



# Upper Harbor Infrastructure Tax Increment Financing Plan

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

The Upper Harbor site is a former river barge shipping terminal that is no longer accessible to barges due to the closure of the Upper St. Anthony Falls Lock & Dam. The site is slated for mixed-use development, which will include housing, commercial, production, and performance venue components in a phased redevelopment. The redeveloped site will also include a new riverfront park. The purpose of this redevelopment TIF district is to support the public costs of site preparation. These include the relocation and extension of utility connections and construction of infrastructure to provide improved site access.

### **II. TIF District Boundary**

The Upper Harbor site is currently undergoing a re-platting process. The boundary shown on the map in Exhibit 1 of this plan is illustrative of the boundary of the TIF district.

This TIF district will include the following four parcels as defined in the new plat: Block 1, Lot 3 (Park parcel), and Block 1, Lots 4-6 (Commercial parcels). The new TIF district also includes portions of the riverfront Parkway, Dowling Avenue North, and 33<sup>rd</sup> Avenue North which are being built or rebuilt to facilitate access to the Upper Harbor site.

Block 1, Lot 3 will include parkland, which will neither generate tax increment nor benefit from tax increment generated by other parcels. The sole use of TIF proceeds within Block 1, Lot 3 will be the construction of a street (the Parkway) that provides access to the Upper Harbor site.

This TIF district excludes Block 1, Lots 1 & 2. It also excludes the parcels that will be platted for development in Blocks 2 & 3.

This property is located within the McKinley neighborhood of Minneapolis.

### **III. Type of TIF District**

The TIF District is a “redevelopment district” as defined in the Minnesota Tax Increment Financing Act (the “TIF Act”, M.S. Sections 469.174-469.1799). In 2019, the Minnesota Legislature adopted special legislation (Laws of Minnesota 2019, 1<sup>st</sup> Special Session, Chapter 6, Article 7, Section 8, Subdivisions 1-4) addressing the Upper Harbor. Subdivision 1 of this special legislation reads as follows:

“Qualifying Rules. Notwithstanding Minnesota Statutes, section 469.174, subdivision 10, the governing body of the city of Minneapolis may establish, by resolution, one or more redevelopment tax increment financing districts within that portion of the North Washington Industrial Park Redevelopment Project Area as its boundaries existed on January 1, 2019, located north of Lowry Avenue. In each resolution, the city must find that each parcel in the district was part of property that was formerly used as a municipally owned intermodal barge shipping facility that can no longer be used for such purpose due to

the closure of the Upper St. Anthony Falls Lock under the federal Water Resources Reform and Development Act of 2014...”

All of the parcels within the proposed TIF district boundary meet the criteria set forth in this 2019 special legislation.

#### **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 redevelopment district. At the time this document was prepared, the TIF Act allows for a maximum of 26 years of tax increment collection from a redevelopment district.

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

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

- Eliminate blighting influences.
- Clean contaminated properties.
- Support strong and diverse neighborhoods where people choose to live.
- Support new employment opportunities.
- Promote sustainable development.

#### **VI. Proposed Development Activity**

##### **A. Description of Proposed Development Activity**

Within the boundaries of this TIF Plan, United Properties (through affiliated entities) has proposed to develop two buildings, with a total leasable area of approximately 180,000 square feet, that would provide a mix of production and office space within each building. The focus of the projects is to provide employment opportunities for local residents. The boundary also includes the site for the proposed Community Performing Arts Center (CPAC), which is being proposed for development by First Avenue (through an affiliated entity). First Avenue is an owner and operator of several music venues in the Twin Cities, and intends to build an outdoor venue for concerts, other performances, and community events.

In order to facilitate these projects, the City will complete site preparation and infrastructure projects to provide access to the development sites. The city will also be relocating and adding utility connections to enable development at the Upper Harbor property.

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

##### **B. Property That May Be Acquired**

The Upper Harbor site is currently owned by the City, and thus 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 site preparation and infrastructure work for this project is currently estimated to be approximately \$15,000,000. The maximum amount of TIF-eligible project costs that can be paid with tax increment revenue generated by the TIF District is shown below.

