

**DRAFT**

Adoption Date: TBD

**Duluth Economic  
Development Authority**  
City of Duluth, St. Louis County,  
Minnesota

**MODIFICATION TO THE  
DEVELOPMENT PROGRAM**

Development District No. 17

**&**

**Tax Increment Financing (TIF) Plan**

Establishment of Tax Increment Financing District No. 37 -  
Incline Plaza Phase 1  
(a redevelopment district)



Prepared by:

Ehlers  
3060 Centre Pointe Drive  
Roseville, Minnesota 55113

---

**BUILDING COMMUNITIES. IT'S WHAT WE DO.**

**TABLE OF CONTENTS**

<b>Modification to the Development Program for Development District No. 17</b>	<b>1</b>
FOREWORD	1
<b>Tax Increment Financing Plan for Tax Increment Financing District No. 37 - Incline Plaza Phase 1</b>	<b>2</b>
FOREWORD	2
STATUTORY AUTHORITY	2
STATEMENT OF OBJECTIVES	2
DEVELOPMENT PROGRAM OVERVIEW	3
DESCRIPTION OF PROPERTY IN THE DISTRICT AND PROPERTY TO BE ACQUIRED	3
DISTRICT CLASSIFICATION	4
DURATION & FIRST YEAR OF DISTRICT'S TAX INCREMENT	4
ORIGINAL TAX CAPACITY, TAX RATE & ESTIMATED CAPTURED NET TAX CAPACITY VALUE/INCREMENT & NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS	4
SOURCES OF REVENUE/BONDS TO BE ISSUED	6
USES OF FUNDS	7
ESTIMATED IMPACT ON OTHER TAXING JURISDICTIONS	8
SUPPORTING DOCUMENTATION	9
DISTRICT ADMINISTRATION	10
<b>Appendix A: Map of Development District No. 17 and the TIF District</b>	
<b>Appendix B: Estimated Cash Flow for the District</b>	
<b>Appendix C: Findings Including But/For Qualifications</b>	
<b>Appendix D: Redevelopment Qualifications for the District</b>	

# **Modification to the Development Program for Development District No. 17**

## **FOREWORD**

The following text represents a Modification to the Development Program for Development District No. 17. This modification represents a continuation of the goals and objectives set forth in the Development Program for Development District No. 17. Generally, the substantive changes include the establishment of Tax Increment Financing District No. 37 - Incline Plaza Phase 1.

For further information, a review of the Development Program for Development District No. 17, is recommended. It is available from the Executive Director at the City of Duluth. Other relevant information is contained in the tax increment financing plans for the tax increment financing districts located within Development District No. 17.

DRAFT

# Tax Increment Financing Plan for Tax Increment Financing District No. 37 - Incline Plaza Phase 1

## FOREWORD

The Duluth Economic Development Authority ("DEDA"), the City of Duluth (the "City"), staff and consultants have prepared the following information to expedite the Establishment of Tax Increment Financing District No. 37 - Incline Plaza Phase 1 (the "District"), a redevelopment tax increment financing district, located in Development District No. 17.

## STATUTORY AUTHORITY

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, DEDA and the City have certain statutory powers pursuant to *Minnesota Statutes ("M.S.")*, Sections 469.090 - 469.1082, inclusive, as amended, and *M.S.*, Sections 469.174 to 469.1794, inclusive, as amended (the "TIF Act"), to assist in financing public costs related to this project.

This section contains the Tax Increment Financing Plan (the "TIF Plan") for the District. Other relevant information is contained in the Modification to the Development Program for Development District No. 17.

## STATEMENT OF OBJECTIVES

The District currently consists of one (1) parcel of land and adjacent roads and internal rights-of-way. The District is being created to facilitate development of 120 condominium units and a 220-unit multifamily rental building in the City. DEDA intends to enter into an agreement with STC Building, LLC; Chester Creek View LLC; and Incline Plaza Development, LLC. Development is anticipated to begin in 2024. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 17.

