



# 200 Central Tax Increment Financing Plan

Draft for Public Review:  
January 26, 2023

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**I. Introduction**

The 200 Central Tax Increment Financing Plan has been prepared to help finance the construction of a new 27-story apartment building. Alatus LLC, a Minnesota limited liability company (the “Developer”) proposes the building contain 72 units of affordable housing. The development site is located at the intersection of Central Avenue and 2<sup>nd</sup> Street SE in the Marcy Holmes neighborhood of Southeast Minneapolis.

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

**II. TIF District Boundary**

The 200 Central TIF District (the “TIF District”) will consist of two tax parcels listed below.

<u>PID</u>	<u>Property Address</u>
23-029-24-13-0154	200 Central Avenue SE
23-029-24-13-0047	113 2 <sup>nd</sup> Street SE

This property is located within the Marcy Holmes 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.

The 200 Central project meets the 20@50 test, since 72 of the 359 apartment units will be affordable at or below 50 percent 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, other non-residential uses. The building will have 3,800 square feet of retail space on the main floor near the building entrance, which is less than 1 percent of the square footage of the building.

#### 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

200 Central will be a 27-story mixed-use apartment building in the St. Anthony Falls Historic District located at the intersection of Central Avenue and 2<sup>nd</sup> Street Southeast in the Marcy-Holmes neighborhood. It will contain 359 apartments at several levels of affordability. There will be 39 studio, 225 one-bedroom, 90 two-bedroom and 5 three-bedroom apartments. In addition to the affordability requirements described below, the project’s equity investor is requiring that 108 apartments be made available to households at 80% AMI.

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, Alatus LLC, to provide more affordable units than any of the other options, at a deeper level of affordability, for a longer duration. The 200 Central

project will be required to provide 72 apartments affordable to households at 50% of Area Median Income (AMI) for 30 years.

The project will also include 3800 square feet of retail space, 222 underground parking stalls, and other amenities.

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 \$144,779,600. 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>\$32,979,000</u>
Total Sources		\$32,979,000
 <u>Uses</u>		
Construction of Affordable Housing Within TIF District	\$16,269,000	49.3%
Pay-As-You-Go Note Interest	10,631,500	32.2%
Construction of Affordable Housing Outside TIF District	2,781,500	8.4%
City Administrative Costs	<u>3,297,000</u>	<u>10.0%</u>
Total Uses	\$32,979,000	100%

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 200 Central 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 \$16,269,000. 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 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 \$5,000,000, and an original net tax capacity (ONTC) of \$62,500.

### **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 2023, 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 2022 was used (see Section VIII).

For tax increment projection purposes, a total tax capacity rate of 118 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 \$107,950,000 and the total net tax capacity (NTC) will be \$1,178,180. The captured NTC of the TIF District is therefore projected to be \$1,115,680.

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 \$1,115,680 in Captured Net Tax Capacity</u>
City of Minneapolis	59.351%	\$662,167
Hennepin County	38.466%	429,157
Mpls. Special School Dist. No. 1	20.527%	229,016
Other	<u>6.784 %</u>	<u>75,688</u>
Total	125.128%	\$1,396,028

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 \$32,978,795.

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 \$5,408,522.

