MINNEAPOLIS COMMUNITY PLANNING
AND ECONOMIC DEVELOPMENT (CPED) DEPARTMENT,
LONG RANGE PLANNING DIVISION

800 West Broadway Tax Increment Financing Plan

Modification No. 10 to the West Broadway Redevelopment Plan

Modification No. 124 to the Common Development and Redevelopment Plan and Common TIF

DATE: October 2, 2014

PROJECT NAME: 800 West Broadway Tax Increment Finance Plan; Modification No.10 to the West Broadway Redevelopment Plan; and Modification No. 124 to the Common Development and Redevelopment Plan and Common Tax Increment Finance Plan.

SUBMITTED BY: CPED - Business Development

CONTACT PERSON AND PHONE: Erik Hansen, Principal Project Coordinator, Business Development, 612-673-5022

PLANNING STAFF AND PHONE: Jim Voll, Principal Planner, 612-673-3887. Hilary Dvorak, Principal Planner, 612-673-2639 (staff assigned to 800 West Broadway land use reviews).

WARD: 5

NEIGHBORHOOD ORGANIZATION: Hawthorne (Near-North is adjacent and across West Broadway to the south)

PROJECT DESCRIPTION:

Three plan documents have been prepared to facilitate the redevelopment of a vacant 47,100-square foot, two-story commercial building at 800 West Broadway into a multi-use commercial office and retail building:

- The 800 West Broadway Tax Increment Financing (TIF) Plan establishes a new redevelopment TIF district within the existing West Broadway Redevelopment Project area to help finance various TIF-eligible costs and to establish a TIF budget for the use of TIF revenue generated by the new TIF district.

- Modification No. 10 to the West Broadway Redevelopment Plan identifies the two parcels to be included in the 800 West Broadway TIF District as property that may be acquired by the City of Minneapolis.

- Modification No. 124 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan adds the two parcels to the lists of Property That May be Acquired contained within those plans, because the West Broadway Redevelopment Project is located within the Minneapolis Common Project.

The 800 West Broadway development site is located at the northwest corner of West Broadway and Aldrich Avenue North in north Minneapolis. The project includes two properties, 800 West Broadway and 2019 Aldrich Avenue North. Sherman Associates proposes to rehabilitate a 47,100-square foot two-story vacant tax-forfeit commercial building at 800 West Broadway into a multi-use commercial office and retail building. A bank-owned vacant duplex at 2019 Aldrich Avenue North will be demolished and used for parking to support the office and retail uses.

Tenants in the building will include multiple job-skill and educational training providers, creating an education and job-training center serving north Minneapolis. The project tenants will provide programming that addresses job-readiness and educational attainment disparities among residents of the Near North community compared to the City as a whole. The Near North community lags far behind in high school equivalency achievement for adults over age 25. Three out of five residents over 25 in Near North, or twice the citywide average, have a high school diploma or less.

Participants in the center will include the State of Minnesota Workforce Center, Minneapolis Public Schools, Northpoint Health and Wellness Center, Minneapolis Community and Technical College, and Minnesota State University, Mankato. These tenants will occupy about 40,000 square feet of the building with the remaining 5,000 square feet reserved for yet-to-be determined retail tenants.

COMPREHENSIVE PLAN:

The Minneapolis Plan for sustainable growth shows the project area for the 800 West Broadway as located on a Commercial Corridor with land designated as mixed-use commercial. The plan has the following policy and implementation steps regarding Commercial Corridors:

Policy 1.10: Support development along Commercial Corridors that enhances the street's character, fosters pedestrian movement, expands the range of goods and services available, and improves the ability to accommodate automobile traffic.

1.10.1 Support a mix of uses – such as retail sales, office, institutional, high-density residential and clean low-impact light industrial – where compatible with the existing and desired character.

1.10.2 Encourage commercial development, including active uses on the ground floor, where Commercial Corridors intersect with other designated corridors.

1.10.3 Discourage uses that diminish the transit and pedestrian character of Commercial Corridors, such as some automobile services and drive-through facilities, where Commercial Corridors intersect with other designated corridors.

1.10.4 Encourage a height of at least two stories for new buildings along Commercial Corridors, in keeping with neighborhood character.

1.10.5 Encourage the development of high-density housing on Commercial Corridors.

1.10.6 Encourage the development of medium-density housing on properties adjacent to properties on Commercial Corridors.

Policy 8.10: Promote the benefits of preservation as an economic development tool and a method to achieve greater environmental sustainability and city vitality.

8.10.1 Encourage rehabilitation of buildings and landscapes to stimulate economic activity in depressed areas.

SMALL AREA PLANS:

The *West Broadway Alive* plan was adopted in 2008. The future land use map of the plan is compatible in format to the city's comprehensive plan map. Most of West Broadway is a designated as a Commercial Corridor. Mixed-use development (residential with ground floor commercial) is encouraged in all commercial areas. This land use guidance promotes a West Broadway corridor that concentrates commercial development into recognizable commercial districts, and encourages multifamily housing development in between and outside these areas.

FUTURE RELATED ACTIONS:

The 800 West Broadway project will require at least a rezoning to eliminate the split zoning on the property, which will require City Planning Commission and City Council review and approval. Other land use applications may be identified with the actual proposal submittal.

CPED-Business Development division has requested that the City Planning Commission comment on the redevelopment plan prior to City Council final action on October 31, 2014.

COMMENTS AND FINDINGS:

Staff finds that the modifications are consistent with *The Minneapolis Plan for Sustainable Growth* and the *West Broadway Alive* small area plan. The zoning, site plan and building modifications will be reviewed for conformance with the comprehensive plan and small area plan as a part of the land use review process.

RECOMMENDED ACTION:

The Department of Community Planning and Economic Development – Long Range Planning Division recommends that the City Planning Commission send to the City Council the comments above and **recommend approval** of the 800 West Broadway Tax Increment Finance Plan; Modification No.10 to the West Broadway Redevelopment Plan; and Modification No. 124 to the Common Development and Redevelopment Plan and Common Tax Increment Finance Plan.

ATTACHED:

1) 800 West Broadway Tax Increment Finance Plan
2) Modification No.10 to the West Broadway Redevelopment Plan
3) Modification No. 124 to the Common Development and Redevelopment Plan and Common Tax Increment Finance Plan

Minneapolis
City of Lakes

800 West Broadway

Tax Increment Financing Plan

September 5, 2014
Draft for Public Review

Table of Contents

I. Introduction 1

II. TIF District Boundary 1

III. Type of TIF District 1

IV. Maximum Duration of the TIF District 2

V. Statement of Objectives 2

VI. Proposed Development Activity 2

A. Description of Proposed Development Activity 2
B. Property That May Be Acquired 3
C. Other Expected Development Activity 3

VII. Description of Financing 4

A. Costs to be Paid with Tax Increment 4
B. Maximum Bonds to be Issued 4
C. Other Sources of Funding 5
D. Original Net Tax Capacity 5
E. Original Tax Capacity Rate 5
F. Fiscal Disparities Election 5
G. Projected Captured Net Tax Capacity and Tax Increment 5

VIII. Estimated Impact on Other Taxing Jurisdictions 6

IX. Basis for Finding That Development Would Not Occur Without TIF Assistance 7

Exhibits

1. TIF District Boundary Map, Project Area Boundary Map, Property Acquisition Map
2. Documentation of Eligibility
3. Assumptions Schedule
4. Projected Tax Increment Schedule
5. Market Value Test Schedule
6. Site Plan and Rendering

I. Introduction

Three plan documents have been prepared to facilitate the redevelopment of a vacant 47,100-square foot, two-story commercial building at 800 West Broadway into a multi-use commercial office and retail building:

- The 800 West Broadway Tax Increment Financing (TIF) Plan establishes a new redevelopment TIF district within the existing West Broadway Redevelopment Project area to help finance various TIF-eligible costs and to establish a TIF budget for the use of TIF revenue generated by the new TIF district.