The activities contemplated in the Modification to the Development Program and the TIF Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of Development District No. 17 and the District.

## DEVELOPMENT PROGRAM OVERVIEW

Pursuant to the Development Program and authorizing state statutes, DEDA or the City is authorized to undertake the following activities in the District:

1. Property to be Acquired – Although not anticipated at this time, selected property located within the District may be acquired by DEDA or the City and is further described in this TIF Plan.
2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.
3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, DEDA or the City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. DEDA or the City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.

## DESCRIPTION OF PROPERTY IN THE DISTRICT AND PROPERTY TO BE ACQUIRED

The District will encompass a portion of the property and adjacent roads rights-of-way and abutting roadways identified by the parcel listed below.

Parcel number	Address	Owner
010-0435-000030	802 E. Central Ent.	STC Building LLC

The larger parcel will be re-platted, and a portion will be used for the District. Please also see the map in Appendix A for further information on the location of the District.

DEDA or the City may acquire any parcel within the District including interior and adjacent street rights of way. Any properties identified for acquisition will be acquired by DEDA or the City only in order to accomplish one or more of the following: storm sewer improvements; provide land for needed public streets, utilities and facilities; carry out land acquisition, site improvements, clearance and/or development to accomplish the uses and objectives set forth in this plan. The EDA or City may acquire property by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the

objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs.

DEDA or the City does not own the parcel of the property to be included in the District.

## **DISTRICT CLASSIFICATION**

DEDA and the City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, find that the District, to be established, is a redevelopment district pursuant to *M.S., Section 469.174, Subd. 10(a)(1)*.

- The District is a redevelopment district consisting of one (1) parcel.
- An inventory shows that parcels consisting of more than 70% of the area in the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures.
- An inspection of the buildings located within the District finds that more than 50% of the buildings are structurally substandard as defined in the TIF Act. (See Appendix D).

Pursuant to *M.S., Section 469.176, Subd. 7*, the District does not contain any parcel or part of a parcel that qualified under the provisions of *M.S., Sections 273.111, 273.112, or 273.114 or Chapter 473H* for taxes payable in any of the five calendar years before the filing of the request for certification of the District.

## **DURATION & FIRST YEAR OF DISTRICT'S TAX INCREMENT**

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 25 years after receipt of the first increment by DEDA or the City (a total of 26 years of tax increment). DEDA or the City elects to receive the first tax increment in 2026, which is no later than four years following the year of approval of the District.

Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2051, or when the TIF Plan is satisfied. DEDA or the City reserves the right to decertify the District prior to the legally required date.

## ORIGINAL TAX CAPACITY, TAX RATE & ESTIMATED CAPTURED NET TAX CAPACITY VALUE/INCREMENT & NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2023 for taxes payable 2024.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2026) the amount by which the original value has increased or decreased as a result of:

1. Change in tax exempt status of property;
2. Reduction or enlargement of the geographic boundaries of the District;
3. Change due to adjustments, negotiated or court-ordered abatements;
4. Change in the use of the property and classification;
5. Change in state law governing class rates; or
6. Change in previously issued building permits.

In any year in which the current Net Tax Capacity (NTC) value of the District declines below the ONTC, no value will be captured and no tax increment will be payable to DEDA or the City.

The original local tax rate for the District will be the local tax rate for taxes payable 2024, assuming the request for certification is made before June 30, 2024. The final rates for 2024 were not available at the time the District was established. The ONTC and the Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 17, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. DEDA and the City request 100% of the available increase in tax capacity be used for repayment of the obligations of DEDA or the City and current expenditures, beginning in the tax year payable 2026. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Tax Capacity		
Development estimated Tax Capacity upon completion	3,093,119	
Original estimated Net Tax Capacity	9,208	
Fiscal Disparities	<u>0</u>	
Estimated Captured Tax Capacity	<b>3,083,911</b>	
Original Local Tax Rate	<u>123.9820%</u>	Prelim. Pay 2024
Estimated Annual Tax Increment	<b>\$3,823,494</b>	
Percent Retained by the City	100%	

Note: Tax capacity includes a 2% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in year 25. The tax capacity of the District in year one is estimated to be \$181,250.

