

**DRAFT**  
**AMENDED AND RESTATED**  
**REDEVELOPMENT PLAN FOR**  
**REDEVELOPMENT PLAN/HOUSING DEVELOPMENT PLAN**  
**PROJECT AREA NO. 1**  
**AND**  
**TAX INCREMENT FINANCING PLAN FOR**  
**TAX INCREMENT FINANCING (HOUSING) DISTRICT**  
**WELCH PLACE**  
**WITHIN PROJECT AREA NO. 1**

PROPOSED TO BE ADOPTED BY

DULUTH HOUSING AND REDEVELOPMENT AUTHORITY  
AND  
CITY OF DULUTH, ST. LOUIS COUNTY, MINNESOTA

**PUBLIC HEARING DATE: \_\_\_\_\_, 2024**

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## **ARTICLE I – INTRODUCTION AND DEFINITIONS**

### **SECTION 1.01 INTRODUCTION**

This Redevelopment Plan/Housing Development Plan for Project Area No. 1 of the Duluth Housing and Redevelopment Authority of the City of Duluth is intended to supersede and restate the activities described in the Redevelopment Plan/Housing Development Plan for Project Area No. 1 as originally adopted on May 12, 2003 and last modified on October 10, 2022.

The existing Tax Increment Financing Districts within Project Area No. 1 and the Tax Increment Financing Plans relating thereto, within the Project Area No. 1, remain in full force and effect and are not modified.

The City of Duluth and the Duluth Housing and Redevelopment Authority (HRA) propose to provide tax increment financing assistance through the establishment of Tax Increment Financing (Housing) District - Welch Place within Project Area No. 1 (the “TIF District”) to assist with the financing of certain project costs for the construction of an approximate 30 unit affordable rental housing apartment project by a private developer. There will be two apartment buildings, Welch Place Apartments and Wadena West Apartments within the boundaries of the TIF District, with a combined total of approximately 90 affordable rental housing units. The tax increment revenue from the TIF District (inclusive of tax increment from the two buildings) will provide financial assistance to the Welch Place Apartments. The Wadena West Apartments, located within the TIF District, will generate tax increment but will not receive tax increment assistance.

Project Area No. 1 serves as the “project area” for tax increment financing districts established within its boundaries. The Redevelopment Plan/Housing Development Plan describes the objectives for the development of the area within Project Area No. 1 and the use of tax increment financing within Project Area No. 1. This document contains the Redevelopment/Housing Development Plan for achieving the objectives of Project Area No. 1 though the establishment of Tax Increment Financing Districts within its boundaries.

### **SECTION 1.02 DEFINITIONS**

For the purposes of this document, the terms below have the meanings given in this section, unless the context in which they are used indicates a different meaning:

1. “Authority” means the Duluth Housing and Redevelopment Authority of the City.
2. “City” means the City of Duluth, Minnesota.
3. “City Council” means the City Council of the City.
4. “County” means St. Louis County, Minnesota.
5. “Developer” means the private party undertaking construction within the TIF District.
6. “Development” means the construction by the Developer of approximately 90 affordable rental housing units within two apartment buildings within the TIF District: Wadena West Apartments with approximately 60 units; and Welch Place Apartments with approximately 30 units.
7. “Enabling Act” means Minnesota Statutes, Sections 469.001 through 469.047, as amended and supplemented from time to time.
8. “HRA” means the Duluth Housing and Redevelopment Authority of the City of Duluth.
9. “Land Use Regulations” means all federal, state and local laws, rules, regulations, ordinances, and plans relating to or governing the use of development of land in the City,

including but not limited to environmental, zoning and building code laws and regulations.

10. "OSA" means the Office of the State Auditor.
11. "Public Development Costs" means the cost of the development activities that will or are expected to occur within the Project Area or the TIF District.
12. "Public Improvements" means the public improvements described in the Redevelopment Plan and any future plans for Tax Increment Financing Districts within the Project Area.
13. "Project Area" means the geographic area of the Redevelopment Project.
14. "Redevelopment Plan" means the Redevelopment Plan/Housing Plan for the Redevelopment Project, as the same may, from time to time, be amended or supplemented.
15. "Redevelopment Project" means Project Area No. 1 of the Authority, as the same may, from time to time, be amended or supplemented.
16. "School District" means Independent School District No. 709 (Duluth Public Schools).
17. "State" means the State of Minnesota.
18. "Tax Increment Bonds" means any tax increment bonds or notes issued by the City to finance the Public Costs as stated in the Redevelopment Plan for the Project Area and in the Tax Increment Financing plans for Tax Increment Financing Districts within the Project Area, and any obligations issued to refund such bonds.
19. "Tax Increment Financing District" means any tax increment financing district to be established in the future within the Project Area.
20. "Tax Increment Financing Plans" or "Plans" means the plans adopted by the HRA or the City for any Tax Increment Financing District.
21. "TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794, as amended, both inclusive.
22. "TIF District" means Tax Increment Financing (Housing) District - Welch Place.
23. "TIF Plan" means the tax increment financing plan for the TIF District (this document).

### **SECTION 1.03 PLAN PREPARATION**

This document was prepared for the City and the Authority by Northland Securities, Inc.

