

2021 Special Legislation Fund Tax Increment Spending Plan

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Exhibits

- 1. Full text of Minnesota Statute 469.176, subdivision 4n.
- 2. Table of TIF Accounts contributing to 2021 Special Legislation TIF Fund

I. Introduction

During the 2021 Session, the Minnesota Legislature adopted a new law that provides temporary flexibility in the use of TIF funds. This flexibility applies to TIF District fund balances that are not currently obligated for the repayment of outstanding debt or other budgeted expenses. These balances would typically accumulate until the decertification of each TIF district, at which time any remaining balance would be returned to Hennepin County for redistribution to the various taxing jurisdictions that receive real estate tax revenues.

The temporary flexibility provided by this 2021 special legislation has limits, including specific requirements for spending the affected TIF funds. Eligible expenditures include loans, equity investments, or other assistance to private development that commences before December 31, 2025. Prior to making a loan or investment in a project, the City must determine that the project would not occur without public investment.

This legislation is found in Minnesota Statutes, section 469.176, subdivision 4n, which is included as Exhibit 1 to this Plan.

II. TIF Spending Plan Purpose

The purpose of this Tax Increment Spending Plan is to satisfy the statutory guidance found in M.S. Section 469.176, Subd. 4n, which requires that any use of funds enabled by the 2021 special legislation must include “creating a written spending plan that... details the use of the transferred increment.”

This Spending Plan also serves to instruct and authorize staff to invest the funds addressed by this special legislation according to the direction set forth by the Minneapolis City Council by this plan’s budget. Any spending authorized by this plan must comply with the 2021 Special Legislation as well as any other components of tax increment legislation (M.S. Section 469.174 – 469.1799) that are applicable to this spending.

III. Public Hearing Notification

In order to comply with Minnesota Statute 469.176, Subd. 4n, the public was notified of the public hearing at least ten days (but not more than 30 days) prior to the date of the hearing, via a public notice published in a newspaper of general circulation. Evidence of this public notice is available upon request.

IV. Maximum Duration of the TIF Spending Plan

The maximum duration of this 2021 Special Legislation Tax Increment Spending Plan is December 31, 2025. Pursuant to the process outlined by the 2021 special legislation, funds will be invested in projects in two steps.

First, funds will be transferred from existing individual TIF District accounts to a newly created 2021 Special Legislation TIF account. This step must be completed prior to December 1, 2022.

Second, funds from this 2021 Special Legislation TIF account will be spent on qualifying private development projects. Qualifying projects will be identified primarily through existing City programs for affordable housing development like the Affordable Housing Trust Fund or Minneapolis Homes. Investments will be made on terms generally consistent with such programs. This step must be completed no later than December 31, 2025.

V. Statement of Objectives

The City of Minneapolis (the “City”) seeks to achieve the following objectives through the establishment of the Tax Increment Spending Plan:

- Create or retain jobs, including construction jobs.
- 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.

VI. Proposed Development Activity

Housing affordability is a growing issue in Minneapolis, and racial disparities in housing can be measured across data in homeownership, housing cost-burden (especially among renters), evictions, and homelessness. The global COVID-19 pandemic and the resulting economic impacts intensified this critical shortage of affordable housing. The City of Minneapolis prioritizes affordable housing production in all neighborhoods as a strategy for helping families achieve housing stability.

Given this context, the City will invest the resources in the 2021 Special Legislation TIF Fund in qualifying affordable housing developments. Projects that receive funding will demonstrate that their affordability thresholds meet the income requirements defined in Minnesota Statute 469.1761, subd. 1-5. Projects considered for this funding will also demonstrate that without an investment of public resources, they would not be able to proceed with construction.

VII. Description of Financing

The amount of tax increment financing identified in this Spending Plan is based on the best information available at the time the plan was prepared. Slight changes can be expected. However, if there is an increase to the costs to be paid with tax increment revenue beyond the total amount 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 Spending Plan.