Pursuant to *M.S., Section 469.177, Subd. 4*, DEDA shall, after a due and diligent search, accompany its request for certification to the County Auditor or its notice of the District enlargement pursuant to *M.S., Section 469.175, Subd. 4*, with a listing of all properties within the District or area of enlargement for which building permits have been issued during the eighteen (18) months immediately preceding approval of the TIF Plan by the municipality pursuant to *M.S., Section 469.175, Subd. 3*. The County Auditor shall increase the original net tax capacity of the District by the net tax capacity of improvements for which a building permit was issued.

The City is reviewing the area to be included in the District to determine if any building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.

## SOURCES OF REVENUE/BONDS TO BE ISSUED

The total estimated tax increment revenues for the District are shown in the table below:

SOURCES	
Tax Increment	\$ 74,347,957
Interest	<u>7,434,796</u>
TOTAL	<b>\$ 81,782,753</b>

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. DEDA or the City reserves the right to issue bonds (as defined in the TIF Act) or incur other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by pay-as-you-go notes and interfund loans. Any refunding amounts will be deemed a budgeted cost without a formal modification to this TIF



Plan. This provision does not obligate DEDA or the City to incur debt. DEDA or the City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

DEDA or the City may issue bonds secured in whole or in part with tax increments from the District in a maximum principal amount of \$40,717,878. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

## USES OF FUNDS

Currently under consideration for the District is a proposal to facilitate development of 120 condominium units and a 220-unit multifamily rental building in the City. DEDA and the City have determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described herein.

DEDA has studied the feasibility of the development or redevelopment of property in and around the District. To facilitate the establishment and development or redevelopment of the District, this TIF Plan authorizes the use of tax increment financing to pay for the cost of certain eligible expenses. The estimate of public costs and uses of funds associated with the District is outlined in the following table.

USES	
Land/Building Acquisition	\$ -
Site Improvements/Preparation	10,000,000
Utilities	5,000,000
Other Qualifying Improvements	18,283,082
Administrative Costs (up to 10%)	7,434,796
<b>PROJECT COSTS TOTAL</b>	<b>\$ 40,717,878</b>
Interest	41,064,875
<b>PROJECT AND INTEREST COSTS TOTAL</b>	<b>\$ 81,782,753</b>

The total project cost, including financing costs (interest) listed in the table above does not exceed the total projected tax increments for the District as shown in the Sources of Revenue section.

Estimated costs associated with the District are subject to change among categories without a modification to the TIF Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory

requirements. Pursuant to *M.S., Section 469.1763, Subd. 2*, no more than 25% of the tax increment paid by property within the District will be spent on activities related to development or redevelopment outside of the District but within the boundaries of Development District No. 17, (including administrative costs, which are considered to be spent outside of the District) subject to the limitations as described in the TIF Plan.

**ESTIMATED IMPACT ON OTHER TAXING JURISDICTIONS**

The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the TIF Plan would occur without the creation of the District. However, DEDA or the City has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is \$0. The estimated fiscal impact of the District would be as follows if the "but for" test was not met:

Impact on Tax Base			
Entity	Preliminary 2023/Pay 2024 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
St. Louis County	249,820,603	3,083,911	1.2345%
City of Duluth	101,021,500	3,083,911	3.0527%
ISD 709 (Duluth)	112,874,293	3,083,911	2.7322%

Impact on Tax Rates				
Entity	Preliminary Pay 2024 Extension Rate	Percent of Total	CTC	Potential Taxes
St. Louis County	56.5060%	45.58%	3,083,911	\$ 1,742,594
City of Duluth	38.2750%	30.87%	3,083,911	1,180,367
ISD 709 (Duluth)	23.3620%	18.84%	3,083,911	720,463
Other	5.8390%	4.71%	3,083,911	180,070
	<b>123.9820%</b>	<b>100.00%</b>		<b>\$ 3,823,494</b>

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Preliminary Pay 2024 rate. The total net capacity for the entities listed above are based on Preliminary Pay 2024 figures. The District will be certified under the Final Pay 2024 rates, which were unavailable at the time this TIF Plan was prepared.