## **ARTICLE II – STATEMENT OF PUBLIC PURPOSE AND AUTHORITY**

### **SECTION 2.01 ENABLING ACT; STATUTORY AUTHORITY**

The Enabling Act authorizes the Authority, upon certain public purpose findings by the Authority and the City, to establish and designate redevelopment projects within the City and to establish, develop and the administer redevelopment plans therefor to meet the needs and accomplish the public purposes specified in Statement and Finding of Public Purpose.

In accordance with the purposes set forth in the Enabling Act, the Authority and the City have established the Redevelopment Project comprised of the parcels within the municipal boundaries of the City as shown in Exhibit V and have adopted the Redevelopment Plan therefor.

The Enabling Act and the approval of the Redevelopment Plan by the City authorizes the Authority to undertake redevelopment activities within the Project Area, and subject to City approval, to establish and designate Tax Increment Financing Districts within the Redevelopment Project and to adopt and implement Tax Increment Financing Plans to accomplish the objective of the Redevelopment Plan.

### **SECTION 2.02 STATEMENT AND FINDING OF PUBLIC PURPOSE**

The Authority has determined that there is a need to take certain actions designed to encourage, ensure and facilitate development and redevelopment of under-utilized and unused land located within the Project Area. These actions may provide additional housing and employment opportunities for residents of the City and the surrounding area, and improve the tax base, thereby enabling better utilization of existing public facilities and provide needed public services, and improve the general economy of the City, the County, and the State.

The Authority has determined that the property within the Project Area is either under-utilized or unused due to a variety of factors, including inadequate public parking to serve the property, small parcels, non-conforming uses, vacant or under-utilized property, possible environmental conditions, obsolete building design and site layout, poor access and parking, and lack of streetscaping and visual appeal that is needed to make this a viable business district. These factors have resulted in a lack of private investment. As a result, the property within the Project Area is not providing adequate housing and employment opportunities, and is not contributing, to its full potential. Therefore, it is necessary for the Authority to exercise its authority under the Enabling Act to develop and implement a program designed to encourage, ensure and facilitate the development of housing units, commercial and mixed use development, and redevelopment of the property located in the Project Area, to further and accomplish the desired public purposes for the Project Area as specified within the Redevelopment Plan for the Project Area.

The land in the Project Area would not be developed or redeveloped solely through private investment in the foreseeable future. The welfare of the City, County, and the State requires active promotion, attraction, encouragement and development of economically sound commerce by the Authority.

### **SECTION 2.03 BOUNDARIES OF PROJECT AREA**

The area within the Project Area is described in Exhibit V.

## **ARTICLE III - REDEVELOPMENT PLAN**

### **SECTION 3.01 STATEMENT OF OBJECTIVES**

The restatement of the established Project Area in the City pursuant to the Enabling Act is necessary and in the best interests of the City and its residents and is necessary to give the Authority and the City the ability to meet certain public purpose objectives that would not be obtainable in the foreseeable future without intervention by the Authority in the normal development process.

The Authority intends, to the extent permitted by law, to accomplish the following objectives through the implementation of the Redevelopment Plan:

1. Promote and secure the development and redevelopment of property in the Project Area in a manner consistent with the City's planning, and with a minimal adverse impact on the environment, which property is less productive because of the lack of proper utilization and lack of investment, and thereby promoting and securing the development of other land in the City;
2. Promote and secure additional housing and employment opportunities within the Project Area and the City for residents of the City and the surrounding area, thereby improving living standards and preventing unemployment and the loss of skilled and unskilled labor and other human resources in the City;
3. Secure the increase in value of property subject to taxation by the City, School District, County, and any other taxing jurisdictions in order to better enable such entities to pay for public improvements and governmental services and programs required to be provided by them;
4. Secure the construction and providing moneys for the payment of the cost of the Public Improvements in the Project Area, which are necessary for the completion of the Redevelopment Project and the orderly and beneficial development of the Project Area.
5. Promote a compatible mix of commercial, institutional, and residential land uses.
6. Encourage the expansion and improvement of local business, and enhancing the economic vitality of existing and new businesses.
7. Eliminate blighting influences that impede development in the area.
8. Provide for adequate streets, utilities, and other public improvements and facilities to enhance the area for both new and existing development.
9. Create a desirable and unique character within the Project Area through quality land use alternatives and design quality in new buildings that create a safe environment for pedestrians, can be maintained for the long run.
10. Support the physical connection to local trails, open space, and other community institutions.
11. Enhance the integrity of residential neighborhoods within and adjacent to the Project Area.
12. Provide and secure the development of increased opportunities for families to reside in quality housing, for citizens to choose from housing options which offer a wide array of services without regard to income, and for residents looking for a wide range of multi-family units.
13. Enhance the long term viability of the Project Area by facilitating: a) land uses that complement and support existing businesses; b) new businesses that enhance the commercial market; c) visual quality of the streetscape, landscape, site plan and building



types of new developments; d) mixed use housing development where appropriate; and e) safe access and convenient parking.