- Modification No. 10 to the West Broadway Redevelopment Plan identifies the two parcels to be included in the 800 West Broadway TIF District as property that may be acquired by the City of Minneapolis.

- Modification No. 124 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan adds the two parcels to the lists of Property That May be Acquired contained within those plans, because the West Broadway Redevelopment Project is located within the Minneapolis Common Project.

II. TIF District Boundary

The 800 West Broadway TIF District (the "TIF District") is located at the northwest corner of the intersection of West Broadway and Aldrich Avenue North in north Minneapolis. Two tax parcels are located within the TIF District:

Property ID Number	Property Address
16-029-24-14-0089	2019 Aldrich Avenue North
16-029-24-14-0090	800 West Broadway

The TIF District Boundary Map is attached as Exhibit 1. A map showing the TIF District's location within the existing West Broadway Redevelopment Project is also included in Exhibit 1.

III. Type of TIF District

The 800 West Broadway TIF District is a "redevelopment district" as defined in M.S. Section 469.174, Subd. 10. Relevant provisions of the statute appear below:

> "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists: (1) Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; (2) the

property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; [M.S. Section 469.174, Subd. 10(a)(1) and (2)]

For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. [M.S. Section 469.174, Subd. 10(b)]

A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. [M.S. Section 469.174, Subd. 10(c)]

Additional information about the TIF District's eligibility as a redevelopment TIF district is provided in the Documentation of Eligibility (Exhibit 2).

IV. Maximum Duration of the TIF District

The maximum duration of the 800 West Broadway TIF District is that which is prescribed by the Tax Increment Financing Act (the "TIF Act", M.S. Sections 469.174-469.1799) for a redevelopment district. At the time this document was prepared, the TIF Act allowed for a maximum of 26 years of tax increment collection. The TIF District will be decertified when all eligible costs have been paid, which is currently projected to occur after eight years of increment collection (see Exhibits 3 & 4).

V. Statement of Objectives

The City of Minneapolis seeks to achieve the following objectives through this TIF Plan:

- Eliminate blighting influences.
- Increase opportunities for educational attainment for area residents.
- Increase employment opportunities.
- Increase the property tax base.
- Increase business activity and density in commercial districts.
- Increase retail activity and the availability of goods and services.
- Clean contaminated properties.

VI. Proposed Development Activity

A. Description of Proposed Development Activity

The 800 West Broadway development site is located at the northwest corner of West Broadway and Aldrich Avenue North in north Minneapolis. The project includes two properties, 800 West Broadway and 2019 Aldrich Avenue North. Sherman Associates proposes to rehabilitate a 47,100-square foot two-story vacant tax-forfeit commercial building at 800 West Broadway into a multi-use commercial

office and retail building. A bank-owned vacant duplex at 2019 Aldrich Avenue North will be demolished and used for parking to support the office and retail uses.

Tenants in the building will include multiple job-skill and educational training providers, creating an education and job-training center serving north Minneapolis. The project tenants will provide programming that addresses job-readiness and educational attainment disparities among residents of the Near North community compared to the City as a whole. The Near North community lags far behind in high school equivalency achievement for adults over age 25. Three out of five residents over 25 in Near North, or twice the citywide average, have a high school diploma or less.

Participants in the center will include the State of Minnesota Workforce Center, Minneapolis Public Schools, Northpoint Health and Wellness Center, Minneapolis Community and Technical College, and Minnesota State University, Mankato. These tenants will occupy about 40,000 square feet of the building with the remaining 5,000 square feet reserved for yet-to-be determined retail tenants.

A site plan and rendering are included as Exhibit 6.

B. Property That May Be Acquired

By including in this TIF Plan a list of properties that may be acquired, the City of Minneapolis is signifying that it is interested in acquiring the properties listed, subject to limitations imposed by law, availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the City to acquire a property.

Two properties that may be acquired are identified below and on the Property Acquisition Map (Exhibit 1).

Property ID Number	Property Address
16-029-24-14-0089	2019 Aldrich Avenue North
16-029-24-14-0090	800 West Broadway

C. Other Expected Development Activity

No additional development activity is anticipated within the TIF District.

VII. Description of Financing

The figures, sources, and methods of financing identified in this TIF Plan are based on the best estimates and projections available at the time this 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 or bonded indebtedness to be incurred beyond the amounts listed in this TIF Plan, then a formal modification to this plan may become necessary. Such a modification would require the same review and approval process as the original approval of this TIF Plan.

A. Costs to be Paid with Tax Increment

The total cost of the project is currently estimated to be approximately $6.7 million. The maximum amount of project costs that can be paid utilizing tax increment revenues generated from within the 800 West Broadway TIF District is shown below.

The City reserves the right to administratively adjust the amount of any of the line items listed, or to incorporate additional eligible line items, provided that the total use figures listed below are not exceeded.

Sources	
Tax Increment	$750,000
Total Sources	$750,000
Uses	
Building Rehabilitation	$500,000
Pay-As-You-Go Note Interest	175,000
Administrative Costs	75,000
Total Uses	$750,000

B. Maximum Bonds to be Issued

The City does not currently anticipate issuing any tax increment bonds for the 800 West Broadway project. It is anticipated that the City will issue the developer a pay-as-you-go TIF note in an amount not to exceed $500,000. The City will semi-annually distribute net tax increment to the developer under the terms of the TIF note.

C. Other Sources of Funding

In addition to tax increment financing, other sources of funding for the project may include developer equity, conventional financing debt, New Markets Tax Credits equity, and environmental contamination grant funds.

D. Original Net Tax Capacity

The property in the TIF District has an estimated market value (EMV) of $734,000 (as assessed in 2014 for taxes payable in 2015). Upon project completion, it is projected that the original net tax capacity (ONTC) of the TIF District will be approximately $13,930.

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 2015, which is not yet available. For the purpose of calculating the hypothetical impact on other taxing jurisdictions (see Section VIII), the total tax capacity rate for taxes payable in 2014 was used. For tax increment projection purposes, the total tax capacity rate of 150% was assumed (see Section VIII).

F. Fiscal Disparities Election

For the purpose of calculating tax increment, the City of Minneapolis elects that the fiscal disparity contribution required for all commercial/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 $3,909,300, and the total net tax capacity (NTC) will be $77,436. The captured net tax capacity of the TIF District at completion is therefore projected to be $63,506.