<u>Sources</u>		
Tax Increment Revenue	<u>\$7,415,000</u>	
Total Sources	<u>\$7,415,000</u>	
 <u>Uses</u>		
Site Work and Infrastructure	\$4,211,000	57%
Pay-As-You-Go Note Interest	2,462,700	33%
City Administrative Costs	<u>741,300</u>	<u>10%</u>
Total Uses	<u>\$7,415,000</u>	<u>100%</u>

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. Maximum Amount of Bonds to be Issued**

The City does not currently anticipate issuing any tax increment bonds for the Upper Harbor Project. It is anticipated that the City will issue the project a loan from internal sources, to be repaid with TIF revenue from this district. The City will semi-annually apply net tax increment to the repayment of the loan, under the terms of the TIF note. The City will use this tax increment loan, along with other sources, to pay public costs for eligible site work and the construction of infrastructure serving the Upper Harbor development parcels.

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.

### **C. Original Net Tax Capacity**

The TIF District is projected to have an original estimated market value (EMV) of \$4,976,683, and an original net tax capacity (ONTC) of \$98,784.

### **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 2022, which is 125.128 percent.

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 \$18,000,000 and the total net tax capacity (NTC) will be \$359,250. The captured NTC of the TIF District is therefore projected to be \$260,466.

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 2022 Tax Capacity Rate</u>	<u>Property Taxes Resulting From \$260,466 in Captured Net Tax Capacity</u>
City of Minneapolis	59.351%	\$154,589
Hennepin County	38.466%	100,191
Mpls. Special School Dist. No. 1	20.527%	53,466
Other	<u>6.784%</u>	<u>17,670</u>
<b>Total</b>	<b>125.128%</b>	<b>\$325,916</b>

### 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 \$7,412,212.

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 16.4 percent of the total tax rate, is \$1,215,603.

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 30.7 percent of the total tax rate, is \$2,275,549.

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

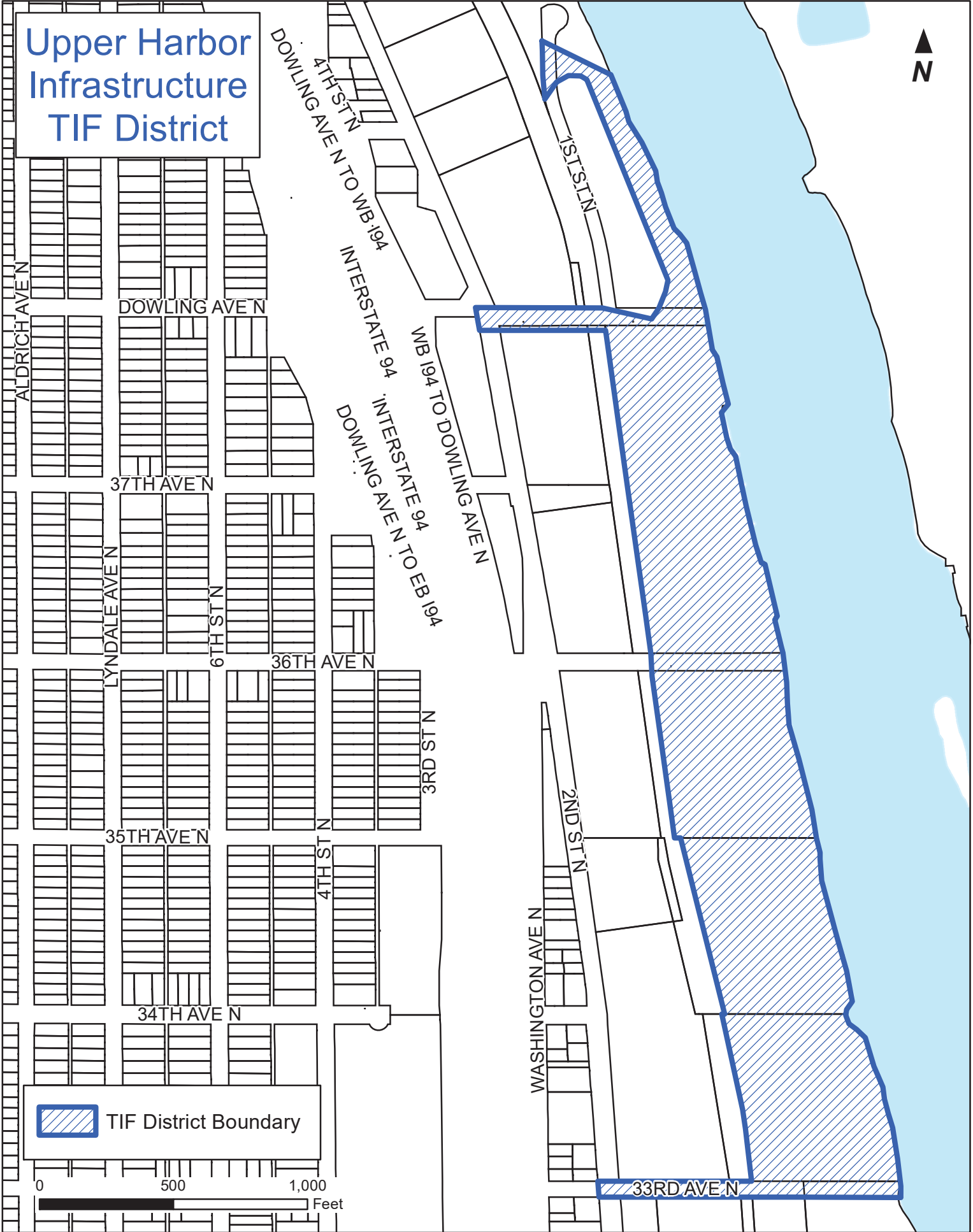
M.S. Section 469.175, Subd. 3 provides that, prior to approval of a TIF plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and therefore the use of TIF is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

