



Request for City Council Committee Action from the Department of Community Planning and Economic Development

Date: June 18, 2013

To: Council Member Lisa Goodman, Chair, Community Development Committee
Council Member Betsy Hodges, Chair, Ways and Means/Budget Committee

Subject: Resolution preserving the right to create a redevelopment tax increment financing (TIF) district in SEMI Area Redevelopment Project (Boeser site – 2901 4th Street SE)

Recommendation: Adopt a resolution to preserve the ability of the City to create a redevelopment tax increment financing district at 2901 4th St SE in the South East Minneapolis Industrial (SEMI) Area Redevelopment Project.

Previous Directives: On June 30, 1995 the City Council adopted the SEMI Area Phase I Redevelopment Plan and TIF Plan; from 1996 through 2000, the City Council approved seven modifications to the Redevelopment Plan and four additional SEMI TIF Plans; on June 29, 2012 the City Council authorized acceptance of the following grants for the Prospect Park Station project: Hennepin County Corridors of Opportunity Challenge Funds (\$275,000) and Metropolitan Council Transit Oriented Development Funds (\$2,720,307).

Department Information

Prepared by:	Amy Geisler, Senior Project Coordinator, Residential Finance
Approved by:	Charles T. Lutz, CPED Deputy Director _____ Thomas A. Streitz, Director of Housing Development _____ Jeffrey Streder, Director of Development Finance _____
Presenters in Committee:	Amy Geisler, (612) 673-5266

Financial Impact

- No financial impact.

Community Impact

- Neighborhood Notification: The Prospect Park East River Road Improvement Association (PPERRIA) has been working closely with the developer, and provided a letter of support in 2011.
- City Goals: A Safe Place to Call Home; Livable Communities, Healthy Lives
- Sustainability Targets: Affordable housing production.
- Comprehensive Plan: 1.5 - Promote growth and encourage overall city vitality by directing new commercial and mixed-use development to designated corridors and districts; 1.13: Support high density development near transit stations in ways that encourage transit use and contribute to interesting and vibrant places; 3.6: Foster

complete communities by preserving and increasing high-quality housing opportunities suitable for all ages and household types.

- Zoning Code: The project is still in the concept planning stage.

Supporting Information

In August 2012, the Cornerstone Group acquired the property at 2901 4th Street SE, which is adjacent to the 29th Avenue LRT station. The property includes a number of vacant industrial/warehouse buildings formerly occupied by the Boeser sheet metal company. The buildings have been vacant since 2005. The Cornerstone Group is currently working on a redevelopment plan that is expected to include two phases. Phase I is expected to include approximately 200 housing units, with a minimum of 20% of the units affordable at 50% AMI. Phase II (the portion of the site closest to the LRT platform) is still in the concept planning stage.

The developer has received a number of grants to facilitate the acquisition of the site, along with demolition of the buildings and environmental remediation. In particular, the Hennepin County Challenge Funds will fund the majority of the demolition of the buildings on the site, and that agreement requires the demolition to be complete by December 31, 2013.

In order to comply with the Hennepin County agreement, and to remove the dilapidated buildings on the site, the developer is ready to proceed with the demolition. To demolish the buildings now will remove the possibility of the site qualifying as a redevelopment TIF district in the future, however. Given that the Phase II concept is still being formulated, the developer has asked the City to consider allowing the demolition to proceed now, but preserve the ability to create a redevelopment TIF district in the future.

City staff conducted a blight analysis of the buildings and determined that they meet the criteria to qualify the parcel for a redevelopment TIF district at a future date. The buildings were determined to be structurally substandard to a degree requiring substantial renovation or clearance. The building exteriors are deteriorated, with broken and boarded windows and doors. Interior walls have been removed or damaged and interior doors have been removed. There is no electrical, gas or water service to the buildings. All sanitary facilities, sprinkler piping, lighting and HVAC have been removed. The buildings were determined to be in poor condition, obsolete and not in compliance with current building codes. It is estimated that the cost to modify the current structures to building code standards for new construction would far exceed 15% of the cost of new construction, a condition that must be met to qualify the parcel as a redevelopment TIF district.

Should the City Council adopt the attached resolution, State statute allows the demolition to proceed while still allowing the creation of a redevelopment TIF district within three years of the date of demolition. The developer would then have the opportunity to apply for TIF assistance within that time frame, which would be considered by the City Council following staff analysis of the TIF application.

Attachments: Resolution
Site exhibit

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Goodman and Hodges

Preserving the ability of the City to establish a redevelopment tax increment financing district at 2901 4th Street SE.

Resolved by the City Council of the City of Minneapolis:

Section 1. Recitals

1.1. Pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, the City of Minneapolis (the "City"), acting by and through its department of Community Planning and Economic Development ("CPED"), has been granted the authority to propose and implement City development districts, housing and redevelopment projects and tax increment financing districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.134, and 469.174 through 469.179, as amended, and other laws enumerated therein (collectively, the "Project Laws").

1.2. By Resolution No 95R-199 duly adopted and approved on June 30, 1995, the City approved the Southeast Minneapolis Industrial (SEMI) Area Phase I Redevelopment Plan and Tax Increment Financing Plan. The Council subsequently approved seven modifications to the SEMI Area Redevelopment Plan and four additional SEMI Tax Increment Financing Plans (Phases 2 through 5) pursuant to and in accordance with the Project Laws.

1.3. In August 2012 29th Avenue Associates, LLC, an affiliate of the Cornerstone Group, acquired the property at 2901 4th Street SE (property identification number 30-029-23-13-0030) within the SEMI Area Redevelopment Project with financial assistance from the City, and now intends to demolish existing buildings on the subject parcel with additional financial assistance from the City, including Transit Oriented Development and/or Tax Base Revitalization Account funds awarded to the City by the Metropolitan Council and/or Corridors of Opportunity Challenge Grant funds awarded to the City by Hennepin County.

1.4. It has been proposed that the City preserve the ability to create a redevelopment tax increment financing district that includes the property at 2901 4th Street SE pursuant to and in accordance with the Project Laws.

1.5. The City has caused to be prepared, and this City Council has investigated the facts with respect to an analysis of the subject parcel.

1.6. The City has performed all actions required by law to be performed, including, but not limited to, an analysis of the site conditions after interior and exterior inspections of the property, all pursuant to and in accordance with the Project Laws.

Section 2. Findings

2.1. The City Council finds, determines and declares that it is necessary and in the best interests of the City at this time to preserve its ability to create a redevelopment tax increment financing district that includes the subject parcel within three years of demolition, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10.

2.2. The City Council further finds, determines and declares that more than 70 percent of the area of parcel 30-029-23-13-0030 is occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures; more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; and the cost to modify the current structures to building code standards for new construction would far exceed 15% of the cost of new construction. These findings are based upon detailed and documented interior and exterior inspections of the property, the records of which are retained and available from the City.

2.3. The City Council further finds, determines and declares that the demolition of the substandard buildings is to be financed by the City.

2.4. The City Council further finds, determines and declares that the City intends to include the parcel within a redevelopment tax increment financing district within three years of the date of demolition.

Section 3. Approval

3.1. Based upon the findings set forth in Section 2 hereof, this action presented to the City Council on this date, is hereby approved and shall be placed on file in the office of the City Clerk.