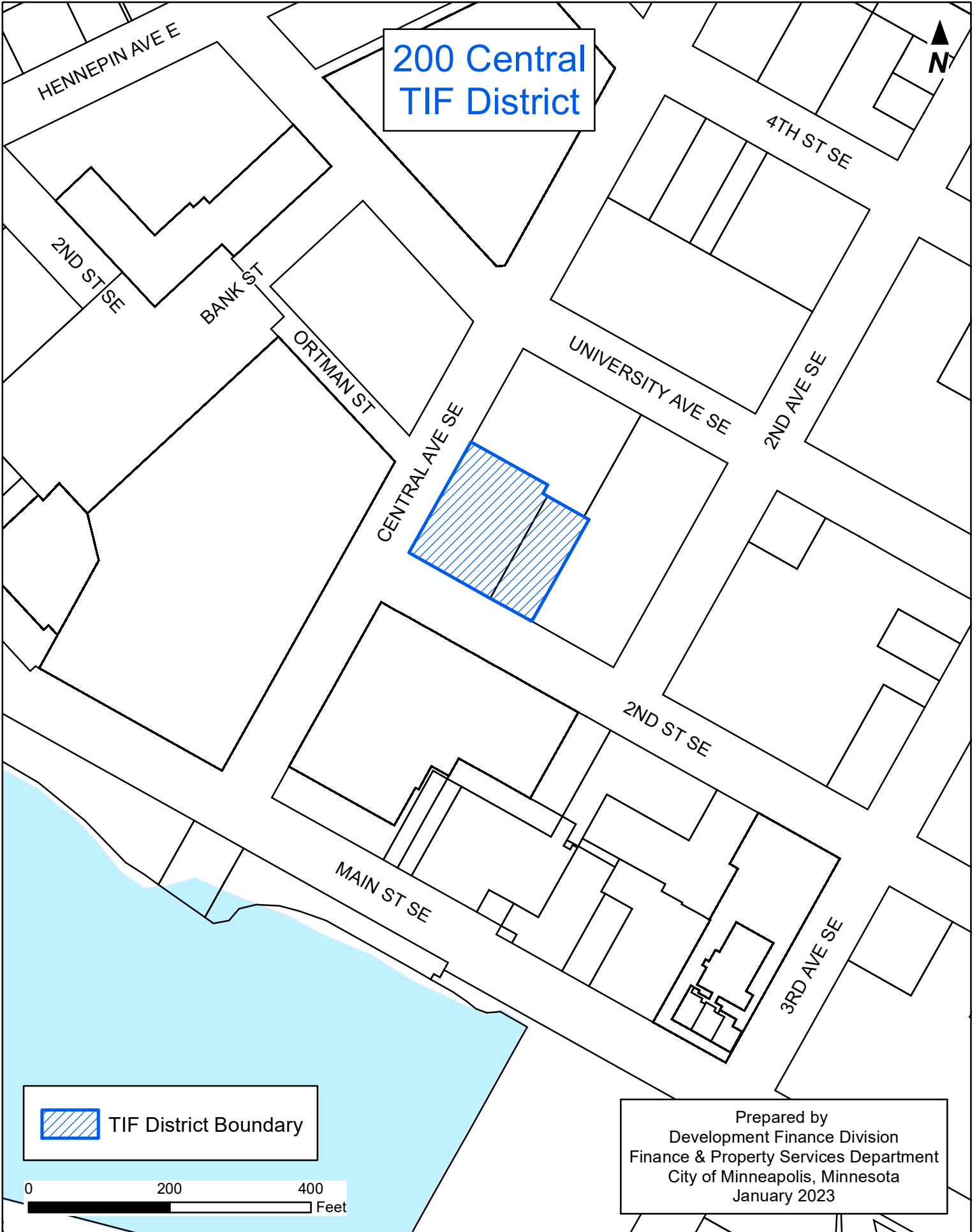
The projected amount of tax increment revenue generated over the life of the TIF District that would be attributable to the County, assuming the County's tax rate remains at approximately 30.7 percent of the total tax rate, is \$10,124,490.

### **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 200 Central 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.

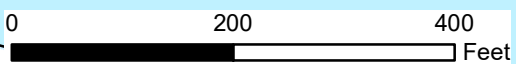




200 Central  
TIF District



TIF District Boundary



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









01/20/2023

esg

200 Central Ave  
202 Central Ave SE (RETAIL) / 101 2nd St SE (LOBBY)  
Minneapolis, MN 55414

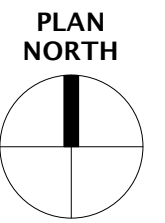
VIEW LOOKING NE



**COLOR LEGEND**

- BIKE/MAKERS LOUNGE
- CORE/CIRC
- DOG WASH
- ELECTRICAL
- FIRE COMM
- FIRE PUMP & WATER SERVICE ROOM
- LOBBY
- MDF ROOM (ELEC)
- PARKING
- PARKING: BIKES
- RETAIL
- TRASH RM (RETAIL)
- TRASH ROOM

**STREET LEVEL 1 FLOOR PLAN**



Scale: 1" = 30'-0"