### **SECTION 3.02 DEVELOPMENT ACTIVITIES**

The Authority will perform or cause to be performed, to the extent permitted by law, all project activities pursuant to the Enabling Act, the TIF Act and other applicable state laws, and in doing so anticipates that the following may, but are not required, to be undertaken by the Authority:

- (a) The making of studies, planning, and other formal and informal activities relating to the Redevelopment Plan.
- (b) The implementation and administration of the Redevelopment Plan.
- (c) The acquisition of property, or interests in property, by purchase or condemnation, which acquisition is consistent with the objectives of the Redevelopment Plan,
- (e) The preparation of property for use and development in accordance with applicable Land Use Regulations and any development agreements, including demolition of structures, clearance of sites, placement of fill and grading.
- (f) The resale of property to private parties.
- (g) The construction or reconstruction of improvements as described in the Tax Increment Financing Plans for the Tax Increment Financing Districts within the Project Area.
- (h) The issuance of Tax Increment Financing Bonds to finance the Public Development Costs of the Redevelopment Plan, and the use of tax increments or other funds available to the City and the Authority to pay or finance the Public Costs of the Redevelopment Plan incurred or to be incurred by it.
- (i) The use of tax increments to pay debt service on the Tax Increment Financing Bonds or otherwise pay or reimburse with interest the Public Costs of the Redevelopment Plan.

### **SECTION 3.03 PAYMENT OF PUBLIC DEVELOPMENT COSTS**

It is anticipated that the Public Development Costs of the Redevelopment Plan will be paid primarily from proceeds of Tax Increment Financing Bonds or from tax increments from the Tax Increment Financing Districts with the Project Area.

### **SECTION 3.04 ENVIRONMENTAL CONTROLS; LAND USE REGULATIONS**

Municipal actions, public improvements and private development will be carried out in a manner consistent with existing environmental controls and all applicable Land Use Regulations.

### **SECTION 3.05 PARK AND OPEN SPACE TO BE CREATED**

Park and open space within the Project Area, if created, will be created in accordance with the zoning and platting ordinances of the City.

### **SECTION 3.06 PROPOSED REUSE OF PROPERTY**

The Authority may acquire property and reconvey the same to another entity. Prior to formal consideration of the acquisition of any property, the Authority will require the execution of a binding development agreement with respect thereto and evidence that tax increments or other funds will be available to repay the Public Development Costs associated with the



acquisition. It is the intent of the Authority to negotiate the acquisition of property whenever possible. Appropriate restrictions regarding the reuse and redevelopment of property shall be incorporated into any development agreement to which the Authority is a party.

### **SECTION 3.07 ADMINISTRATION AND MAINTENANCE OF PROJECT AREA**

Maintenance and operation of the Project Area will be the responsibility of the Director of the Authority, who shall serve as administrator of the Project Area. Each year the administrator of the Project Area will submit to the Authority the maintenance and operation budget for the following year.

The administrator will administer the Project Area pursuant to the Enabling Act; provided, however, that such powers may only be exercised at the direction of the Authority. No action taken by the administrator pursuant to the above-mentioned powers shall be effective without authorization by the Authority.

### **SECTION 3.08 RELOCATION**

Any person or business that is displaced as a result of the Redevelopment Plan will be relocated in accordance with Minnesota Statutes, Section 117.50 to 117.56. The Authority accepts its responsibility for providing for relocation assistance pursuant to the Enabling Act.

### **SECTION 3.09 AMENDMENTS**

The Authority reserves the right to alter and amend the Redevelopment Plan, subject to the provisions of state law regulating such action. The Authority specifically reserves the right to enlarge or reduce the size of the Project Area.

### **SECTION 3.10 FINDINGS AND DECLARATION**

The Authority makes the following findings:

- (a) The land in the Project Area would not be made available for redevelopment without the financial aid sought.
- (b) The Redevelopment Plan for the Project Area in the City will afford maximum opportunity consistent with the needs of the locality as a whole, for the redevelopment of the area by private enterprise.
- (c) The Redevelopment Plan conforms to the general plan for development of the City as a whole.
- (d) The Project Area is inclusive of all immediate adjacent roadways, rights-of-way and other areas wherein will be installed or upgraded the various public improvements necessary for and part of the overall project.
- (e) The Project Area, together with the objectives which the Authority and the City seek to accomplish or encourage with respect to such property, constitutes a "Redevelopment Project" and a "Redevelopment Plan" within the meaning of Minnesota Statutes, Section 469.002, Subdivisions 14 and 16.

**ARTICLE IV - TAX INCREMENT FINANCING PLAN**

**SECTION 4.01 STATUTORY AUTHORITY**

The TIF District and the TIF Plan are established under the authority of the TIF Act.

**SECTION 4.02 PLANNED DEVELOPMENT**

*4.02.1 Development Description*

The Developer proposes to construct approximately 90 affordable rental housing units within two apartment buildings within the TIF District: Wadena West Apartments with approximately 60 units; and Welch Place Apartments with approximately 30 units.

The Development will include 24 units affordable to households at or below 30% of the Area Median Income (AMI) and 66 units affordable to households at or below 60% of the AMI.

*4.02.2 City Plans and Development Program*

In addition to achieving the objectives of the Redevelopment Plan, the Development is consistent with and works to achieve the development objectives of the Authority and the City. The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City as a whole. The proposed development plan for the project in the TIF District has been reviewed by the Planning Commission and the City Council.