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 an eight-year period (2017 to 2024).

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, if it is assumed for the purpose of analysis that the proposed development would occur without tax increment financing assistance, and that the estimated captured net tax capacity at project completion would be immediately available, then the estimated annual impact to the applicable taxing jurisdictions would be as follows:

Taxing Jurisdiction	Pay 2014 Tax Capacity Rate	Property Taxes Resulting From $63,506 in Captured Net Tax Capacity
City of Minneapolis	71.804%	$ 45,600
Hennepin County	49.441%	31,398
Special School District #1	25.678%	16,307
Other	9.700%	6,160
Total	156.623%	$ 99,465

Fiscal and Economic Implications of the TIF District

The estimated amount of total tax increment that would be generated over the maximum duration of the TIF District is $2,438,603.

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 estimated amount of tax increment 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, would equal approximately $399,900.

The estimated amount of tax increment generated over the life of the TIF District that would be attributable to the County, assuming the County's tax rate remains at approximately 31.6% percent of the total tax rate, would equal approximately $770,600.

As of the date this plan was prepared, neither the County nor School District have requested any additional information which could assist them in determining additional costs that may accrue due to the development in the TIF District.

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

M.S. Section 469.175, Subd. 3 provides that, prior to the 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 tax increment financing is deemed necessary.

It is the position of the City of Minneapolis that the private development to be constructed in the 800 West Broadway TIF District would not occur without public participation and financial assistance. This conclusion and finding is based upon the factors and circumstances described below.

The developer has stated that “but-for” the use of tax increment financing the proposed development will not proceed. The redevelopment costs of the building will exceed the value of the finished building based on construction costs and market conditions. A financial analysis conducted by the City indicated that projected development costs exceed available funding sources and that a funding gap exists. In order to close this funding gap, tax increment financing assistance is deemed necessary and appropriate.

The funding gap is attributable in part to the additional costs associated with redevelopment of an older building, including contamination remediation costs, and the fact that expected commercial rents will not support adequate debt secured through conventional means. Tax increment financing assistance is needed to help fill the gap between the debt the property can support and the cost to construct the improvements.

The project site has multiple barriers to redevelopment. The fact that it has remained vacant since 2006 indicates that the private market alone will not drive development on this site. The City’s commissioned appraisal identifies the need for significant public subsidy for redevelopment to take place.

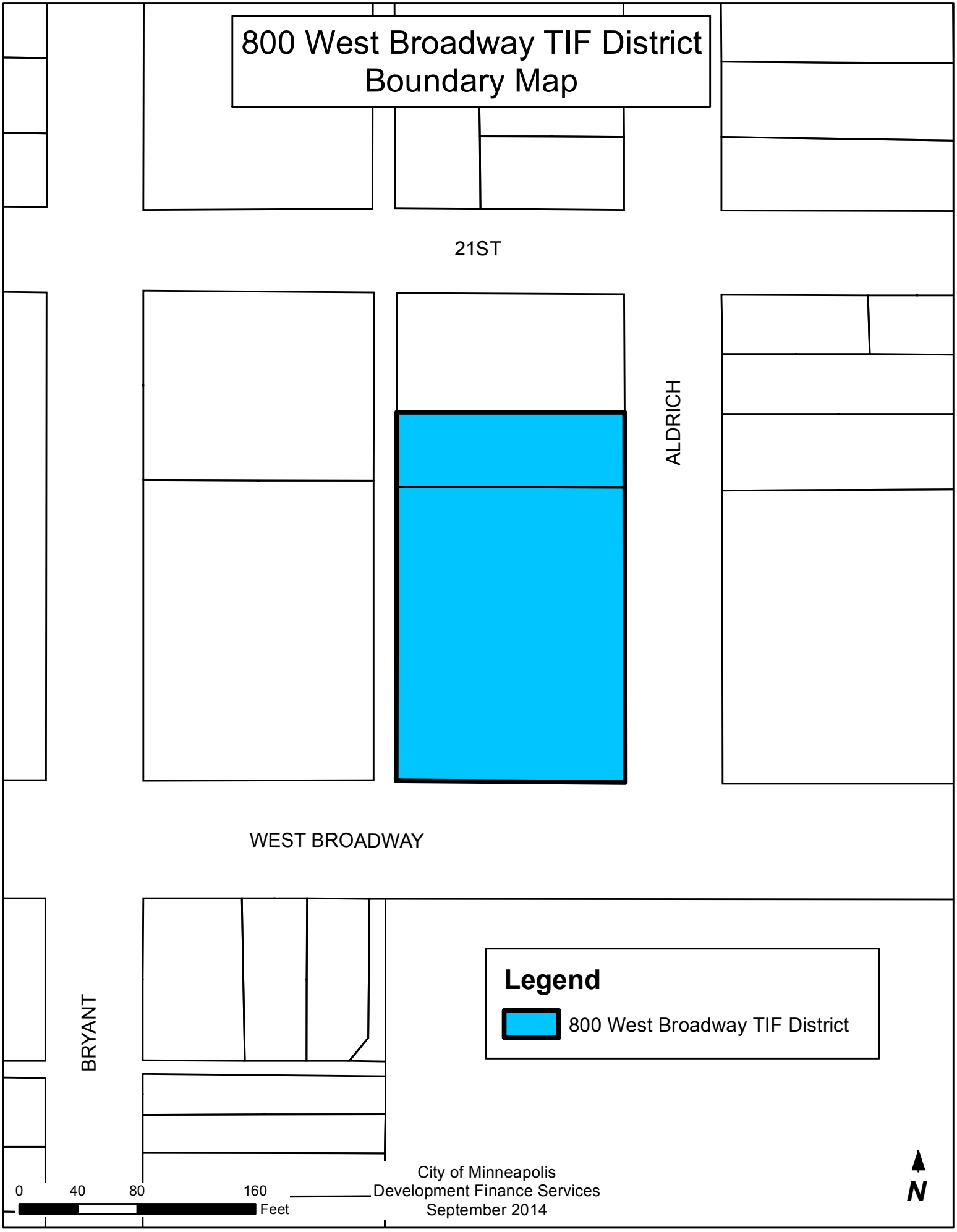
The project is consistent with development objectives set forth in the Minneapolis Tax Increment Policy in that it will eliminate blighting influences, create living-wage jobs and increase the city’s property tax base.

The amount of tax increment financing requested is reasonable when compared to the overall cost of developing the project, and the developer has explored other options to secure private and public funding for these costs prior to requesting tax increment financing assistance from the City.

A tax increment financing district site must also pass a "market value test” in order to support the finding that the development could not occur without tax increment assistance (M.S. Section 469.175, Subd. 3(b)(2)(ii)). Exhibit 5 contains the calculations necessary to demonstrate that this test has been satisfied.

