

Modification No. 2 to the Housing Replacement District Plan

Draft for Public Review
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Introduction

A housing replacement district (HRD) is a tax increment financing (TIF) district authorized by special legislation originally enacted by the Minnesota Legislature in 1995 and amended six times between 1996 and 2011. HRDs have as their sole purpose the acquisition and preparation of parcels for sale for the development of market rate housing, which is defined as housing with a market value that does not exceed 150 percent of the average market value of single-family housing in the city.

HRD TIF districts include parcels that consist of vacant land, vacant housing or substandard housing. HRD TIF plans authorize the expenditure of tax increment for acquisition, demolition, occupant relocation, site preparation, and pollution remediation in order to sell the parcels for development of new or rehabilitated market rate housing. The plans also authorize the use of tax increment revenues for acquisition and preparation of vacant land, vacant housing or substandard housing parcels located outside the HRDs, for redevelopment as market rate housing.

There are three Minneapolis HRDs, approved by the City Council in 1996, 2003 and 2009. The second and third districts were established after time limits for expanding existing districts were reached and as the special legislation was amended to allow greater numbers of parcels to be included in the HRDs.

The Housing Replacement District Plan, which established the first Minneapolis HRD (“HRD I”), was approved by the Minneapolis City Council on August 9, 1996. Modification No. 1 to the Plan, approved on December 18, 2009, updated Plan language to reflect changes in the special legislation authorizing HRDs.

This Modification No. 2 to the Housing Replacement District Plan amends the tax increment budget to authorize increased revenues and expenditures. It is currently projected that both tax increment revenues and expenditures through the remaining duration of HRD I will exceed the current TIF Plan budget.

Only those sections of the Housing Replacement District Plan changed by Modification No. 2 appear herein.

H. Description of District Financing

[Section H is modified as described below.]

1. Total Project Costs

[The following language is added to Section H.1.]

The revised projection of the maximum project costs to be financed by tax increment revenues from the Housing Replacement District is \$5,100,000. Anticipated sources and uses are listed below.

The City reserves the right to administratively adjust the amount of any of the line items listed below, or to incorporate additional eligible line items, provided that Total Uses does not exceed \$5,100,000.

[The Project Budget that appears in Section H.1. is replaced by the budget below.]

Current Budget		Revised Budget	
<u>Sources</u>		<u>Sources</u>	
Tax Increment	\$3,750,000	Tax Increment	\$5,100,000
Total Sources	\$3,750,000	Total Sources	\$5,100,000
<u>Uses</u>		<u>Uses</u>	
Land/Building Acquisition	\$2,000,000	Land/Building Acquisition	\$2,500,000
Site Improvements/Preparation Costs	1,500,000	Site Improvements/Preparation Costs	2,090,000
City Administrative Costs	250,000	City Administrative Costs	510,000
Total Uses	\$3,750,000	Total Uses	\$5,100,000

2. Sources of Revenue

[The description in Section H.2. of anticipated sources of funds to pay total project costs is replaced by the language below.]

Based on the amount of tax increment revenue that is projected to be generated by the District, the anticipated sources of funds to pay total project costs have been identified as follows:

Direct Payment or Reimbursement from	\$5,100,000
Tax Increment Revenue	
Qualifying Local Contribution Funds	1,700,000
Total Sources of Funding	\$6,800,000