*4.02.3 Land Acquisition*

The Authority or the City do not plan to acquire land within the TIF District. The current owner of the land within the TIF District is the Duluth Economic Development Authority.

*4.02.4 Development Activities*

As of the date of approval of the TIF Plan, there are no development activities proposed in this TIF Plan that are subject to contracts.

*4.02.5 Need for Tax Increment Financing*

In various materials the Developer has demonstrated that the proposed use of tax increment financing is needed to offset the high construction costs of high-quality low- to moderate-income housing and associated infrastructure required to support the facility. Without the proposed assistance, these initial up-front costs would make it infeasible for the Developer to be able to charge the affordable rents required for low-to moderate-income residents. Thus, it is the opinion of the City and the Authority that the Development would not reasonably be expected to occur solely through private investment within the foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the Development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above and is shown in Exhibit I. This analysis, while not required by the TIF Act for approval of a housing district, indicates that the increase in estimated market value of the Development (less the present value of the projected tax increments for the maximum duration permitted by the TIF Plan) exceeds the estimated market value of the site prior to the establishment of the TIF District.

## **SECTION 4.03 TAX INCREMENT FINANCING DISTRICT**

### *4.03.1 Designation*

This TIF District is designated Tax Increment Financing (Housing) District - Welch Place.

### *4.03.2 Boundaries of TIF District*

The boundaries of the TIF District are depicted in Exhibit V.

The TIF District includes the following parcels and the adjacent roads and right-of-way:

- 010-4530-00010
- 010-4530-00090
- 010-4530-00100
- 010-4530-00110
- 010-4530-00130
- 010-4530-00140
- 010-4530-00160
- 010-4530-00250
- 010-4530-00350
- 010-4530-00420
- 010-4530-00440
- 010-4530-00460
- 010-4530-00480

The property within the TIF District, inclusive of the parcels listed above, is described as follows: Lots 1 through 18, inclusive of Block 168, and Lots 1 thru 28, inclusive, Block 169, WEST DULUTH 7th DIVISION.

### *4.03.3 Type of District*

The TIF District is designated as a “housing” district pursuant to Section 469.174, subd. 11 of the TIF Act. For the designation, of a tax increment financing housing district, the Developer of the Project will need to commit to the following:

1. Satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. This requirement applies for the duration of the TIF District. The Developer plans to commit to provide 40% or more of units for occupancy by persons at 60% or less of area median gross income. The income thresholds may change over the life of the TIF District.
2. No more than 20% of the square footage of the building to receive assistance from tax increments will consist of commercial, retail, or other nonresidential uses. Revenue derived from tax increment from the TIF District shall be used solely to finance the cost of the housing project as defined in Section 469.174, subd. 11 of the TIF Act. The cost of public improvements directly related to the housing project and the allocated administrative expenses of the Authority may be included in the cost of the housing project.
3. Failure to comply with these income limitations is subject to the enforcement provisions of Section 469.1771 of the TIF Act.

#### 4.03.4 *Fiscal Disparities Election*

Property classified as residential is not subject to the fiscal disparities program and is not impacted by the fiscal disparities election for the TIF District. The Development within the TIF District is anticipated to include residential property only.

Pursuant to Section 469.177, subd. 3 of the TIF Act, the City may elect one of two methods to calculate fiscal disparities for the TIF District. The City elects to calculate fiscal disparities by clause b pursuant to this section of the TIF Act. The election of clause b can also be generally described as electing to have fiscal disparities paid from “within” the TIF District.

### **SECTION 4.04 PLAN FOR USE OF TAX INCREMENT**

#### 4.04.1 *Estimated Tax Increment*

The original net tax capacity of value of the TIF District will be set by the County Auditor upon request for certification. For the purposes of the TIF Plan, the estimated original net tax capacity for the TIF District is \$554. This amount is estimated based on preliminary tax year 2024 information for the parcels within the TIF District, with a combined total estimated taxable market value of \$73,800, and net tax capacity value calculated for apartments classified as 4d.

The estimated net tax capacity of the Development after completion (estimated for taxes payable in 2028 or the estimated second year of the TIF District) is \$34,428. This amount is based on a total estimated market value of \$13,771,350 with property within the TIF District classified as apartments, affordable housing (4d). The difference between the net tax capacity and the original net tax capacity is \$33,875 (for taxes payable in 2028), which is the captured tax capacity for the creation of tax increment.

The estimated tax capacity rate for the TIF District is 123.98%. This rate is based on the preliminary tax payable year 2024 data from the County. The TIF Plan assumes for planning purpose that this rate will be set as the original local tax rate for the TIF District. At the time of the certification of the original net tax capacity for the TIF District, the County Auditor will certify the original local tax rate that will apply to the TIF District. The original local tax rate is the sum of all the local tax rates, excluding that portion of the school rate attributable to the general education levy under Minnesota Statutes Section 126C.13, that apply to a property in the TIF District. The local tax rate to be certified is the rate in effect for the same taxes payable year applicable to the tax capacity values certified as the TIF District’s original tax capacity. The resulting tax capacity rate is the original local tax rate for the life of the TIF District.

