

**ORDINANCE 2003-Or-111**  
**By Lane, Ostrow, Goodman, Benson and Zerby**  
**Intro & 1st Reading: 3/21/03**  
**Ref to: Comm Dev & W&M/Budget**  
**2nd Reading: 8/22/03**

**Amending Title 16, Chapter 419 of the Minneapolis Code of Ordinances relating to Planning and Development: Neighborhood Revitalization Program.**

The City Council of The City of Minneapolis do ordain as follows:

Section 1. That Section 419.20(a) of the above-entitled ordinance be amended by adding thereto the following definitions in alphabetical sequence to read as follows:

**419.20. Definitions and general guidelines.** (a) In this chapter, unless a different meaning clearly appears from the context:

*Agency* means the Minneapolis Community Development Agency, its successors or assigns.

*Discretionary development funding plan* means that certain resolution adopted by the city council on August 22, 2003, providing funding for discretionary development activities from 2004 through 2009.

*Neighborhood action plan* means the plan developed with the participation of neighborhood residents under subdivision 6 of the neighborhood revitalization program law.

*Phase I* means the first phase of the neighborhood revitalization program (1990-2000), funded by the Phase I funds.

*Phase I funds* means the city neighborhood revitalization program funds reserved from 1990 through 2000.

*Phase II* means the second phase of the neighborhood revitalization program (2001-2009), funded by the Phase II funds.

*Phase II funds* means twenty million dollars (\$20,000,000.00) in 2001, eleven million dollars (\$11,000,000.00) in 2002 and, for 2003 through 2009, the funds required to be reserved for neighborhood revitalization under chapter 604, subject to the priorities stated in section 419.35.

*Sources of securities and repayment* shall have the meaning set forth in the discretionary development funding plan.

*Tax increment act* means Minnesota Statutes, Sections 469.174-469.1799, as amended, which establishes the powers relating to use of tax increment.

Section 2. That Section 419.30 of the above-entitled ordinance be amended by adding thereto a new subdivision (c) to read as follows:

**419.30. Neighborhood revitalization program.**

(c) To achieve the chapter 604 requirement that at least 52.5 percent of the funds reserved for neighborhood revitalization be expended on housing programs and related purposes, the policy board shall take the following actions:

- (1) Commission an independent audit of compliance with the chapter 604 requirement for neighborhood revitalization program funds under contract or expended through June 30,

2003. The audit shall allocate contracted and actual expenditures for housing programs and related purposes among the following cost categories:

- a. Creation of new rental housing units affordable to persons whose annual incomes do not exceed (i) thirty percent of and (ii) fifty percent of the median family income.
- b. Rehabilitation or preservation of existing rental housing units affordable to persons whose annual incomes do not exceed (i) thirty percent of and (ii) fifty percent of the median family income.
- c. Provision of affordable ownership housing opportunities, including first-time homebuyers' mortgages (with income qualifications).
- d. Rehabilitation of existing housing units through housing loan and grant programs with income qualifications.
- e. Rehabilitation of existing housing units through housing loan and grant programs without income qualifications.
- f. Administrative costs associated with the operation of housing projects, programs, services and activities.

The policy board shall complete the audit by October 15, 2003.

- (2) Develop a plan to make up any deficiency identified by the audit using existing phase I fund balances and/or phase II funds. The plan shall include a timeframe and measurable outcomes that are consistent with city housing plans and policies as well as neighborhood action plans. The policy board shall submit the plan to the city council for consideration consistent with section 419.70 by October 22, 2003 and each October to the end of the program.
- (3) Prepare and transmit by July 1 of each year to the governmental bodies represented on the policy board an annual recommended budget and five (5) year plan for use of the phase II funds and any other funds made available to the policy board consistent with city goals, plans and policies, approved neighborhood action plans and applicable laws, ordinances and resolutions. The policy board submission will constitute its recommendations to the mayor and other appropriate parties for consideration in the budget deliberations for the upcoming year.

Section 3. That a new Section 419.35 be added to the above-entitled ordinance to read as follows:

**419.35. Common project priorities for phase II.** (a) Tax increment and other revenues generated from the common project, but excluding the sources of security and repayment, shall, for purposes of phase II, be applied in accordance with the following priorities in order given.

- (1) Payment or reservation for payment of any debt obligations, contractual obligations or other obligations incurred by the agency or the city from time to time with respect to the common project;
- (2) Payment of tax increment administration costs related to the common project as permitted pursuant to the tax increment act;
- (3) Reservation of phase II funds pursuant to this chapter, except that no more than \$20,000,000 shall be reserved for neighborhood revitalization in any fiscal year; and

(4) General development purposes, as permitted by law.