It is the position of the City of Minneapolis that the proposed private development to be constructed in the Upper Harbor Infrastructure TIF District would not occur within the reasonably foreseeable future without public investment in site preparation and infrastructure. This analysis indicates that projected infrastructure costs exceed available private funding sources, and that a significant upfront funding gap exists. This funding gap is due to high site preparation and infrastructure costs to convert this former river barge terminal site into a site that can accommodate redevelopment. TIF assistance is therefore deemed necessary and appropriate to achieve feasibility for any development at the Upper Harbor site.

A redevelopment district site must also pass a “market value test” in order to support the finding that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan [M.S. Section 469.175, Subd. 3(b)(2)(ii)]. Exhibit 5 contains the calculations necessary to demonstrate that this test has been satisfied.



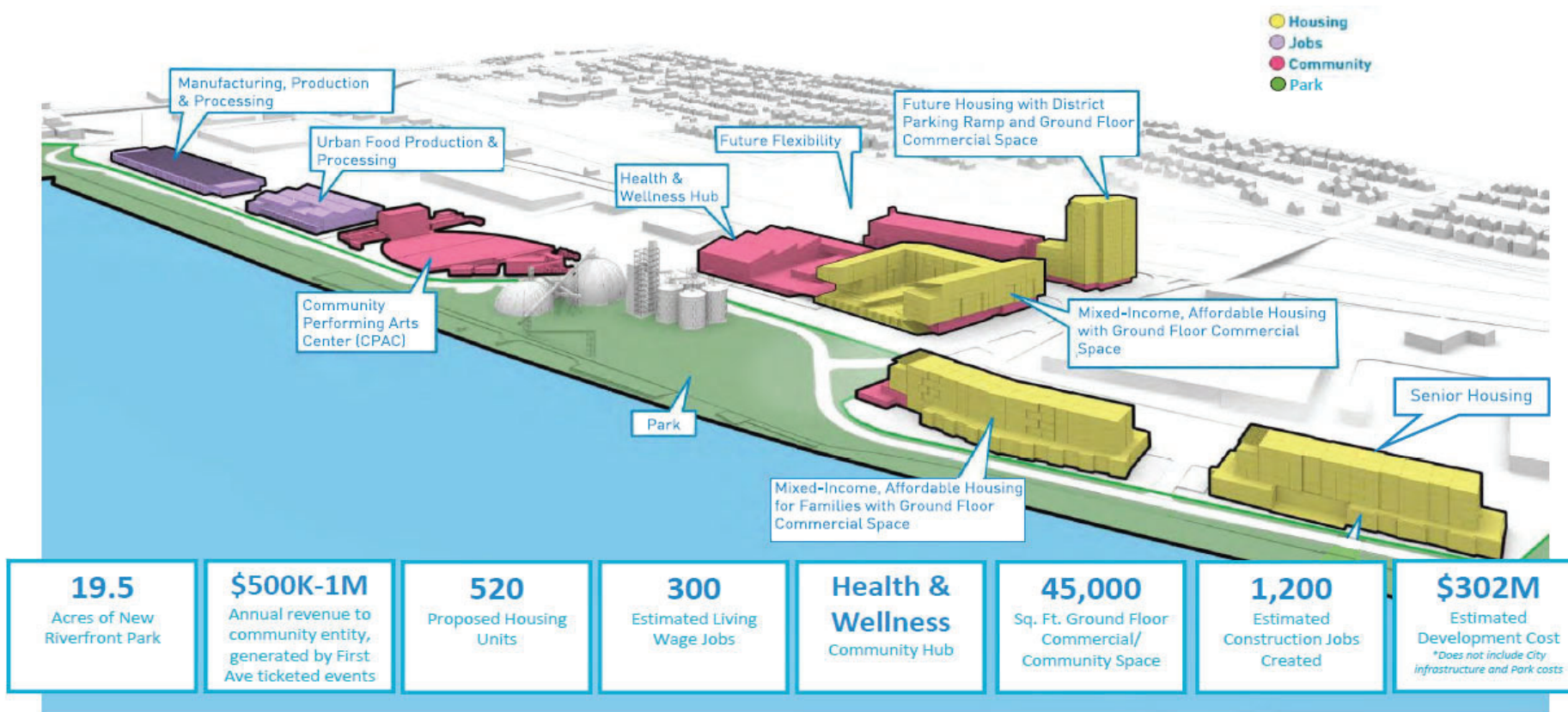
# Upper Harbor Infrastructure TIF District



 TIF District Boundary

0 500 1,000  
Feet

# DEVELOPMENT OVERVIEW



Notes:

1. This image from the Upper Harbor Coordinated Development Plan provides an overview of the proposed redevelopment across all sites.