Under these assumptions, the estimated annual tax increment is \$41,848 (net of OSA fee charged) after completion of the Development (for taxes payable 2028). The actual tax increment will vary according to the certified original net tax capacity and original tax rate, the actual property value produced by the proposed development and the changes in property value and property tax laws of the State over the life of the TIF District.

The Authority will retain 100% of the captured tax capacity value for the duration of the TIF district. Exhibit II contains the projected tax increment over the life of the TIF District, including present value of the future tax increments.

#### 4.04.2 *Public Development Costs*

The Authority will use tax increment to pay Public Development Costs. The Authority anticipates the use of tax increment to pay administrative expenses for the TIF District and to reimburse the Developer on a pay-go basis for certain Public Development Costs. A contract between the Authority and the Developer will define the means for verifying Developer costs eligible for reimbursement and the means of disbursing tax increments collected by the Authority to the Developer, including terms for payment.

The Authority may also use tax increments to pay financing costs. The interest rate payable on bonds, the definition of bonds includes tax increment financing revenue notes, to be issued will be set pursuant to a contract with the Developer. The Authority may use any other legally available revenues to finance or pay for Public Development Costs associated with the Development.

The City and the Authority reserve the right to modify the TIF Plan to provide authority to expend tax increment from the TIF District on other housing projects that meet the criteria for establishing a housing TIF district. Section 469.174, subd. 11 of the TIF Act defines a housing districts consisting of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income. The requirements for the establishment of a housing TIF district are contained in Section 469.1761 of the TIF Act. The primary criteria are income related. The criteria are different for owned and rental housing.

The practical application of this authority includes:

- The use of tax increment is not limited by pooling restrictions or the five-year rule.
- The tax increment can be spent on activities outside of the TIF district, but within the Project Area.
- This authority does not extend the maximum statutory duration of the TIF district.
- The tax increment must be used solely to finance the cost of the “housing project” as defined by the TIF Act. The cost of Public Development Costs related to the housing project and the allocated administrative expenses of the Authority may be included in the cost of the housing project.
- No more than 20% of the square footage of buildings that receive tax increment financing assistance may consist of commercial, retail, or other nonresidential uses.

Potential applications of this authority include:

- Assistance to other housing projects avoiding the need for new Tax Increment Financing Districts.
- Supplementing the revenues of other housing Tax Increment Financing Districts.
- Assistance for the renovation of existing housing.
- Acquisition of land for housing.
- Assistance to make Public Improvements that directly benefit affordable housing.

#### *4.04.3 Estimated Sources and Uses of Funds*

The estimated sources of revenue, along with the estimated Public Development Costs of the TIF District, are itemized in Figure 4.1.

The City and the Authority reserve the right to administratively adjust the amount of any of the line items within the Estimated Tax Increment Project Costs listed in Figure 4.1, so long as the total Estimated Tax Increment Project costs amount, not including financing costs, is not increased.

**FIGURE 4.1  
ESTIMATED SOURCES AND USES OF FUNDS**

	<b>Total</b>
<b>Estimated Tax Increment Revenues (from tax increment generated by the district)</b>	
Tax increment revenues distributed from the county	\$1,218,534
Interest and investment earnings	\$25,000
Sales/lease proceeds	\$0
Market value homestead credit	\$0
<b>Total Estimated Tax Increment Revenues</b>	<b>\$1,243,534</b>
<b>Estimated Project/Financing Costs (to be paid or financed with tax increment)</b>	
Project costs	
Land/building acquisition	\$43,400
Site improvements/preparation costs	\$0
Utilities	\$0
Other qualifying improvements	\$0
Construction of affordable housing	\$516,599
Administrative costs	\$121,853
<b>Estimated Tax Increment Project Costs</b>	<b>\$681,853</b>
Estimated financing costs	
Interest expense	\$561,682
<b>Total Estimated Project/Financing Costs to be Paid from Tax Increment</b>	<b>\$1,243,534</b>
<b>Estimated Financing</b>	
Total amount of bonds to be issued	\$681,853

**4.04.4 Administrative Expense**

The Authority plans for use up to ten percent (10%) of annual tax increment revenues distributed from the County, net of any required fees paid to the State and County to pay administrative costs of the Authority. The Authority will use these monies to pay for and reimburse the Authority for costs of administering the TIF district as allowed by the TIF Act.

The amount of tax increment revenue planned to pay administrative expense is shown in Figure 4.1. Anticipated administrative expenses of the TIF District include annual audit of the fund for TIF District, preparation of annual reporting, legal publication of annual report, and administration of the development agreement, among other eligible administrative costs that may be incurred by the HRA.

**4.04.5 County Road Costs**

The Development will not substantially increase the use of county roads and necessitate the need to use tax increments to pay for county road improvements.

**4.04.6 Bonded Indebtedness**

The total estimated amount of Tax Increment Bonds is shown in Figure 4.1. There is no plan for issuance of general obligation bonded indebtedness as a result of the TIF Plan.

The Authority intends to use tax increment financing to reimburse the Developer on a pay-as-you-go basis for certain Public Development Costs pursuant to a contract with the Developer.