(b) The sources of security and repayment shall be applied in accordance with the discretionary development funding plan.

(c) The revenues identified in that certain target center finance plan adopted by the city council in 1995, as amended through August 22, 2003, including revenues not generated by the common project, shall be applied to offset target center obligations.

Section 4. That Section 419.40 of the above-entitled ordinance be amended to read as follows:

**419.40. Commitment of city neighborhood revitalization program funds.** (a) Phase I. In furtherance of the goals stated in section 419.30 (a), the city hereby commits to provide the ~~city neighborhood revitalization program phase I~~ funds, commencing in 1990 through and including 2000, for phase 1 of the neighborhood revitalization program.

(b) Phase II. In furtherance of the goals stated in section 419.30(b), and subject to the priorities established by section 419.35, the city hereby commits to reserve the phase II funds for phase II neighborhood action plans, commencing in 2001 through and including 2009, to the extent that such funds are available pursuant to section 419.35. The difference, if any, between the total phase II funds reserved in any fiscal year and the twenty million dollar (\$20,000,000.00) cap shall not be carried forward to any subsequent fiscal year.

Section 5. That Chapter 419 of the Minneapolis Code of Ordinances be amended by adding thereto a new Section 419.55 to read as follows:

**419.55. Phase II neighborhood revitalization program process.** The provisions of section 419.50 shall apply only to phase I of the neighborhood revitalization program. The following provisions apply to phase II of the neighborhood revitalization program.

(a) Purposes; qualifying costs. Neighborhood action plans may provide for expenditure of phase II funds for the following purposes:

- (1) To eliminate blighting influences by acquiring and clearing or rehabilitating properties that the city finds have caused or will cause a decline in the value of properties in the area or will increase the probability that properties in the area will be allowed to physically deteriorate.
- (2) To assist in the development of industrial properties that provide employment opportunities paying a livable income to the residents of the neighborhood and that will not adversely affect the overall character of the neighborhood.
- (3) To acquire, develop, construct, physically maintain, rehabilitate, renovate, or replace neighborhood commercial and retail facilities necessary to maintain neighborhood vitality.
- (4) To eliminate health hazards through the removal of hazardous waste and pollution and return of land to productive use, if the responsible party is unavailable or unable to pay for the cost.
- (5) To rehabilitate existing housing and encourage homeownership.
- (6) To construct new housing, where appropriate.
- (7) To rehabilitate and construct new low-income, affordable rental housing.

(8) To remove vacant and boarded up houses.

(9) To rehabilitate or construct community-based nonprofit and public facilities necessary to carry out the purpose of the neighborhood revitalization program.

(b) Phase II funds; distribution and restrictions.

(1) Phase II funds may only be expended in accordance with the neighborhood revitalization program

(i) for a purpose listed in section 419.55(a); or

(ii) as provided in subdivision 4 of the neighborhood revitalization program law, including the promotion of neighborhood safety and stability through community crime prevention programs and activities such as neighborhood block and police patrols, block clubs and community outreach; or

(iii) to cover administrative costs attached to implementation of strategies contained in approved neighborhood action plans.

(2) Phase II funds may not be used in those project areas of the city where the city determines that private investment will be sufficient to provide for development and redevelopment of the project area without public sector assistance, except in cases where phase II funds are being used to remove or rehabilitate structurally substandard or obsolete buildings in a manner consistent with the neighborhoods' priorities as reflected in an approved neighborhood action plan.

(3) Except as provided in the neighborhood revitalization program law, revenues derived from tax increments may only be expended for the purposes otherwise permitted by law.

(4) A minimum of 52.5 percent of the phase II funds must be expended on housing programs and related purposes. Compliance with this provision shall be measured annually. The phase II target for housing programs and related purposes shall be adjusted to accommodate for any shortfall in expenditures in phase I such that the total expended in phase I and phase II for housing programs and related purposes shall be no less than 52.5 percent.

(5) If a strategy in an approved neighborhood action plan has not expended 50% of the allocated dollars in three (3) years, the neighborhood must verify that the strategy remains appropriate or the strategy must be changed or the dollars will be reallocated to the NRP program.

(6) No more than 20% of the program dollars expended (on an annual basis) may be used for administrative costs, both in central administration and at neighborhood level.

(c) General principles. Phase II of the neighborhood revitalization program must be developed based on the following general principles:

(1) The social needs of neighborhood residents, particularly lower income residents, must be addressed to provide a safe and healthy environment for neighborhood residents, provide for the self-sufficiency of families, and increase the economic and social stability of neighborhoods.

(2) The children residing in the neighborhoods must be given the opportunity for a quality education and the needs of each neighborhood must be addressed individually wherever possible.

