.

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 project is currently estimated to be approximately \$54,120,000. The maximum amount of TIF-eligible project costs that can be paid with tax increment revenue generated by the TIF District is shown below.

<u>Sources</u>		
Tax Increment Revenue	\$1,439,000	
Total Sources	\$1,439,000	
 <u>Uses</u>		
Construction of Affordable Housing	\$534,700	37.2%
Pay-As-You-Go Note Interest	760,400	52.8%
City Administrative Costs	<u>143,900</u>	<u>10.0%</u>
Total Uses	\$1,439,000	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 3030 Nicollet 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 \$534,700. 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 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 \$1,483,000, and an original net tax capacity (ONTC) of \$18,538.

### **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 2024, 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 2023 was used (see Section VIII).

For tax increment projection purposes, a total tax capacity rate of 117.0 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 \$21,200,000 and the total net tax capacity (NTC) will be \$73,250. The captured NTC of the TIF District is therefore projected to be \$54,712.

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 property 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 2023 Tax Capacity Rate</u>	<u>Property Taxes Resulting From \$54,712 in Captured Net Tax Capacity</u>
City of Minneapolis	58.068%	\$31,770
Hennepin County	34.499%	18,875
Mpls. Special School Dist. No. 1	19.083%	10,441
Other	<u>6.062%</u>	<u>3,317</u>
Total	117.712%	\$64,403

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 \$1,582,639.

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 16.2 percent of the total tax rate, is \$256,388.

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 29.3 percent of the total tax rate, is \$463,713.

### **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 3030 Nicollet 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.



3030 Nicollet  
TIF District



LAKE ST W

31ST ST W

32ND ST W

32ND ST E

PILLSBURY AVE

BLAISDELL AVE

NICOLLET AVE

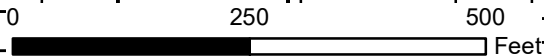
1ST AVE S

FINDLEY PL



3030 Nicollet TIF District

Prepared by  
Development Finance Division  
Finance & Property Services Department  
City of Minneapolis, Minnesota  
October 2023