The City or the Authority may advance or loan money to finance expenditures under Section 469.176, subd. 4 of the TIF Act, from the general funds of the City or the Authority or any other funds under which there is legal authority to do so, subject to the following provisions:



(a) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized by resolution of the City or of the Authority, whichever has jurisdiction over the fund from which the advance or loan is authorized.

(b) The resolution may generally grant to the City or the Authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.

(c) The terms and conditions for repayment of the loan must be provided in writing. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the City or the Authority before the latest decertification of any tax increment financing district from which the interfund loan is to be repaid. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.

(d) The Authority shall report in the annual report submitted under Section 469.175, subd. 6 of the TIF Act:

- (1) the amount of any interfund loan or advance made in a calendar year; and
- (2) any amendment of an interfund loan or advance made in a calendar year.

#### *4.04.7 Duration of TIF District*

The duration to collect and spend tax increments on eligible purposes is set at the duration of 25 years after the date of receipt of the first tax increment for a total of 26 years of tax increment collection. The Authority elects the first year of collection to be year 2027. Based on the elected first year of collection, the estimated decertification date is 12/31/2052.

#### *4.04.8 Estimated Impact on Other Taxing Jurisdictions*

Exhibits III and IV show the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions.

The City and the Authority believe that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The City and the Authority anticipate minimal impact of the proposed development on city-provided services. A manageable increase in water and sewer usage is expected. It is anticipated that there may be a slight but manageable increase in police and fire protection duties due to the development.

#### *4.04.9 Prior Planned Improvements*

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District. The Authority will include this statement with the request for certification to the County Auditor.



## **ARTICLE V – ADMINISTERING THE TIF DISTRICT**

### **SECTION 5.01 FILING AND CERTIFICATION**

The filing and certification of the TIF Plan consists of the following steps:

1. Upon adoption of the TIF Plan by the City and the Authority, the Authority, or its designee, shall submit a copy of the TIF Plan and other documents that may be required to the Minnesota Department of Revenue and the OSA.
2. The Authority, or its designee, shall request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the Authority, or its designee, shall submit copies of the TIF Plan, the resolutions of the City and the Authority establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements.

### **SECTION 5.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN**

The City and the Authority reserve the right to modify the TIF District and the TIF Plan. Under the TIF Act, the following actions can only be approved after satisfying all the necessary requirements for approval of the original TIF Plan (including notifications and public hearing):

- Reduction or enlargement in the geographic area of the Development District or the TIF District.
- Increase in the amount of bonded indebtedness to be incurred.
- Increase in the amount of capitalized interest.
- Increase in that portion of the captured net tax capacity to be retained by the Authority.
- Increase in the total estimated Project Costs, not including cost of financing.
- Designation of additional property to be acquired by the City or the Authority.

Other modifications can be made by resolution of the Authority. In addition, the original approval process does not apply if (1) the only modification is elimination of parcels from the TIF District and (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City and the Authority agree that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

Upon approval by the City, the Authority must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification of the TIF District.

### **SECTION 5.03 FOUR YEAR KNOCK-DOWN RULE**

The Four Year Knock-Down Rule is a provision of the TIF Act that requires that if after four years from certification of the TIF District no demolition, rehabilitation, renovation or site improvement, including a qualified improvement of an adjacent street, has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The Authority must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the City, Authority, or owner of the parcel subsequently commences any of the above activities, the Authority shall certify to the County Auditor that such activity has commenced and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

#### **SECTION 5.04 FIVE YEAR RULE**

The Five-Year Rule is a provision of the TIF Act and establishes a “five-year period” whereby activity must occur before or within five years after certification of the district in order to be considered “in-district” expenditures of the district. As permitted under Section 469.1763, subd. 2(b) and subd. 3(a)(5) of the TIF Act, any expenditures of increment from the TIF District to pay the cost of a “housing project” as defined in Section 469.174, subd. 11 of the TIF Act will be treated as an expenditure within the district for the purposes of the Five Year Rule. It is not anticipated that tax increments will be spent outside the TIF District (except allowable administrative expenses), but such expenditures are expressly authorized in the TIF Plan.

#### **SECTION 5.05 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS**

The Authority will comply with the annual reporting requirements pursuant to the TIF Act and guidelines of the OSA. Under current law, the Authority must prepare and submit a report on the TIF district on or before August 1 of each year. The Authority must also annually publish in a newspaper of general circulation in the City an annual statement for each tax increment financing district.

The reporting and disclosure requirements outlined in this section begin with the year the district was certified, and shall end in the year in which both the district has been decertified and all tax increments have been spent or returned to the county for redistribution. Failure to meet these requirements, as determined by the OSA, may result in suspension of distribution of tax increment.

#### **SECTION 5.06 BUSINESS SUBSIDY COMPLIANCE**

The Development is anticipated to be exempt from the business subsidies requirements specified in Minnesota Statutes, Sections 116J.993 to 116J.995 because the assistance for the Development specified in this document, the TIF Plan for the TIF District, will be 100% for housing assistance.