Pursuant to *M.S., Section 469.175 Subd. 2(b)*:

- (1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is \$74,347,957;
- (2) Probable impact of the District on city provided services and ability to issue debt.

TO BE ADDED PRIOR TO PUBLIC HEARING

- (3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is \$14,009,429;
- (4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is \$33,884,803;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S., Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

No requests for additional information from the county or school district regarding the proposed development for the District have been received.

## SUPPORTING DOCUMENTATION

Pursuant to *M.S., Section 469.175, Subd. 1 (a), clause 7* this TIF Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S., Section 469.175, Subd. 3, clause (b)(2)* and the findings are required in the resolution approving the District.

- (i) In making said determination, reliance has been placed upon (1) written representation made by the Developer to such effects; and (2) City staff awareness of the feasibility of developing the project

site within the District, which is further outlined in the city council resolution approving the establishment of the District and Appendix C.

- (ii) A comparative analysis of estimated market value both with and without establishment of the District and the use of tax increments has been performed. Such analysis is included with the cashflow in Appendix B and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the District and the use of tax increments.

## **DISTRICT ADMINISTRATION**

Administration of the District will be handled by the Executive Director.

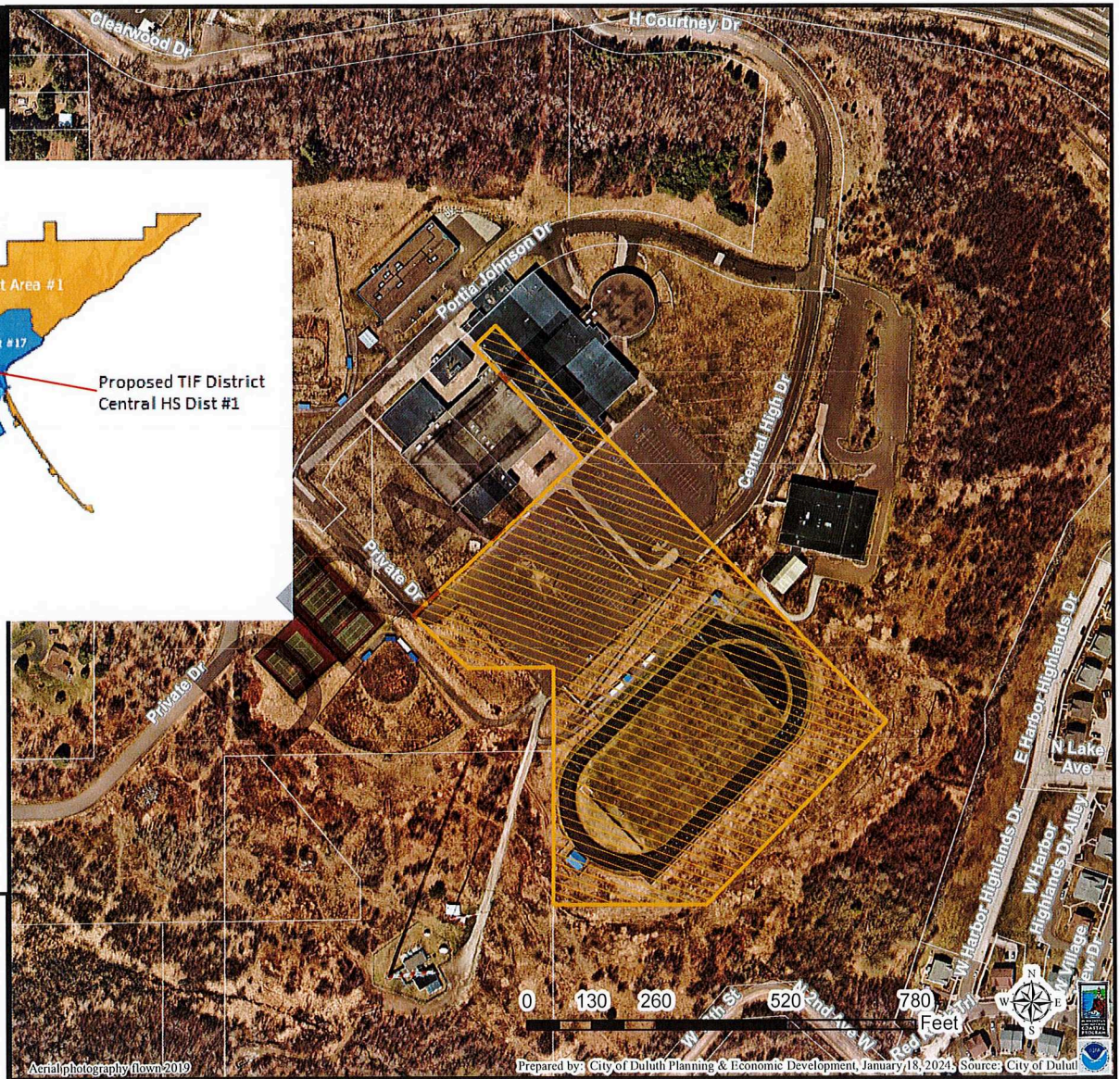
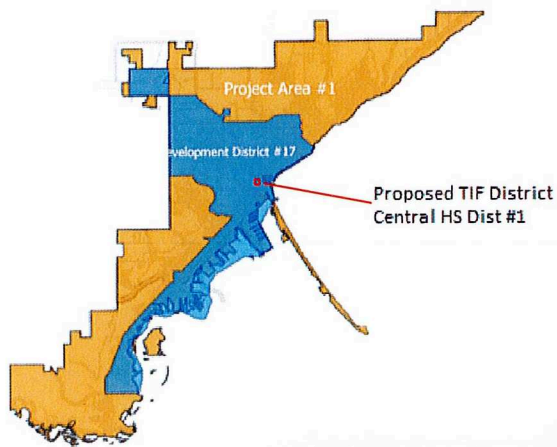
DRAFT