(3) The physical structure of the neighborhoods must be enhanced by providing safe and suitable housing and infrastructure to increase the desirability of neighborhoods as places to live.

(d) Required program elements. Phase II of the neighborhood revitalization program must include the following:

(1) The identification of the neighborhoods that require assistance through the program.

(2) A strategy of the citizen participation required under this chapter.

(3) The neighborhood action plans required under this chapter.

(4) The activities of participating organizations undertaken to address the general principles.

(5) An evaluation of the success of the neighborhood action plans.

(e) Neighborhood action plans. Phase II of the neighborhood revitalization program must include the preparation and implementation of neighborhood action plans. The city must organize neighborhoods to prepare and implement the neighborhood action plans. The neighborhoods must include the participation of, whenever possible, all populations and interests in each neighborhood including renters, homeowners, people of color, business owners, representatives of neighborhood institutions, youth, and the elderly. Each neighborhood action plan must be submitted to the policy board established under this chapter and the neighborhood revitalization program law. The city will provide available resources, information, and technical assistance to prepare the neighborhood action plans.

(f) Approval. The policy board shall review, modify where appropriate, and approve, in whole or in part, the neighborhood action plans and forward its recommendations for final action to the governing bodies represented on the policy board. The city council shall review, modify where appropriate, and give final approval, in whole or in part, to those actions over which it has programmatic jurisdiction.

Section 6. That Section 419.70 of the above-entitled ordinance be amended to read as follows:

**419.70. Program recommendations.** (a) The mayor and the city council will use the following criteria in considering neighborhood action plan strategies for use of ~~city neighborhood revitalization program~~ phase I funds and phase II funds:

(1) Demonstrated public purpose of the strategies.

(2) Demonstrated need for the strategies.

(3) Short-term or long-term needs of the neighborhood.

(4) Benefiting population.

(5) Ability of the strategies to provide a return on the investment.

- (6) Coordination with programming elements or providers.
- (7) Availability of operating or maintenance funds.
- (8) Lack of alternative sources of revenue.
- (9) One-time or ongoing capital requirement.
- (10) Multijurisdictional benefits of the strategies.
- (11) Neighborhood revitalization benefits of the strategies.
- (12) Demonstrated ability of the neighborhood revitalization program as a whole to meet the 52.5 percent funding requirement for housing programs and related purposes.
- (13) The extent to which the strategies leverage existing city programs and funds to accomplish city housing and development objectives in the neighborhoods that carry out the purposes of the neighborhood revitalization program.

(b) Concurrent with approval of each neighborhood action plan, the city council will ~~appropriate reserve city neighborhood revitalization program phase I or phase II funds of the Minneapolis Community Development Agency, as appropriate, for appropriation and expenditure~~ consistent with such action plan.

(c) Because of the acknowledged substantial unmet need and severe lack of resources available for disadvantaged youth in the City of Minneapolis, beginning in 1990 and continuing through 2003, the city council, at the request of the policy board, shall appropriate two hundred thousand dollars (\$200,000.00) of the city neighborhood revitalization program funds each year to the multi-jurisdictional youth coordinating board from non-tax increment sources.

(d) With respect to phase I only, the amounts made available during the first phase of the neighborhood revitalization program to Special School District No. 1 and to Hennepin County for education programs and services and for social services, respectively, must be expended as part of an approved neighborhood action plan, as required by subdivision 4 of the neighborhood revitalization program law. The boards of Special School District No. 1 and Hennepin County shall each approve appropriations from the funds available to them from the neighborhood revitalization program and shall forward proposed strategies to the policy board for approval.

Adopted 8/22/03.

# **RESOLUTION 2003R-404** **By Lane, Ostrow, Goodman, Benson and Zerby**

## **Providing funding for Discretionary Development Activities from 2004-2009.**

Resolved by the City Council of the City of Minneapolis:

**Section 1. Title.** This resolution shall be known as the Discretionary Development Funding Plan.

### **Section 2. Definitions.**

**2.01.** *"Legacy Fund"* means that certain investment trust account containing the proceeds of the 1999 sale of the MCDA's interest in the Hilton Hotel property.

**2.02.** *"Sources of Security and Repayment"* means the proceeds of any repayment or other receipt of funds relative to the Brookfield Loan and the proceeds of any sale or other disposition of the MCDA's interest in the Saks Parcel, including net income from operation of the Saks Parcel, if any.

**2.03.** "*Brookfield Loan*" means that certain MCDA loan for the Gaviidae II project to BCED Minnesota, Inc. in the original principal amount of \$15,000,000 maturing December 19, 2008, unless extended one year by the borrower pursuant to an option in the loan documents.