Exhibit 1

800 West Broadway TIF District Boundary Map



City of Minneapolis
Development Finance Services
September 2014

Exhibit 1

West Broadway Redevelopment Project Boundary Map

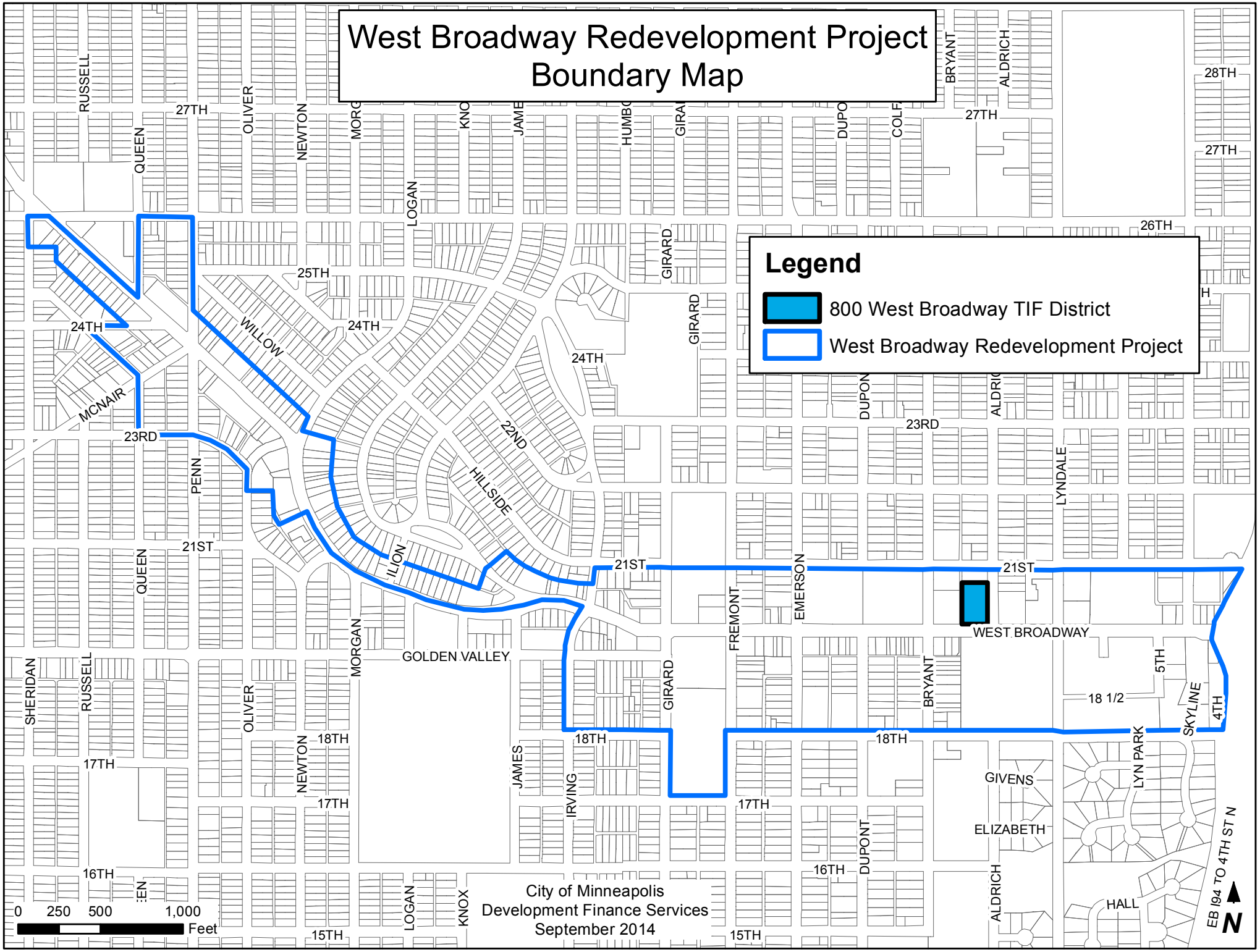
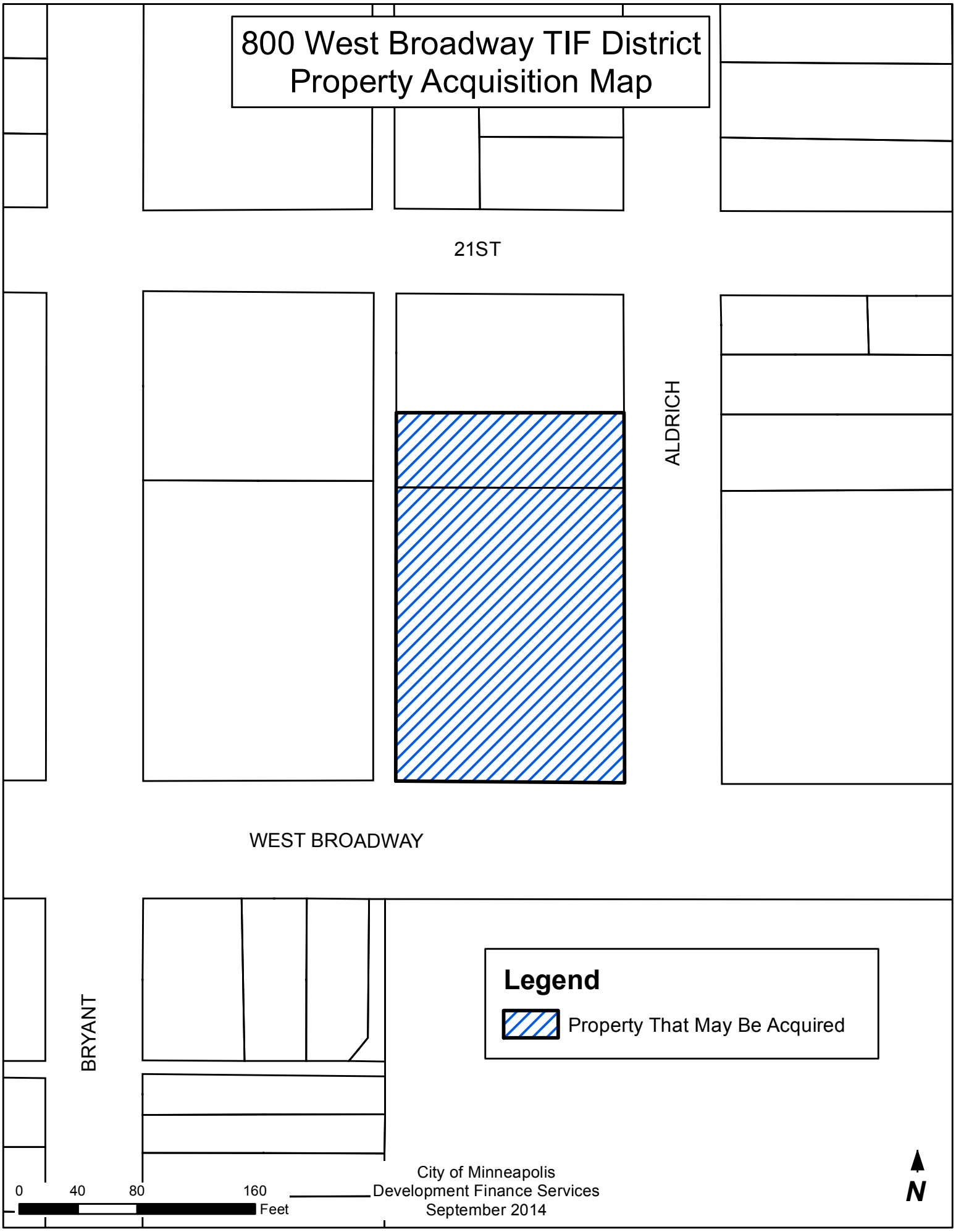


Exhibit 1


800 West Broadway TIF District
Property Acquisition Map
21ST
ALDRICH
WEST BROADWAY
BRYANT
Legend
Property That May Be Acquired
0
40
80
160
Feet
City of Minneapolis
Development Finance Services
September 2014
N

Documentation of Eligibility

The purpose of this exhibit is to describe the conditions that qualify the proposed 800 West Broadway Tax Increment Financing (TIF) District as a redevelopment TIF district.