A. Sources of TIF funds from individual TIF Accounts

The City maintains separate accounts for each individual TIF District within the City of Minneapolis. These accounts were analyzed individually to determine on a case-by-case basis whether they held any fund balances that were eligible to be transferred according to the 2021 special legislation. Based on this analysis, 39 districts were determined to have eligible funds, and these districts are listed in the table in Exhibit 2. The total amount that can be transferred from these districts into the 2021 Special Legislation TIF Fund is estimated to be \$10,736,996.

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The City Council authorizes staff to administratively adjust the amount of any of the individual contributors to the TIF Fund, provided that the Total Amount transferred into the 2021 Special Legislation Fund does not exceed \$10,740,000.

B. Costs to be Paid with Tax Increment from the 2021 Special Legislation TIF Fund

The maximum amount of TIF-eligible project costs that can be paid with tax increment revenue from the 2021 Special Legislation Fund is shown below.

Sources

Unobligated funds from 39 TIF District Accounts	<u>\$10,740,000</u>
Total Sources	\$10,740,000

Uses

Construction of Affordable Housing	\$10,740,000
City Administrative Costs	<u> 0</u>
Total Uses	\$10,740,000

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.

Legislation adopted in 2021 granting local jurisdictions temporary flexibility in the use of unobligated tax increment.

Minnesota Statutes 2020, section 469.176, is amended by adding a subdivision to read: Subd. 4n.

Temporary use of increment authorized.

(a) Notwithstanding any other provision of this section or any other law to the contrary, except the requirements to pay bonds to which increments are pledged, the authority may elect, by resolution, to transfer unobligated increment for one or more of the following purposes:

(1) to provide improvements, loans, interest rate subsidies, or assistance in any form to private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities, if doing so will create or retain jobs in the state, including construction jobs, and the construction commences before December 31, 2025, and would not have commenced before that date without the assistance; or

(2) to make an equity or similar investment in a corporation, partnership, or limited liability company that the authority determines is necessary to make construction of a development that meets the requirement of clause (1) financially feasible.

(b) For each calendar year for which transfers are permitted under this subdivision, the maximum transfer equals the excess of the district's unobligated increment which includes any increment not required for payments of obligations due during six months following the transfer on outstanding bonds, binding contracts, and other outstanding financial obligations of the district to which the district's increment is pledged.

(c) The authority may transfer increments permitted under this subdivision after creating a written spending plan that authorizes the authority to take the action described in paragraph (a) and details the use of transferred increment. Additionally, the municipality must approve the authority's spending plan after holding a public hearing. The municipality must publish notice of the hearing in a newspaper of general circulation in the municipality and on the municipality's public website at least ten days, but not more than 30 days, prior to the date of the hearing.

(d) Increment that is improperly retained, received, spent, or transferred is not eligible for transfer under this subdivision.

(e) An authority making a transfer under this subdivision must provide to the Office of the State Auditor a copy of the spending plan approved and signed by the municipality.

(f) The authority to transfer increments under this subdivision expires on December 31, 2022. All transferred increments must be spent by December 31, 2025. Increment not spent by December 31, 2025, must be returned to the district. If the district has already been decertified, the increment shall be treated as excess increment and distributed as provided in subdivision 2, paragraph (c), clause (4).

EFFECTIVE DATE.

This section is effective the day following final enactment and applies to increments from any district that are unobligated as of the date of final enactment regardless of when the request for certification was made.

Schedule of TIF Districts eligible to transfer funds to dedicated development fund
Pursuant to MN Statute 469.176 Subd. 4n, allowing temporary flexibility in use of TIF funds.