**2.04.** "*Discretionary Development Activities*" means such discretionary development activities as the City Council and/or the MCDA Board of Commissioners may from time to time direct through their budgeting and business planning processes.

**2.05.** "*Installment Amount*" means an amount not to exceed Three Million Six Hundred Seventy Nine Thousand and No/100 Dollars (\$3,679,000.00) in any calendar year.

**2.06.** "*Loan*" means the loan authorized by Section 3.01 of this resolution (inclusive of principal and interest accrued hereunder).

**2.07** "*MCDA*" means the Minneapolis Community Development Agency, its successors and assigns.

**2.08** "*Loan Amount Due*" means the total principal amount and accrued interest outstanding under this resolution at any given point in time.

**2.09.** "*Saks Parcel*" means that portion of the Gaviidae I project currently owned by MCDA, subject to certain legal claims by Brookfield Market, Inc., and leased to Saks and M & I Bank.

### **Section 3. Loan Authorization.**

**3.01. Loan.** In calendar years 2004 through and including 2009, the MCDA or its successor in interest may borrow up to Twenty-Two Million and No/100 Dollars (\$22,000,000.00) from the Legacy Fund for Discretionary Development Activities as provided herein.

**3.02. Installments.** The Loan may be drawn down in an annual amount not to exceed the Installment Amount by action of the Mayor and City Council and/or the MCDA Board of Commissioners, as appropriate, in accordance with the process set forth in Section 5.01 below.

### **Section 4. Loan Repayment.**

**4.01. Repayment and Security.** The Loan shall be secured with and repaid from the Sources of Security and Repayment and such other funds as the City Council may direct, if any.

**4.02. Repayment Priority.** Repayment of the Loan shall have first priority with respect to the Sources of Security and Repayment. No money from the Sources of Security and Repayment shall be allocated, reserved, pledged, expended or otherwise encumbered to or for any other use while there remains an amount due on the Loan.

**4.03. Time of Repayment.** Money from the Sources of Security and Repayment shall be applied to repay the Loan and credited to the Legacy Fund at the time they are received.

**4.04. Excess Sources of Security and Repayment.** In the event that the money received from the Sources of Security and Repayment exceeds the Loan Amount Due at the time when the money is received, the balance in excess of the Loan Amount Due shall be reserved for Discretionary Development Activities. Any such balance must be drawn down under this resolution for Discretionary Development Activities, up to an annual maximum of the Installment Amount, before additional money may be drawn down under the Loan. In the event that the outstanding balance is less than the Installment Amount in any calendar year eligible for a loan installment, the Loan may be drawn down so that the total of the outstanding balance and the loan installment do not exceed the Installment Amount.

### **Section 5. Further Actions.**

**5.01. Annual Process.** Subject to Section 4.04 above, the Mayor and City Council and/or the MCDA Board of Commissioners, as appropriate, shall act annually as part of their budget process to set the amount of the annual installment and shall direct staff to transfer funds from the Legacy Fund to the appropriate City or MCDA fund as part of the adopted budget.

**5.02. Status.** As part of the annual budget process or as may otherwise be deemed reasonable or necessary by the Finance Officer, staff shall present to the Mayor and City Council and/or the MCDA Board of Commissioners, as appropriate, the status of the Loan and the Sources of Security and Repayment.

**5.03 Authority to Pay.** Staff shall make repayments hereunder as Sources of Security and Repayment become available for repayment at such time and in such manner as the Finance Officer may direct without the need for further action by the Mayor and City Council and/or the MCDA Board of Commissioners.

Adopted 8/22/03. Yeas, 11; Nays, 1 as follows:

Yeas - Lilligren, Johnson Lee, Benson, Goodman, Lane, Samuels, Johnson, Colvin Roy, Zimmermann, Schiff, Zerby, Ostrow.  
Nays - Niziolek.

**W&M/Budget** - Your Committee, having under consideration the Neighborhood Revitalization Program (NRP) and the establishment of funding priorities for Phase II of the program, now recommends approval of a Target Center Finance Plan Direction to Staff as follows:

1. Direct staff to amend the Target Center Finance Plan to add Common Project tax increment in an amount necessary to meet the debt service shortfall in the current Finance Plan and up to \$14 million for near term capital improvements as outlined in Patrick Born's August 20, 2003 memorandum to the City Council and Mayor and as described in the Finance Department's June 4, 2003 "Base Case plus Target Center non-CP revenues" analysis

(Petn No 269013);

2. Authorize the City Coordinator, the Community Planning and Economic Development (CPED) Director and/or their designees to negotiate with the Timberwolves and Clear Channel: (a) the amount and nature of capital improvements to be financed from the amended finance plan for the Target Center; and (b) the methods and sources to finance the long term capital improvement needs of the Target Center.