Sources of information include City of Minneapolis records, including data from the Assessor's Office, Regulatory Services and Community Planning and Economic Development (CPED); Hennepin County tax records; an August 2013 appraisal of the property at 800 West Broadway; and a Metropolitan Council Livable Communities Tax Base Revitalization Account 2014 Contamination Cleanup Grant Application.

CPED Construction Management staff conducted interior and exterior inspections, took photographs and completed a blight analysis worksheet for each parcel in the proposed TIF district in August and September 2014.

Statutory Definition

Minnesota Statutes Section 469.174, Subdivision 10 provides a definition of a redevelopment TIF district. The provisions applicable to the proposed 800 West Broadway TIF District are the following:

- Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance… [469.174, Subd. 10 (a)(1)]

- …"structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. [469.174, Subd. 10 (b)]

- A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. [469.174, Subd. 10 (c)]

- For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures. [469.174, Subd. 10 (e)]

Description of Property within the TIF District

The proposed 800 West Broadway TIF District is an approximately .9-acre area located at the northwest corner of the intersection of West Broadway and Aldrich Avenue North in north

Minneapolis. It includes two tax parcels identified below and shown on the TIF District Boundary Map (Exhibit 1).

Property ID Number	Property Address
16-029-24-14-0089	2019 Aldrich Avenue North
16-029-24-14-0090	800 West Broadway

The City's comprehensive plan, *The Minneapolis Plan for Sustainable Growth*, identifies the area's current land use as Industrial (800 West Broadway) and Low-Density Housing (2019 Aldrich) and its future land use as Mixed Use (800 West Broadway) and Urban Neighborhood (2019 Aldrich). The site is located along West Broadway, a designated Commercial Corridor.

The 2019 Aldrich Avenue North property is zoned OR2/High Density Office Residential District. The 800 West Broadway property is zoned C3S/Community Shopping Center District and is within the West Broadway Overlay District.

800 West Broadway

800 West Broadway is a tax-forfeit property owned by Hennepin County. The 31,346-square foot parcel on the northwest corner of the intersection of West Broadway and Aldrich Avenue North is occupied by a vacant 47,100-square foot two-story retail building constructed in 1925. Former uses include an auto dealership and a furniture liquidation store.

The building has been vacant since 2006 and a tax-forfeit property since 2010. Over time, its condition has deteriorated to a point where full replacement of the building systems, roof and many exterior elements, including windows and doors, is required. The building is unheated. An August 2013 appraisal completed for CPED characterized it as a "shell building".

The building is functionally obsolete, with large and rectangular floor plates (about 25,000 square feet per floor) that are challenging to tenants, given market conditions and standard retail and office space requirements. The 800 West Broadway parcel does not have sufficient space to provide adequate parking to serve tenant needs, and site assembly is therefore required to meet commercial and retail parking needs.

CPED Construction Management staff conducted exterior and interior inspections of the building in August and September 2014. Defects or deficiencies in structural elements, essential utilities and facilities and fire protection were noted. The building lacks modifications to meet Federal accessibility mandates and was found to be deficient by the standards set forth in the Minnesota State Energy Code and the International Building Code.

Known contaminants in the building include damaged and peeling lead-based paint and asbestos-containing materials such as sheet rock/taping compound, floor tile, mastic, vermiculite and other materials.

The most recent building permit for an improvement of any significant value was issued in August 2000, when the building was reroofed.

The Minneapolis City Assessor's Office rates the building's condition as Average Minus, or a 5 on the following condition rating scale:

1 – Excellent	5 – Average Minus
2 – Good	6 – Fair
3 – Average Plus	7 – Poor
4 – Average	Uninhabitable

2019 Aldrich Avenue North

2019 Aldrich Avenue North is a bank-owned vacant and boarded duplex on a 7,836-square foot lot immediately to the north of 800 West Broadway. The 3,200-square foot two-story wood-frame structure with a stucco exterior was built in 1900. There is an unattached garage on the lot that has been severely damaged by fire.

CPED Construction Management staff conducted exterior and interior inspections of the building in August and September 2014. The building was found to be structurally substandard. Defects or deficiencies in structural elements, essential utilities and facilities and fire protection were noted.

Vacant since 2012, the building has been subject to vandalism and weather damage. Deficiencies include a heavily damaged boiler, stripped copper plumbing, and torn-out kitchens and bathrooms. The roof, windows and doors, and all interior and exterior surfaces need treatment or replacement.

As with 800 West Broadway, known contaminants in the building include damaged and peeling lead-based paint and asbestos-containing materials such as sheet rock/taping compound, floor tile, mastic, vermiculite and other materials.

The building was found to be deficient by the standards set forth in the Minnesota State Energy Code, International Residential Code and Minneapolis Housing Maintenance Code.

There have been no building permits issued for the property since 1999. The City Assessor's Office rates the building's condition as 4 – Average.

Eligibility

Staff has determined that the property within the proposed 800 West Broadway TIF District meets the definition of a redevelopment TIF district, based on the following conditions:

- **Parcels consisting of more than 70 percent of the area of the TIF District are occupied by buildings, streets, utilities, paved or gravel parking lots.** Each of the parcels is occupied by a building, and together the two parcels represent 100 percent of the TIF District's area.

- **More than 15 percent of the area of each of the parcels in the TIF District contains a building and each is therefore an "occupied parcel".** The building footprint at 800 West Broadway is 23,550 square feet, or 75 percent of the 31,346-square foot parcel. The building footprint at 2019 Aldrich Avenue North is 1,878 square feet, or 24 percent of the 7,836-square foot parcel.

- **Each building in the TIF District is structurally substandard to a degree requiring substantial renovation or clearance.**

- **Neither building in the TIF District is in compliance with the building code applicable to new buildings, and neither could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site.** CPED staff estimated the cost to modify the commercial building at 800 West Broadway would be 80 percent of the cost to construct a new comparable building on the site. The cost to modify the duplex at 2019 Aldrich Avenue North was estimated to be 67 percent of the cost to construct a new comparable building on the site.

Documentation supporting these findings is on file and available for inspection in City of Minneapolis offices at 105 5th Avenue South, Minneapolis, Minnesota.