2. The three sites generating tax increment for the Upper Harbor Infrastructure TIF district are on the left side of this diagram, labelled Manufacturing, Production & Processing, Urban food Production & Processing, and Community Performing Arts Center (CPAC)
3. The remainder of the non-park development parcels are excluded from the infrastructure TIF district.

## Assumptions Schedule

### Upper Harbor - Infrastructure TIF District TIF Plan

Type of Tax Increment Financing District	Redevelopment
Maximum Duration of TIF District	26 Years of Tax Increment Collection
Certification Request Date	08/01/22
Decertification Date	12/31/50 (Years of Increment = 26)

Construction Year =	2022	2023	2024	2025
Assessment Year =	2023	2024	2025	2026
Taxes Payable Year =	2024	2025	2026	2027

#### **Commercial/Industrial Property**

EMV Upon Completion (a)		\$18,000,000	\$18,000,000	\$18,000,000
Percent Complete (b)		40%	45%	100%
Total Estimated Market Value	\$4,976,683	\$7,200,000	\$8,100,000	\$18,000,000
Times: First	\$150,000	1.50%	2,250	2,250
Excess		2.00%	96,534	141,000
Net Tax Capacity (NTC)			\$98,784	\$143,250
			\$161,250	\$359,250
Total Net Tax Capacity (NTC)			\$98,784	\$143,250
			\$161,250	\$359,250

Assessment Year =	2022	2023	2024	2025	2026
Taxes Payable Year =	2023	2024	2025	2026	2027
Original EMV (c)	\$4,976,683	\$4,976,683	\$4,976,683	\$4,976,683	\$4,976,683
Class Rate (1.50%/2.00%)	1.98%	1.98%	1.98%	1.98%	1.98%
Original Net Tax Capacity	\$98,784	\$98,784	\$98,784	\$98,784	\$98,784