01/20/2023



200 Central Ave  
 202 Central Ave SE (RETAIL) / 101 2nd St SE (LOBBY)  
 Minneapolis, MN 55414

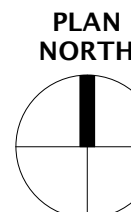
**LEVEL 1 FLOOR PLAN**



**COLOR LEGEND**

- 1 BR
- 2 BR
- CORE/CIRC
- JR 1 BR
- PARKING
- PARKING: BIKES
- STUDIO

**LEVELS 2-5 FLOOR PLAN**



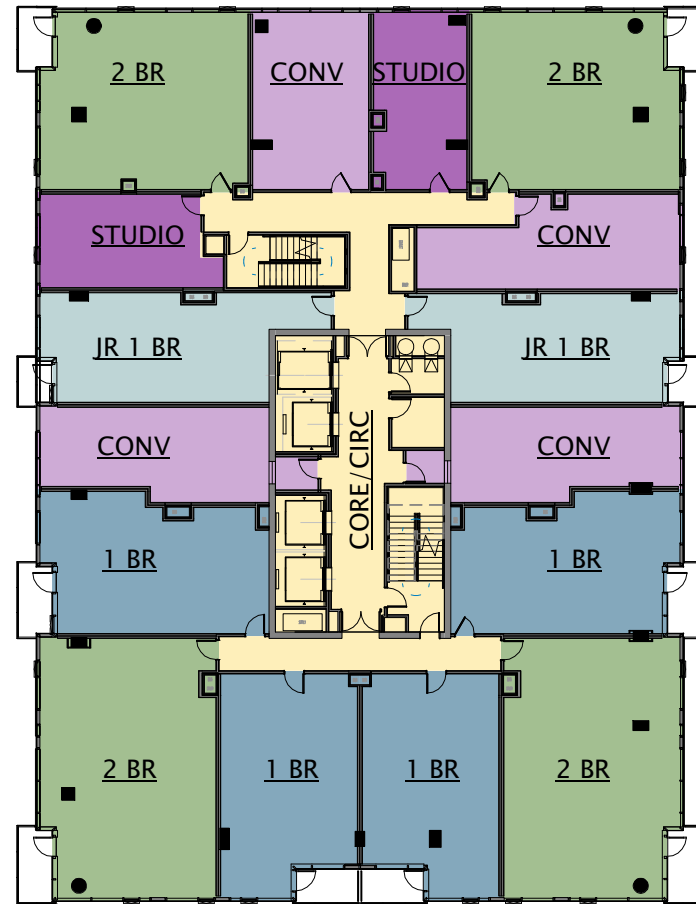
Scale: 1" = 30'-0"

01/20/2023



200 Central Ave  
 202 Central Ave SE (RETAIL) / 101 2nd St SE (LOBBY)  
 Minneapolis, MN 55414

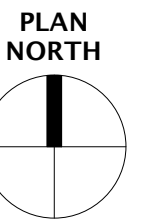
LEVELS 2-5 FLOOR PLAN



**COLOR LEGEND**

- 1 BR
- 2 BR
- CONV
- CORE/CIRC
- JR 1 BR
- STUDIO

**LEVELS 7-25 FLOOR PLAN (TYPICAL TOWER PLAN)**



Scale: 1" = 30'-0"

TYPICAL TOWER FLOOR PLAN

## Assumptions Schedule

### 200 Central TIF Plan

Type of Tax Increment Financing District	Housing
Maximum Duration of TIF District	26 Years of Tax Increment Collection
Certification Request Date	04/01/23
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

#### Housing Property

EMV Upon Completion (a)		\$107,700,000	\$107,700,000	\$107,700,000
Percent Complete		25%	90%	100%
Total Estimated Market Value	\$5,000,000	\$26,925,000	\$96,930,000	\$107,700,000
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	0.75%	0.75%	0.45%	0.45%
Net Tax Capacity (NTC)	\$62,500	\$336,563	\$1,056,537	\$1,173,930

#### Commercial/Industrial Property

EMV Upon Completion		\$250,000	\$250,000	\$250,000		
Percent Complete		25%	90%	100%		
Total Estimated Market Value	\$0	\$62,500	\$225,000	\$250,000		
Times: First	\$150,000	1.50%	0	938	2,250	2,250
Excess		2.00%	0	0	1,500	2,000
Net Tax Capacity (NTC)		\$0	\$938	\$3,750	\$4,250	
Total Net Tax Capacity (NTC)		\$62,500	\$337,501	\$1,060,287	\$1,178,180	

Assessment Year =	2022	2023	2024	2025	2026
Taxes Payable Year =	2023	2024	2025	2026	2027
Original EMV (b)	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Times: Class Rate	1.25%	1.25%	1.25%	1.25%	1.25%
Original Net Tax Capacity	\$62,500	\$62,500	\$62,500	\$62,500	\$62,500

<u>Pay-As-You-Go Note</u>		Total Tax Capacity Rate	118.000%
Interest Start Date	02/01/24	City Administrative Fee	10.00%
Annual Interest Rate	4.25%	Annual TI Coverage Percent	110.33%

#### Notes

(a) EMV based on 359 units valued at approximately \$300,000 per unit.

(b) Original EMV based on acquisition price for development site.

### Projected Tax Increment Schedule

**200 Central  
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)	
12/31/25	337,501	62,500	275,001	118.000%	324,501	1,168	323,333	32,333	291,000	263,754	27,246	
12/31/26	1,060,287	62,500	997,787	118.000%	1,177,389	4,239	1,173,150	117,315	1,055,835	956,979	98,856	
12/31/27	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/28	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/29	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/30	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/31	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/32	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/33	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/34	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/35	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/36	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/37	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/38	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/39	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/40	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/41	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/42	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/43	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/44	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/45	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/46	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/47	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/48	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/49	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
12/31/50	1,178,180	62,500	1,115,680	118.000%	1,316,502	4,739	1,311,763	131,176	1,180,587	1,070,051	110,536	
						\$33,097,938	\$119,143	\$32,978,795	\$3,297,872	\$29,680,923	\$26,901,957	\$2,778,966