**Exhibit I**  
**Duluth HRA**  
**Tax Increment Financing (Housing) District (Welch Place)**  
**Present Value Analysis As Required By Section**  
**469.175(3)(2) of the TIF Act**

1	Estimated Future Market Value w/ Tax Increment Financing	17,312,832 <sup>1</sup>
2	Payable Prel 2024 Market Value	73,800
3	Market Value Increase (1-2)	<u>17,239,032</u>
4	Present Value of Future Tax Increments	703,305
5	Market Value Increase Less PV of Tax Increments	<u>16,535,727</u>
6	Estimated Future Market Value w/o Tax Increment Financing	94,643 <sup>1</sup>
7	Payable Prel 2024 Market Value	73,800
8	Market Value Increase (6-7)	<u>20,843</u>
9	Increase in MV From TIF	<u><u>16,514,883</u></u> <sup>2</sup>

<sup>1</sup> Assume 1.00% annual appreciation over 26 year life of district.

<sup>2</sup> Statutory compliance achieved if increase in market value from TIF (Line 9) is greater than or equal to zero.

<sup>3</sup> Section 469.175(3)(2) of the TIF Act does not require this present value analysis for a housing tax increment financing district. This analysis is provided for information purposes.

TAX INCREMENT FINANCING (HOUSING) DISTRICT - WELCH PLACE

**Exhibit II**  
**City of Duluth**  
**Tax Increment Financing (Housing) District (Welch Place)**  
**Projected Tax Increment Financing (TIF) Cash Flow**

TIF District Year	Taxes Payable Year	Taxable Market Value (TMV)	Tax Capacity	Original Base Tax Capacity	Captured Tax Capacity for TIF	Original Tax Rate <sup>2</sup>	Available TIF from District	PV Available TIF
1	2027	11,362,500	28,406	554	27,853	123.98%	34,408	31,432
2	2028	13,771,350	34,428	554	33,875	123.98%	41,848	67,818
3	2029	13,909,064	34,773	554	34,219	123.98%	42,273	102,803
4	2030	14,048,154	35,120	554	34,567	123.98%	42,703	136,441
5	2031	14,188,636	35,472	554	34,918	123.98%	43,136	168,782
6	2032	14,330,522	35,826	554	35,273	123.98%	43,575	199,878
7	2033	14,473,827	36,185	554	35,631	123.98%	44,017	229,777
8	2034	14,618,566	36,546	554	35,993	123.98%	44,464	258,523
9	2035	14,764,751	36,912	554	36,358	123.98%	44,916	286,163
10	2036	14,912,399	37,281	554	36,727	123.98%	45,371	312,737
11	2037	15,061,523	37,654	554	37,100	123.98%	45,832	338,288
12	2038	15,212,138	38,030	554	37,477	123.98%	46,298	362,855
13	2039	15,364,259	38,411	554	37,857	123.98%	46,767	386,475
14	2040	15,517,902	38,795	554	38,241	123.98%	47,241	409,185
15	2041	15,673,081	39,183	554	38,629	123.98%	47,721	431,020
16	2042	15,829,812	39,575	554	39,021	123.98%	48,205	452,013
17	2043	15,988,110	39,970	554	39,417	123.98%	48,694	472,198
18	2044	16,147,991	40,370	554	39,816	123.98%	49,187	491,605
19	2045	16,309,471	40,774	554	40,220	123.98%	49,686	510,264
20	2046	16,472,566	41,181	554	40,628	123.98%	50,190	528,204
21	2047	16,637,291	41,593	554	41,040	123.98%	50,699	545,452
22	2048	16,803,664	42,009	554	41,456	123.98%	51,213	562,036
23	2049	16,971,701	42,429	554	41,876	123.98%	51,731	577,981
24	2050	17,141,418	42,854	554	42,300	123.98%	52,255	593,311
25	2051	17,312,832	43,282	554	42,729	123.98%	52,785	608,050
26	2052	17,485,960	43,715	554	43,161	123.98%	53,319	622,222
<b>TOTAL =</b>							1,218,534	622,222

**Key Assumptions for Cash Flow:**

- 1 Taxable market value (TMV) annual growth assumption = 1.00%
- 2 Original Tax Capacity Rate estimated based on Taxes Payable Year Prel 2024.
- 3 Election for captured tax capacity is 100.00%.
- 4 Base Tax Capacity is calculated based on a TMV = \$73,800.
- 5 Present Value (PV) of Net Available TIF calculated based on semi-annual payments and rate of 5.0%, estimated dated date of 1/1/2026.
- 6 Analysis assumes an election to delay receipt of first increment to year 2027, for the earliest year for first collection of tax increment.
- 7 Tax capacity estimated based on 4d(1) classification. Analysis assumes 100% of the units within TIF District will qualify for 4d(1) classification. Class 4d(1) property has a classification rate of 0.25%.
- 8 TMV includes value for 30 rental housing units for Welch Place and 60 rental housing units for Wadena West.