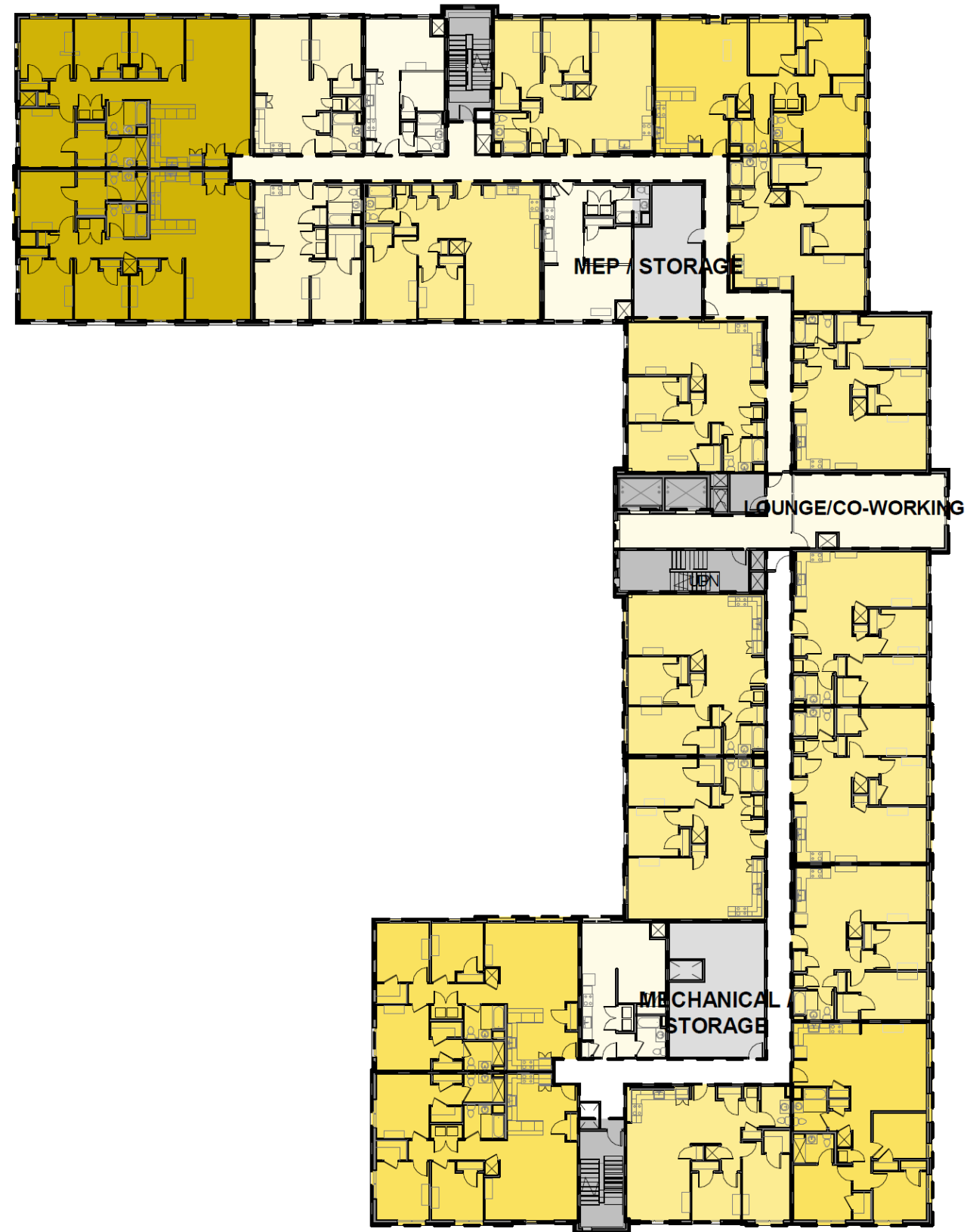




VIEW FROM 31ST STREET



SITE PLAN and FIRST FLOOR



SECOND - SIXTH FLOOR PLAN

## Assumptions Schedule

### 3030 Nicollet TIF Plan

Type of Tax Increment Financing District	Housing				
Maximum Duration of TIF District	26 Years of Tax Increment Collection				
Certification Request Date	02/01/24				
Decertification Date	12/31/51 (Years of Increment = 26)				
Construction Year =	2023	2024	2025	2026	2027
Assessment Year =	2024	2025	2026	2027	2028
Taxes Payable Year =	2025	2026	2027	2028	2029
<b><u>Housing Property</u></b>					
EMV Upon Completion (a)		\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Percent Complete		10%	75%	100%	100%
Total Estimated Market Value	\$1,483,000	\$2,000,000	\$15,000,000	\$20,000,000	\$20,000,000
Percent of Housing Property - Class 4a	100%	100%	0%	0%	0%
Percent of Housing Property - Class 4d	0%	0%	100%	100%	100%
Class Rate - 4a	1.25%	1.25%	1.25%	1.25%	1.25%
Class Rate - 4d	0.25%	0.25%	0.25%	0.25%	0.25%
Net Tax Capacity (NTC)	\$18,538	\$25,000	\$37,500	\$50,000	\$50,000
<b><u>Commercial/Industrial Property</u></b>					
EMV Upon Completion (b)		\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
Percent Complete		10%	75%	100%	100%
Total Estimated Market Value	\$0	\$120,000	\$900,000	\$1,200,000	\$1,200,000
Times: First	\$150,000	1.50%	0	1,800	2,250
Excess		2.00%	0	0	15,000
Net Tax Capacity (NTC)		\$0	\$1,800	\$17,250	\$23,250
Total Net Tax Capacity (NTC)	\$18,538	\$26,800	\$54,750	\$73,250	\$73,250
Assessment Year =	2023	2024	2025	2026	2027
Taxes Payable Year =	2024	2025	2026	2027	2028
Original EMV (c)	\$1,483,000	\$1,483,000	\$1,483,000	\$1,483,000	\$1,483,000
Times: Class Rate	1.25%	1.25%	1.25%	1.25%	1.25%
Original Net Tax Capacity	\$18,538	\$18,538	\$18,538	\$18,538	\$18,538
<b><u>Pay-As-You-Go Note</u></b>					Total Tax Capacity Rate
Interest Start Date	04/15/24				City Administrative Fee
Annual Interest Rate	6.40%				Annual TI Coverage Percent
					117.000%
					10.00%
					110.00%
<b><u>Notes</u></b>					

(a) Post-development EMV based on 110 apartments at a value of \$181,818 per unit.

(b) Retail space EMV based on approximately 15,000 sq ft at \$80 per square foot.

(c) Based on a pro-rated share of the payable 2024 EMV, representing square footage of new parcel.

### Projected Tax Increment Schedule

#### 3030 Nicollet 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)
12/31/25	18,538	18,538	0	117.000%	0	0	0	0	0	0	0	110%
12/31/26	26,800	18,538	8,262	117.000%	9,667	35	9,632	963	8,669	7,881	788	110%
12/31/27	54,750	18,538	36,212	117.000%	42,368	153	42,215	4,222	37,993	34,539	3,454	110%
12/31/28	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/29	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/30	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/31	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/32	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/33	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/34	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/35	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/36	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/37	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/38	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/39	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/40	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/41	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/42	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/43	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/44	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/45	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/46	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/47	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/48	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/49	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
12/31/50	73,250	18,538	54,712	117.000%	64,013	230	63,783	6,378	57,405	52,186	5,219	110%
					\$1,588,347	\$5,708	\$1,582,639	\$158,257	\$1,424,382	\$1,294,884	\$129,498	