Exhibit 3
Assumptions Schedule

800 West Broadway TIF Plan
EMV Upon Completion = $3,909,300 (47,100 sq. ft. @ $83/sq. ft.)
Pay-As-You-Go Note = $500,000

Type of Tax Increment Financing District	Redevelopment	
Maximum Duration of TIF District	26 Years of Tax Increment Collection	
Certification Request Date	11/12/14	
Decertification Date	12/31/24	(Years of Increment = 8)

Construction Year =		2013	2014	2015	2016
Assessment Year =		2014	2015	2016	2017
Taxes Payable Year =		2015	2016	2017	2018
Housing Property					
EMV Upon Completion			$0	$0	$0
Percent Complete			25%	90%	100%
Total Estimated Market Value		$0	$0	$0	$0
Percent of Housing Property - Class 4a		100%	100%	100%	100%
Percent of Housing Property - Class 4d		0%	0%	0%	0%
Class Rate - 4a		1.25%	1.25%	1.25%	1.25%
Class Rate - 4d		0.75%	0.75%	0.75%	0.75%
Net Tax Capacity (NTC)		$0	$0	$0	$0
Commercial Property					
EMV Upon Completion (a)		$3,909,300	$3,909,300	$3,909,300	$3,909,300
Percent Complete		19%	19%	75%	100%
Total Estimated Market Value		$734,000	$734,000	$2,931,975	$3,909,300
Times: First $150,000	1.50%	2,250	2,250	2,250	2,250
Excess	2.00%	11,680	11,680	55,640	75,186
Net Tax Capacity (NTC)		$13,930	$13,930	$57,890	$77,436
Total Net Tax Capacity (NTC)		$13,930	$13,930	$57,890	$77,436

Assessment Year =	2013	2014	2015	2016	2017
Taxes Payable Year =	2014	2015	2016	2017	2018
Original EMV (b)	NA	$734,000	$734,000	$734,000	$734,000
Times: Class Rate	NA	1.50%/2.00%	1.50%/2.00%	1.50%/2.00%	1.50%/2.00%
Original Net Tax Capacity	NA	$13,930	$13,930	$13,930	$13,930

Total Tax Capacity Rate	150.000%	Fiscal Disparities	
City Administrative Fee	10.00%	Contribution Ratio	0.0000%
Pay-As-You-Go Note		Pooling for Afford. Housing	0.00%
Interest Start Date	04/01/15		
Annual Interest Rate	4.00%		

Notes

(a) Commercial EMV based on 47,100 sq. ft. @ $83/sq. ft.

(b) Original EMV includes 800 W. Broadway ($625,000) and 2019 Aldrich Ave. N. ($109,000).

Exhibit 4
Projected Tax Increment Schedule

800 West Broadway TIF Plan
EMV Upon Completion = $3,909,300 (47,100 sq. ft. @ $83/sq. ft.)
Pay-As-You-Go Note = $500,000

Year Ending (1)	Total Net Tax Capacity (2)	Less: Original Net Tax Capacity (3)	Less: Fiscal Disp. @ 0.0000% (4)	Equals: Retained Captured NTC (5)	Times: Total Tax Capacity Rate (6)	Equals: Annual Gross Tax Increment (7)	Less: State Aud. Fee @ 0.36% (8)	Equals: Increment Distributed to City (9)	Less: City Adm. Fee @ 10.00% (9)	Less: Pooling for Housing @ 0.00% (10)	Equals: Net Tax Increment (10)
12/31/15	13,930	13,930	0	0	150.000%	0	0	0	0	0	0
12/31/16	13,930	13,930	0	0	150.000%	0	0	0	0	0	0
12/31/17	57,890	13,930	0	43,960	150.000%	65,940	237	65,703	6,570	0	59,133
12/31/18	77,436	13,930	0	63,506	150.000%	95,259	343	94,916	9,492	0	85,424
12/31/19	77,436	13,930	0	63,506	150.000%	95,259	343	94,916	9,492	0	85,424
12/31/20	77,436	13,930	0	63,506	150.000%	95,259	343	94,916	9,492	0	85,424
12/31/21	77,436	13,930	0	63,506	150.000%	95,259	343	94,916	9,492	0	85,424
12/31/22	77,436	13,930	0	63,506	150.000%	95,259	343	94,916	9,492	0	85,424
12/31/23	77,436	13,930	0	63,506	150.000%	95,259	343	94,916	9,492	0	85,424
12/31/24	77,436	13,930	0	63,506	150.000%	95,259	343	94,916	9,492	0	85,424
						$732,753	$2,638	$730,115	$73,014	$0	$657,101

Exhibit 5
Market Value Test Schedule

Valuation and Tax Increment Assumptions

Payable Year --->	2017	2018
Total Estimated Market Value (EMV)	$3,909,300	$3,909,300
Less: Original EMV	734,000	734,000
Captured EMV	$3,175,300	$3,175,300
Total Net Tax Capacity (NTC)	$57,890	$77,436
Less: Original NTC	13,930	13,930
Captured NTC	$43,960	$63,506
Times: Projected Total Tax Rate	150.000%	150.000%
Gross Tax Increment	$65,940	$95,259
Less: State Auditor's Fee (.36%)	237	343
Tax Increment Distributed to City	$65,703	$94,916

26 Years of TI Collection

Years of TIF Collection	Payable Year	Tax Increment Distributed To City
	2015	$0
	2016	0
1	2017	65,703
2	2018	94,916
3	2019	94,916
4	2020	94,916
5	2021	94,916
6	2022	94,916
7	2023	94,916
8	2024	94,916
9	2025	94,916
10	2026	94,916
11	2027	94,916
12	2028	94,916
13	2029	94,916
14	2030	94,916
15	2031	94,916
16	2032	94,916
17	2033	94,916
18	2034	94,916
19	2035	94,916
20	2036	94,916
21	2037	94,916
22	2038	94,916
23	2039	94,916
24	2040	94,916
25	2041	94,916
26	2042	94,916
		$2,438,603
P.V. @	**5.00%**	**$1,272,965**

Market Value Test

Analysis Required by M.S. Section 469.175, Subd. 3 (2)

(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	$734,000
(b) Original estimated market value	734,000
(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.	$3,175,300
(e) Present value of the projected tax increment for the maximum duration of the district	1,272,965
(f) Difference = (d) - (e)	$1,902,335

(3) Since (c) is less than (f), the proposed development or redevelopment passes the test.