**Appendix A: Map of Development District No. 17 and the TIF District**

DRAFT



**Proposed TIF District  
Central HS Dist #1**



The City of Duluth has tried to ensure that the information contained in this map or electronic document is accurate. The City of Duluth makes no warranty or guarantee concerning the accuracy or reliability. This drawing/data is neither a legally recorded map nor a survey and is not intended to be used as one. The drawing/data is a compilation of records, information and data located in various City, County and State offices and other sources affecting the area shown and is to be used for reference purposes only. The City of Duluth shall not be liable for errors contained within this data provided or for any damages in connection with the use of this information contained within.

## Appendix B: Estimated Cash Flow for the District

DRAFT

TIF District No. 37 Incline Plaza Phase 1 - 2% Inflation

City of Duluth, MN

120 Condo Units and 220 rental units



ASSUMPTIONS AND RATES

District Type:	Redevelopment	Tax Rates
District Name/Number:		Exempt Class Rate (Exempt)
County District #:		Commercial Industrial Preferred Class Rate (C/I Pref.)
First Year Construction or Inflation on Value:	2024	First \$150,000 1.50%
Existing District - Specify No. Years Remaining:		Over \$150,000 2.00%
Inflation Rate - Every Year:	2.00%	Commercial Industrial Class Rate (C/I)
Interest Rate:	7.00%	Rental Housing Class Rate (Rental) 1.25%
Present Value Date:	1-Aug-25	Affordable Rental Housing Class Rate (Aff. Rental)
First Period Ending:	1-Feb-26	First \$100,000 0.25%
Tax Year District was Certified:	Pay 2024	Over \$100,000 0.25%
Cashflow Assumes First Tax Increment For Development:	2026	Non-Homestead Residential (Non-H Res. 1 Unit)
Years of Tax Increment:	28	First \$500,000 1.00%
Assumes Last Year of Tax Increment:	2051	Over \$500,000 1.25%
Fiscal Disparities Election (Outside (A), Inside (B), or NA):	NA	Homestead Residential Class Rate (Hmstd. Res.)
Incremental or Total Fiscal Disparities:	NA	First \$500,000 1.00%
Fiscal Disparities Contribution Ratio:	NA	Over \$500,000 1.25%
Fiscal Disparities Metro-Wide Tax Rate:	NA	Agricultural Non-Homestead 1.00%
Maximum/Frozen Local Tax Rate:	123.982%	
Current Local Tax Rate (Use lesser of Current or Max.):	123.982%	
State-wide Tax Rate (Comm. Inc. only used for total taxes):	30.0003%	
Market Value Tax Rate (Used for total taxes):	0.14831%	

BASE VALUE INFORMATION (Original Tax Capacity)

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
010-0435-000030	SIC Building LLC	802 E. Central Ent.	149,900	7,771,200	7,921,100	10%	277,239	Pay 2024	C/I Pref.	4,795	Hmstd. Res.	2,772	1	
010-0435-000030	SIC Building LLC	802 E. Central Ent.	149,900	7,771,200	7,921,100	10%	514,872	Pay 2024	C/I Pref.	9,547	Rental	6,436		
			299,800	15,542,400	15,842,200		792,110			14,342		9,208		

Note:

1. Base values are for pay 2024 and assumes 10% of total value is allocated to the TIF district
2. Located in SD #709



TIF District No. 37 Incline Plaza Phase 1 - 2% Inflation  
 City of Duluth, MN  
 120 Condo Units and 220 rental units



PROJECT INFORMATION (Project Tax Capacity)													
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2024	Percentage Completed 2025	Percentage Completed 2026	Percentage Completed 2027	First Year Full Taxes Payable
1	Condominiums	1,066,667	1,066,667	60	64,000,000	Hmstd. Res.	725,000	12,083	25%	75%	100%	100%	2028
1	Condominiums	1,066,667	1,066,667	60	64,000,000	Hmstd. Res.	725,000	12,083	0%	25%	75%	100%	2029
1	Apartments	195,000	195,000	220	42,900,000	Rental	636,250	2,438	0%	25%	75%	100%	2029
<b>TOTAL</b>					<b>170,900,000</b>		<b>1,986,250</b>						
Subtotal Residential				340	170,900,000		1,986,250						
Subtotal Commercial/Ind.				0	0		0						

Note:

- Market values for rental housing are based upon discussions in 2023 with County Assessor and using Endi as a comparable. Market Values for condominiums are based on assumed average resale prices as provided by the developer.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value	Total Taxes	Taxes Per Sq. Ft./Unit
Condominiums	725,000	0	725,000	898,870	0	0	94,918	993,788	16,563.13
Condominiums	725,000	0	725,000	898,870	0	0	94,918	993,788	16,563.13
Apartments	536,250	0	536,250	664,853	0	0	63,625	728,478	3,311.27
<b>TOTAL</b>	<b>1,986,250</b>	<b>0</b>	<b>1,986,250</b>	<b>2,462,592</b>	<b>0</b>	<b>0</b>	<b>253,462</b>	<b>2,716,054</b>	

Note:

- Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law, fiscal disparities and other factors which cannot be predicted.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	2,716,054
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(253,462)
less Base Value Taxes	(11,417)
<b>Annual Gross TIF</b>	<b>2,451,176</b>

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	792,119
New Market Value - Est.	170,900,000
Difference	170,107,880
Present Value of Tax Increment	28,824,085
Difference	141,283,805
Value likely to occur without Tax Increment is less than:	141,283,805



TIF District No. 37 Incline Plaza Phase 1 - 2% Inflation  
 City of Duluth, MN  
 120 Condo Units and 220 rental units