#### **Pay-As-You-Go Note**

Interest Start Date	12/01/22	Total Tax Capacity Rate	117.000%
Annual Interest Rate	3.00%	City Administrative Fee	10.00%

#### **Notes**

- (a) Based on \$5,000,000 (Parcel 3), \$4,500,000 (Parcel 4), and \$8,500,000 (Parcel 5) EMV Projections.
- (b) This model assumes all phases complete by year-end 2025.
- (c) Replat in process, EMV based on average \$6.09/sq. ft. current EMV for riverfront parcels.

### Projected Tax Increment Schedule

#### Upper Harbor - Infrastructure TIF District 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)
12/31/24	98,784	98,784	0	117.000%	0	0	0	0	0
12/31/25	143,250	98,784	44,466	117.000%	52,025	187	51,838	5,184	46,654
12/31/26	161,250	98,784	62,466	117.000%	73,085	263	72,822	7,282	65,540
12/31/27	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/28	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/29	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/30	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/31	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/32	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/33	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/34	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/35	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/36	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/37	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/38	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/39	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/40	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/41	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/42	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/43	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/44	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/45	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/46	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/47	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/48	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/49	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
12/31/50	359,250	98,784	260,466	117.000%	304,745	1,097	303,648	30,365	273,283
					\$7,438,990	\$26,778	\$7,412,212	\$741,226	\$6,670,986

### Market Value Test Schedule

Valuation and Tax Increment Assumptions				
Payable Year --->	2024	2025	2026	2027
Total Estimated Market Value (EMV)	\$4,976,683	\$7,200,000	\$8,100,000	\$18,000,000
Less: Original EMV	4,976,683	4,976,683	4,976,683	4,976,683
Captured EMV	\$0	\$2,223,317	\$3,123,317	\$13,023,317
Total Net Tax Capacity (NTC)	\$98,784	\$143,250	\$161,250	\$359,250
Less: Original NTC	98,784	98,784	98,784	98,784
Captured NTC	\$0	\$44,466	\$62,466	\$260,466
Times: Projected Total Tax Rate	117.000%	117.000%	117.000%	117.000%
Gross Tax Increment	\$0	\$52,025	\$73,085	\$304,745
Less: State Auditor's Fee (.36%)	0	187	263	1,097
Tax Increment Distributed to City	\$0	\$51,838	\$72,822	\$303,648

26 Years of TI Collection		
Years of TIF Collection	Payable Year	Tax Increment Distributed To City
1	2024	\$0
2	2025	51,838
3	2026	72,822
4	2027	303,648
5	2028	303,648
6	2029	303,648
7	2030	303,648
8	2031	303,648
9	2032	303,648
10	2033	303,648
11	2034	303,648
12	2035	303,648
13	2036	303,648
14	2037	303,648
15	2038	303,648
16	2039	303,648
17	2040	303,648
18	2041	303,648
19	2042	303,648
20	2043	303,648
21	2044	303,648
22	2045	303,648
23	2046	303,648
24	2047	303,648
25	2048	303,648
26	2049	303,648
27	2050	303,648
28	2051	0
		\$7,412,212
<b>P.V. @ 5.00%</b>		<b>\$3,915,811</b>

Market Value Test	
<b><u>Analysis Required by M.S. Section 469.175, Subd. 3 (2)</u></b>	
(1) "... the increased market value of the site that could reasonably be expected to occur without the use of tax increment ...":	
(a) Projected estimated market value without the use of tax increment	\$4,976,683
(b) Original estimated market value	4,976,683
(c) Increased estimated market value without the use of tax increment = (a) - (b)	\$0
(2) "... increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan.":	
(d) Increase in the estimated market value of the completed development.	\$13,023,317
(e) Present value of the projected tax increment for the maximum duration of the district	3,915,811
(f) Difference = (d) - (e)	\$9,107,506
 (3) <b>Since (c) is less than (f), the proposed development or redevelopment passes the test.</b>	