Exhibit 6

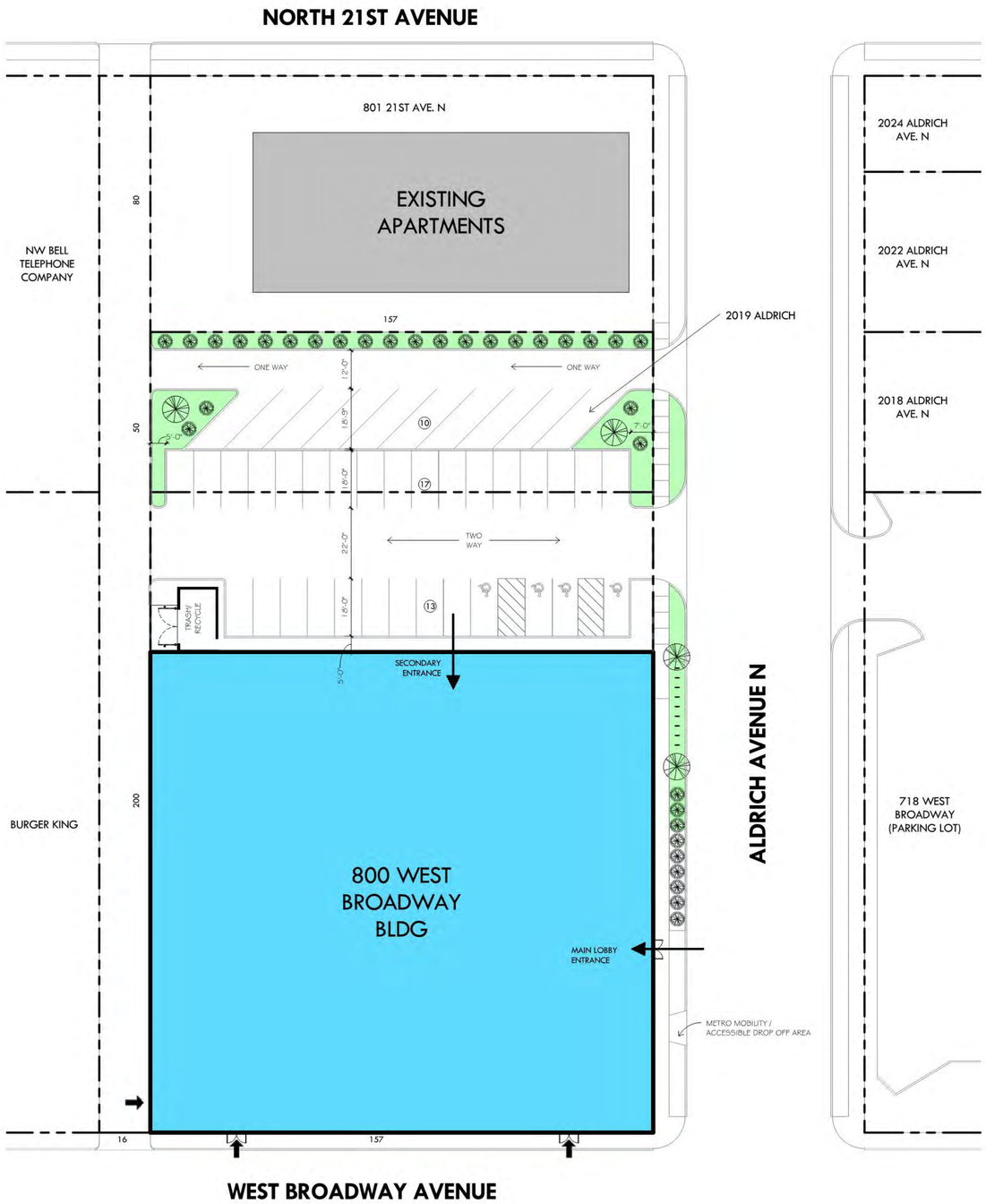
VOCATIONAL EMPOWERMENT CENTER

800 WEST BROADWAY

sherman ASSOCIATES

Blumentals/Architecture Inc.

Exhibit 6



SITE PLAN - 40 OFF STREET PARKING SPACES

0' 10' 20' 40'

NORTH

VICINITY MAP

NORTH

SITE PLANS

Vocational Empowerment Center
800 West Broadway
Minneapolis, MN 55411

sherman ASSOCIATES

Blumentals/Architecture Inc.

Minneapolis
City of Lakes

Modification No. 10 to the

West Broadway Redevelopment Plan

September 5, 2014
Draft for Public Review

Modification No. 10 to the West Broadway Redevelopment Plan

Original Plan	May 1, 1973
Modification No. 1	March 12, 1975; Rev. Oct. 25, 1975
Modification No. 2	July 10, 1980
Modification No. 3	December 16, 1988
Modification No. 4	March 22, 1991
Modification No. 5	January 31, 2003
Modification No. 6	October 6, 2005
Modification No. 7	December 20, 2007
Modification No. 8	August 14, 2009
Modification No. 9	(Not Approved)

Table of Contents

A. Table of Contents

B. Description of Project

1. Boundaries of Redevelopment Project – No Change
2. Project Boundary Map – No Change
3. Objectives of the Redevelopment Plan – No Change
4. Types of Redevelopment Activities – No Change

C. Land Use Plan

1. Land Use Map – No Change
2. Land Use Provisions and Requirements – No Change

D. Project Proposals

1. Land Acquisition – **Changed**
2. Rehabilitation – No Change
3. Redevelopers' Obligations – No Change

E. Relocation – No Change

F. Official Action to Carry Out the Redevelopment Plan – No Change

G. Procedure for Changes in Approved Redevelopment Plan – No Change

Exhibits

1. Property Acquisition Map – **Changed**

Introduction

Three plan documents have been prepared to facilitate the redevelopment of a vacant 47,100-square foot, two-story commercial building at 800 West Broadway into a multi-use commercial office and retail building:

- The 800 West Broadway Tax Increment Financing (TIF) Plan establishes a new redevelopment TIF district within the existing West Broadway Redevelopment Project area to help finance various TIF-eligible costs and to establish a TIF budget for the use of TIF revenue generated by the new TIF district.

- Modification No. 10 to the West Broadway Redevelopment Plan identifies the two parcels to be included in the 800 West Broadway TIF District as property that may be acquired by the City of Minneapolis.

- Modification No. 124 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan adds the two parcels to the lists of Property That May be Acquired contained within those plans, because the West Broadway Redevelopment Project is located within the Minneapolis Common Project.

Section D.1. of the West Broadway Redevelopment Plan is amended by the addition of the following language:

D. Project Proposals

1. Land Acquisition

   a. The Property Acquisition Map, dated September 2014, is attached as Exhibit 1.