**Exhibit III  
Duluth HRA  
Tax Increment Financing (Housing) District (Welch Place)  
Impact on Other Taxing Jurisdictions  
(Taxes Payable Prel 2024)**

**Annual Tax Increment**

Estimated Annual Captured Tax Capacity (Full Development)	\$43,161
Payable Prel 2024 Local Tax Rate	123.982%
Estimated Annual Tax Increment	\$53,512

**Percent of Tax Base**

	Net Tax Capacity (NTC)	Captured Tax Capacity	Percent of Total NTC
City of Duluth	105,322,718	43,161	0.04%
St. Louis County	258,695,058	43,161	0.02%
ISD # 709	117,170,402	43,161	0.04%

**Dollar Impact of Affected Taxing Jurisdictions**

	Net Tax Capacity (NTC)	% of Total	Tax Increment Share	Added Local Tax Rate
City of Duluth	38.275%	30.871%	16,520	0.016%
St. Louis County	56.506%	45.576%	24,389	0.009%
ISD # 709	23.362%	18.843%	10,083	0.009%
Other	5.839%	4.710%	2,520	
Totals	123.982%	100.000%	53,512	

*NOTE NO. 1: Assuming that ALL of the captured tax capacity would be available to all taxing jurisdictions even if the City does not create the Tax Increment District, the creation of the District will reduce tax capacities and increase the local tax rate as illustrated in the above tables.*

*NOTE NO. 2: Assuming that NONE of the captured tax capacity would be available to the taxing jurisdiction if the City did not create the Tax Increment District, then the plan has virtually no initial effect on the tax capacities of the taxing jurisdictions. However, once the District is established, allowable costs paid from the increments, and the District is terminated, all taxing jurisdictions will experience an increase in their tax base.*

TAX INCREMENT FINANCING (HOUSING) DISTRICT - WELCH PLACE

**Exhibit IV**  
**City of Duluth**

**Tax Increment Financing (Housing) District (Welch Place)**  
**Estimated Tax Increments Over Maximum Life of District**

Based on Pay Prel 2024 Tax Rate = 123.982% 38.275% 56.506% 23.362% 5.839%

TIF District Year	Taxes Payable Year	New Taxable Market Value	New Tax Capacity	Base Tax Capacity	Captured Tax Capacity	Estimated Total Tax Increments	City TIF Related Share	County TIF Related Share	School TIF Related Share	Other TIF Related Share
1	2027	11,362,500	28,406	554	27,853	34,532	10,661	15,738	6,507	1,626
2	2028	13,771,350	34,428	554	33,875	41,999	12,966	19,141	7,914	1,978
3	2029	13,909,064	34,773	554	34,219	42,426	13,097	19,336	7,994	1,999
4	2030	14,048,154	35,120	554	34,567	42,857	13,230	19,532	8,076	2,019
5	2031	14,188,636	35,472	554	34,918	43,292	13,365	19,731	8,158	2,038
6	2032	14,330,522	35,826	554	35,273	43,732	13,501	19,931	8,240	2,060
7	2033	14,473,827	36,185	554	35,631	44,176	13,638	20,134	8,324	2,080
8	2034	14,618,566	36,546	554	35,993	44,625	13,776	20,338	8,409	2,102
9	2035	14,764,751	36,912	554	36,358	45,078	13,916	20,545	8,494	2,123
10	2036	14,912,399	37,281	554	36,727	45,535	14,057	20,753	8,580	2,145
11	2037	15,061,523	37,654	554	37,100	45,998	14,200	20,964	8,667	2,167
12	2038	15,212,138	38,030	554	37,477	46,465	14,344	21,177	8,755	2,189
13	2039	15,364,259	38,411	554	37,857	46,936	14,490	21,392	8,844	2,210
14	2040	15,517,902	38,795	554	38,241	47,412	14,637	21,609	8,934	2,232
15	2041	15,673,081	39,183	554	38,629	47,893	14,785	21,828	9,025	2,255
16	2042	15,829,812	39,575	554	39,021	48,379	14,935	22,049	9,116	2,279
17	2043	15,988,110	39,970	554	39,417	48,870	15,087	22,273	9,209	2,301
18	2044	16,147,991	40,370	554	39,816	49,365	15,240	22,499	9,302	2,324
19	2045	16,309,471	40,774	554	40,220	49,866	15,394	22,727	9,396	2,349
20	2046	16,472,566	41,181	554	40,628	50,371	15,550	22,957	9,491	2,373
21	2047	16,637,291	41,593	554	41,040	50,882	15,708	23,190	9,588	2,396
22	2048	16,803,664	42,009	554	41,456	51,398	15,867	23,425	9,685	2,421
23	2049	16,971,701	42,429	554	41,876	51,918	16,028	23,662	9,783	2,445
24	2050	17,141,418	42,854	554	42,300	52,444	16,190	23,902	9,882	2,470
25	2051	17,312,832	43,282	554	42,729	52,976	16,354	24,144	9,982	2,496
26	2052	17,485,960	43,715	554	43,161	53,512	16,520	24,389	10,083	2,520
Total						1,222,937	377,536	557,366	230,438	57,597

Note: The Estimated Total Tax Increment shown above is before deducting the State Auditor's fee, which is payable at a rate of 0.36% of the Total Tax Increment collected. Exhibit II provides Estimated Total Tax Increment after deducting for the State Auditor's fee.



EXHIBIT V

Boundaries of Tax Increment Financing (Housing) District - Welch Place  
Within Redevelopment Project Area No. 1

Proposed TIF District for  
Wadena West and Welch Place Apartments





EXHIBIT V (Continued)  
Boundaries of Tax Increment Financing (Housing) District - Welch Place  
Within Redevelopment Project Area No. 1

Project Area No. 1