September 22, 2021

#	TIF District Name	TIF #	Required or	Lesser of Cash	Existing	Available Fund
			Actual	Balance or Fund	Appropriations	
			Decert. Date	Balance (2nd Quarter	and other	Balance
	(1)	(2)	(3)	2021)	Obligations	(6)
1	Lowry Ridge	80	12/31/2023	\$126,429	-	\$126,429
2	West Side Milling District	86	12/31/2025	14,460,415	\$9,460,000	5,000,415
3	2nd Street North Hotel/Apt.	94	12/31/2026	508,653	-	508,653
4	East Village	96	12/31/2026	440,661	-	440,661
5	Grain Belt Brew House	99	12/31/2028	362,359	-	362,359
6	Magnum Loft Apartments	105	12/31/2027	75,012	-	75,012
7	2700 E. Lake St.	107	12/31/2026	105,259	-	105,259
8	13th & Harmon	109	12/31/2029	372,226	-	372,226
9	Shingle Creek	110	12/31/2029	101,857	-	101,857
10	Heritage Park Housing	114	12/31/2025	370,076	-	370,076
11	Bottineau	117	12/31/2028	266,216	-	266,216
12	900 6th Avenue SE	118	12/31/2028	53,878	-	53,878
13	Parcel C	121	12/31/2020	1,367,355	\$410,819	956,537
14	East Phillips Commons I	123	12/31/2028	8,364	-	8,364
15	Stone Arch Apartments	125	12/31/2029	552,208	-	552,208
16	West River Commons	126	12/31/2029	127,586	-	127,586
17	1900 Central Avenue	128	12/31/2031	78,764	-	78,764
18	Many Rivers West	134	12/31/2030	15,722	-	15,722
19	Antiques Minnesota	135	12/31/2030	29,947	-	29,947
20	Marshall River Run	136	12/31/2032	61,686	-	61,686
21	Jourdain Housing	140	12/31/2031	27,264	-	27,264
22	Ripley Gardens	141	12/31/2031	35,513	-	35,513
23	Hiawatha Commons	144	12/31/2032	119,052	-	119,052
24	Central Avenue Lofts	145	12/31/2034	64,303	-	64,303
25	Wellstone	150	12/31/2033	29,581	-	29,581
26	Coloplast Redevelopment	154	12/31/2034	257,003	-	257,003
27	Nokomis Sr. Assistd. Living	155	12/31/2038	37,045	-	37,045
28	Lyndale Green	162	12/31/2037	73,733	-	73,733
29	Dunwoody	164	12/31/2040	62,280	-	62,280
30	Spirit on Lake	165	12/31/2039	19,082	-	19,082
31	520 Second Street SE	166	12/31/2038	25,831	-	25,831
32	Hi-Lake Triangle Apartments	167	12/31/2039	52,556	-	52,556
33	Greenway Heights	169	12/31/2041	12,688	-	12,688
34	Currie Park	170	12/31/2041	156,578	-	156,578
35	DC Group Expansion	171	12/31/2041	19,731	-	19,731
36	Broadway Flats	172	12/31/2043	37,833	-	37,833
37	800 West Broadway	173	12/31/2042	35,318	-	35,318
38	Corcoran Triangle	174	12/31/2042	48,038	-	48,038
39	Hawthorne EcoVillage	175	12/31/2043	9,712	-	9,712
Totals				\$20,607,814	\$9,870,819	\$10,736,996

Notes:

- This list excludes eight districts that are part of the Common Project: 38, 40, 41, 42, 46, 62, 63, and 64.
- Districts that already have budget authority to contribute to AHTF were generally excluded from this list.
These excluded districts are: 69, 72, 79, 90, 91, 92, 93, 100, 101, 102, 104, 110, 124, and 176
- Recently approved districts were not included in this list (district 177 and more recent).
- Districts with negative fund balances, or less than \$1,000 in cash balance were excluded from this list.
- Districts with outstanding Tax Increment Revenue Bond obligations (102, 104, 119, 124) were excluded from this list.
- Districts 95, 98, 127 and 160/161 were excluded due to outstanding debt & budget obligations.