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities NA	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
100%	181,250	(9,208)	-	172,042	123.982%	213,301	106,650	(384)	(10,627)	95,640	89,281	0.5	2026	02/01/26
100%	859,063	(9,208)	-	849,854	123.982%	1,053,666	526,833	(1,897)	(52,494)	472,443	587,249	1.5	2027	08/01/27
100%	1,670,938	(9,208)	-	1,661,729	123.982%	2,060,245	1,030,123	(3,708)	(102,641)	923,773	1,736,523	2.5	2028	02/01/28
100%	2,000,750	(9,208)	-	1,991,542	123.982%	2,469,153	1,234,577	(4,444)	(123,013)	1,107,119	3,303,359	3.5	2029	08/01/29
100%	2,040,765	(9,208)	-	2,031,557	123.982%	2,518,765	1,259,382	(4,534)	(125,485)	1,129,364	4,916,314	4.5	2030	08/01/30
100%	2,081,580	(9,208)	-	2,072,372	123.982%	2,569,368	1,284,684	(4,625)	(128,006)	1,152,053	5,689,866	5.5	2031	08/01/31
100%	2,123,212	(9,208)	-	2,114,004	123.982%	2,620,984	1,310,492	(4,718)	(130,577)	1,175,197	7,914,919	6.5	2032	08/01/32
100%	2,165,676	(9,208)	-	2,156,468	123.982%	2,673,632	1,336,816	(4,813)	(133,200)	1,198,803	9,307,740	7.5	2033	08/01/33
100%	2,208,990	(9,208)	-	2,199,781	123.982%	2,727,333	1,363,666	(4,909)	(135,876)	1,222,882	10,634,069	8.5	2034	08/01/34
100%	2,253,169	(9,208)	-	2,243,961	123.982%	2,782,108	1,391,054	(5,008)	(138,605)	1,247,442	11,897,080	9.5	2035	08/01/35
100%	2,298,233	(9,208)	-	2,289,025	123.982%	2,837,978	1,418,989	(5,108)	(141,388)	1,272,493	13,099,792	10.5	2036	08/01/36
100%	2,344,198	(9,208)	-	2,334,989	123.982%	2,894,966	1,447,483	(5,211)	(144,227)	1,298,045	14,245,082	11.5	2037	08/01/37
100%	2,391,081	(9,208)	-	2,381,873	123.982%	2,953,094	1,476,547	(5,316)	(147,123)	1,324,108	15,335,692	12.5	2038	08/01/38
100%	2,438,903	(9,208)	-	2,429,695	123.982%	3,012,384	1,506,192	(5,422)	(150,077)	1,350,693	16,374,228	13.5	2039	08/01/39
100%	2,487,681	(9,208)	-	2,478,473	123.982%	3,072,860	1,536,430	(5,531)	(153,090)	1,377,809	17,363,178	14.5	2040	08/01/40
100%	2,537,435	(9,208)	-	2,528,226	123.982%	3,134,546	1,567,273	(5,642)	(156,163)	1,405,468	18,304,905	15.5	2041	08/01/41
100%	2,588,183	(9,208)	-	2,578,975	123.982%	3,197,465	1,598,733	(5,755)	(159,298)	1,433,679	19,201,665	16.5	2042	08/01/42
100%	2,639,947	(9,208)	-	2,630,739	123.982%	3,261,643	1,630,821	(5,871)	(162,495)	1,462,455	20,055,603	17.5	2043	08/01/43
100%	2,692,746	(9,208)	-	2,683,538	123.982%	3,327,104	1,663,552	(5,989)	(165,756)	1,491,807	20,868,763	18.5	2044	08/01/44
100%	2,746,601	(9,208)	-	2,737,393	123.982%	3,393,874	1,696,937	(6,109)	(169,083)	1,521,745	21,643,091	19.5	2045	08/01/45
100%	2,801,533	(9,208)	-	2,792,325	123.982%	3,461,980	1,730,990	(6,232)	(172,476)	1,552,283	22,380,440	20.5	2046	08/01/46
100%	2,857,564	(9,208)	-	2,848,355	123.982%	3,531,448	1,765,724	(6,357)	(175,937)	1,583,431	23,082,576	21.5	2047	08/01/47
100%	2,914,715	(9,208)	-	2,905,507	123.982%	3,602,305	1,801,153	(6,484)	(179,467)	1,615,202	23,751,180	22.5	2048	08/01/48
100%	2,973,009	(9,208)	-	2,963,801	123.982%	3,674,580	1,837,290	(6,614)	(183,068)	1,647,608	24,387,851	23.5	2049	08/01/49
100%	3,032,469	(9,208)	-	3,023,261	123.982%	3,748,300	1,874,150	(6,747)	(186,740)	1,680,663	24,994,114	24.5	2050	08/01/50
100%	3,093,119	(9,208)	-	3,083,911	123.982%	3,823,494	1,911,747	(6,882)	(190,486)	1,714,378	25,571,421	25.5	2051	08/01/51
							1,911,747	(6,882)	(190,486)	1,714,378	25,848,286	26	2051	02/01/52
<b>Total</b>		<b>Present Value From 08/01/2025</b>		<b>Present Value Rate</b>	<b>7.00%</b>		<b>74,616,577</b>	<b>(268,620)</b>	<b>(7,434,796)</b>	<b>66,913,161</b>				
							<b>28,824,085</b>	<b>(103,767)</b>	<b>(2,872,032)</b>	<b>25,848,286</b>				