   b. List of Property That May Be Acquired

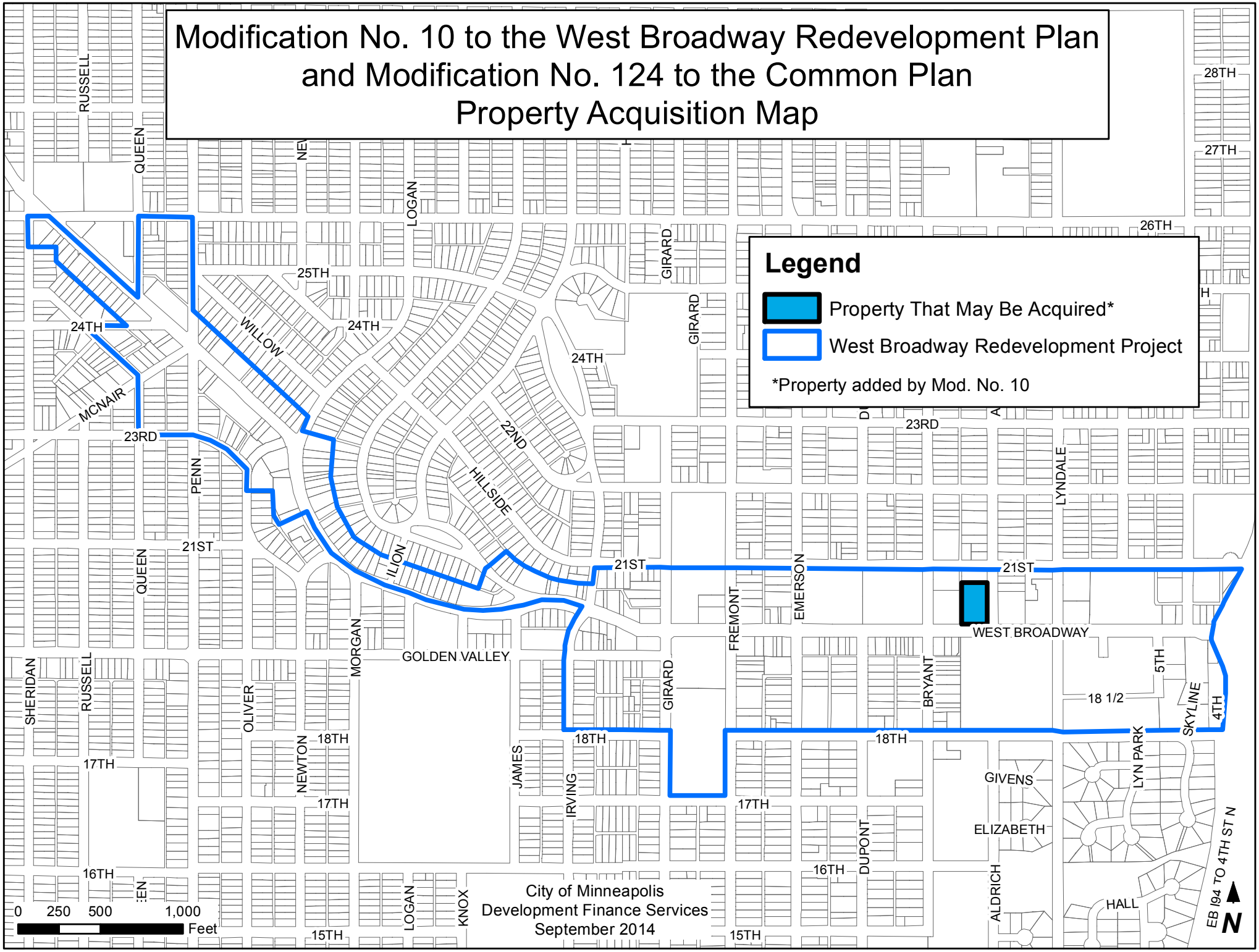
      By including in this Redevelopment Plan a list of Property That May Be Acquired, the City of Minneapolis is signifying that it is interested in acquiring the property listed, subject to limitations imposed by law, availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the City to acquire a property.

      The list of Property That May Be Acquired is amended to add the properties identified below:

Property ID Number	Property Address
16-029-24-14-0089	2019 Aldrich Avenue North
16-029-24-14-0090	800 West Broadway

Exhibit 1

Modification No. 10 to the West Broadway Redevelopment Plan and Modification No. 124 to the Common Plan Property Acquisition Map



Minneapolis
City of Lakes

Modification No. 124 to the

Common Development and Redevelopment Plan and

Common Tax Increment Finance Plan

September 5, 2014
Draft for Public Review

Modification No. 124 to the
Common Development and Redevelopment Plan
and
Common Tax Increment Financing Plan

TABLE OF CONTENTS

(This Table of Contents is not part of Modification No. 124 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan, and is only for convenience of reference.)

SECTION A. COMMON DEVELOPMENT AND REDEVELOPMENT PLAN

		Impact of Mod. 124
Subsection A.1.	Mission Statement	No Change
Subsection A.2.	Definitions	No Change
Subsection A.3.	Description of Public Purpose	No Change
Subsection A.4.	Objectives of Common Project	No Change
Subsection A.5.	Structuring of Common Project	No Change
Subsection A.6.	History of Establishment and Modifications of Projects and TIF Districts Included in Common Project Area	**Changed**
Subsection A.7.	Estimated Public Improvement Costs	No Change
Subsection A.8.	Boundaries of the Common Project Area	No Change
Subsection A.9.	Development Program Requirements	No Change
Subsection A.10.	Modifications to Common Development and Redevelopment Plan	No Change
Subsection A.11.	Neighborhood Revitalization Program	No Change
SECTION B.	**COMMON TAX INCREMENT FINANCING PLAN**	
Subsection B.1.	Summaries of Participating Tax Increment Financing Districts	No Change
Subsection B.2.	Boundaries of Participating Tax Increment Financing Districts	No Change

Subsection B.3.	Statement of Objectives and Development Program, Including Property That May Be Acquired	**Changed**
Subsection B.4.	Properties to be Deleted From Participating Tax Increment Financing Districts	No Change
Subsection B.5.	Development Activity in Common Project for Which Contracts Have Been Signed and Other Specific Development Expected to Occur	No Change
Subsection B.6.	Description of Financing	No Change
Subsection B.7.	Estimated Impact on Other Taxing Jurisdictions	No Change
Subsection B.8.	Modifications to Common Tax Increment Financing Plan	No Change

Introduction

Three plan documents have been prepared to facilitate the redevelopment of a vacant 47,100-square foot, two-story commercial building at 800 West Broadway into a multi-use commercial office and retail building:

- The 800 West Broadway Tax Increment Financing (TIF) Plan establishes a new redevelopment TIF district within the existing West Broadway Redevelopment Project area to help finance various TIF-eligible costs and to establish a TIF budget for the use of TIF revenue generated by the new TIF district.

- Modification No. 10 to the West Broadway Redevelopment Plan identifies the two parcels to be included in the 800 West Broadway TIF District as property that may be acquired by the City of Minneapolis.

- Modification No. 124 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan adds the two parcels to the lists of Property That May be Acquired contained within those plans, because the West Broadway Redevelopment Project is located within the Minneapolis Common Project.

By reference, Modification No. 10 to the West Broadway Redevelopment Plan and Modification No. 124 to the Common Plan are Incorporated Documents to the Common Development and Redevelopment Plan.

SECTION A. Modification No. 124 to the Common Development and Redevelopment Plan

Subsection A. 6. History of Establishment and Modification of Underlying Project Areas and Tax Increment Financing Districts Included in Common Project Area - **Changed**

Project/District	***Plan Modification***	***Anticipated City Council Approval Date***	***Resolution Number***
Common Project	Modification No. 124	October 31, 2014	2014R-
West Broadway Redevelopment Project	Modification No. 10	October 31, 2014	2014R-

SECTION B. Modification No. 124 to the Common Tax Increment Finance Plan

Subsection B. 3. Statement of Objectives and Development Program, Including Property to be Acquired – **Changed**

By including in this Redevelopment Plan a list of Property That May Be Acquired, the City of Minneapolis is signifying that it is interested in acquiring the property listed, subject to limitations imposed by law, availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the City to acquire a property.

The list of Property That May Be Acquired is amended to add the properties identified below:

Property ID Number	Property Address
16-029-24-14-0089	2019 Aldrich Avenue North
16-029-24-14-0090	800 West Broadway