**Appendix C: Findings Including But/For Qualifications**

*To be added to prior to the public hearing*

DRAFT

## DEDA FINANCIAL ASSISTANCE APPLICATION – INCLINE VILLAGE

### EXHIBIT B SEPTEMBER 2023 “BUT-FOR” ANALYSIS

The utilization of tax-increment financing requires meeting the but-for test which can be simply described as “establishing appropriate evidentiary record that but for the tax-increment financing support that is proposed, the project could not proceed”.

Incline Village projects the building of up to 1,300 units of housing which 1,300 units may include 100 - 150 units of condominiums. The commercial development portion of the overall project is now projected at 80,000 square feet. If a hotel is included, it would impact the number of housing units due to the constraints of the site and financing.

Specifically, the City supports the following conceptual But-For Analysis based on information available to the City. As part of its development application, Developer will submit a final But-For Analysis compliant with the statutory provision that the proposed development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, subject to approval by the DEDA Board and the City Council:

1. Construction costs over the last three years have escalated dramatically. The escalation has been beyond even the super-high inflation of the 1970's and has virtually shut down market-rate housing construction in the City of Duluth.
2. The City has a documented need for 2,000 or more apartments. The City feels that the units are necessary to accommodate the needs of local industry, including the manufacturing and medical industries which are central to community prosperity and growth. Only a very few projects are proceeding, and feasibility is very difficult to obtain. A public role is agreed to be required in order to move the project forward and secure a significant investment required by the Developer's plans.
3. Accompanying the hyperinflation on the construction side are high interest rates. What would have been financeable two years ago at something in the range of 3% and is not projected by a JLL Real Estate, LLC analysis at 250 – 325 basis points above LIBOR on a floating basis with a bank loan and more than 6% through Fanny Mae. The future is unpredictable. The very high interest rates have been combined with the dramatic equity increases in our hypothetical pro forma showing a doubling of the equity required and, notwithstanding that additional equity, a significant increase in annual debt service.
4. But for the proposed tax increment here which would allow the potential recovery of the projected up-to-\$80,000,000 of the tax-increment financing-eligible expenditures per statutory provisions and as finalized in the Development Agreement consistent with Section 4a of the Memorandum of Understanding, this project cannot proceed due to high interest and high construction stripping away the feasibility.

## **Appendix D: Redevelopment Qualifications for the District**

*To be added to prior to the public hearing*

DRAFT