

MODIFICATION TO THE DEVELOPMENT **PROGRAM**

Development District No. 17

- AND -

TAX INCREMENT FINANCING PLAN

Establishment of Tax Increment Financing District No. 33: **Superior Street Apartments** (a redevelopment district)

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

Public Hearing: September 28, 2020









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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. 33: Superior Street Apartments.

For further information, a review of the Development Program for Development District No. 17, is recommended. It is available from the Senior Housing Developer 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.

Tax Increment Financing Plan for Tax Increment Financing District No. 33: Superior Street Apartments

Foreword

The Duluth Economic Development Authority (the "EDA"), the City of Duluth (the "City"), staff and consultants have prepared the following information to expedite the Establishment of Tax Increment Financing District No. 33: Superior Street Apartments (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, the EDA and 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 "Tax Increment Financing Act" or "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 six parcels of land and adjacent and internal rights-of-way. The District is being created to facilitate the construction of an approximate 74-unit market rate apartment as well as future construction of approximately 42 apartment units and accompanying commercial use in the City. The EDA intends to enter into an agreement with one or more developers to fulfill the objectives within the Plan. Development is anticipated to begin in 2021. 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, the EDA or 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 the EDA or 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.
- Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the EDA or 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. The EDA or 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 encompasses all property and adjacent rights-of-way and abutting roadways identified by the parcels listed below.

Parcel number	Address	Owner
010-1120-02740	2102 W Superior St.	Arrowhead Supply Co
010-1120-02750	2104 W Superior St.	Arrowhead Supply Co
010-1120-02760	2110 W Superior St.	Arrowhead Supply Co
010-1120-02770	Unassigned	Arrowhead Supply Co
010-1120-02780	Unassigned	Arrowhead Supply Co
010-1120-05090	2001 W Superior St	Duluth HRA

Please also see the map in Appendix A for further information on the location of the District.

The EDA or 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 the EDA or 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.

Classification of the District

The EDA and 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 six parcels.
- An inventory shows that parcels consisting of more than 70 percent 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 percent 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 and First Year of Tax Increment of the District

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 the EDA or City (a total of 26 years of tax increment). The EDA or City elects to receive the first tax increment in 2022, 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 2047, or when the TIF Plan is satisfied. The EDA or City reserves the right to decertify the District prior to the legally required date.

Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity Value/Increment and 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 2020 for taxes payable 2021.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2022) 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 the EDA or City.

The original local tax rate for the District will be the local tax rate for taxes payable 2021, assuming the request for certification is made before June 30, 2021). 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. The EDA and City request 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2022. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Tax Capacity		
Project estimated Tax Capacity upon completion	358,412	
Original estimated Net Tax Capacity	11,894	
Fiscal Disparities	0	
Estimated Captured Tax Capacity	346,518	
Original Local Tax Rate	146.4390%	Pay 2020
Estimated Annual Tax Increment	\$507,438	
Percent Retainted by the City	100%	

Note: Tax capacity includes a 3.0% 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 \$44,079.

Pursuant to *M.S., Section 469.177, Subd. 4*, the EDA 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	\$ 8,992,768
Interest	 899,277
TOTAL	\$ 9,892,045

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The EDA or City reserves the right to incur bonds or 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 TIF Plan Modification. This provision does not obligate the EDA or City to incur debt. The EDA or City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

The EDA or City may issue bonds (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of \$6,023,595. 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 the construction of an approximate 74-unit market rate apartment as well as future construction of approximately 42 apartment units and accompanying commercial use. The EDA and City have determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described.

The EDA 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	\$ 1,000,000
Site Improvements/Preparation	2,500,000
Utilities	1,150,000
Other Qualifying Improvements	474,317
Administrative Costs (up to 10%)	 899,278
PROJECT COSTS TOTAL	\$ 6,023,595
Interest	 3,868,450
PROJECT AND INTEREST COSTS TOTAL	\$ 9,892,045

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 this 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 percent 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 this 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, the EDA or 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	2019/Pay 2020 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total							
St. Louis County	197,663,469	346,518	0.1753%							
City of Duluth	78,693,924	346,518	0.4403%							
ISD 709 (Duluth)	88,224,893	346,518	0.3928%							

Impact on Tax Rates										
Entity	Pay 2020 Extension Rate	Percent of Total	стс	Potential Taxes						
St. Louis County	67.7300%	46.25%	346,518	\$	234,697					
City of Duluth	42.9970%	29.36%	346,518		148,992					
ISD 709 (Duluth)	29.4940%	20.14%	346,518		102,202					
Other	6.2180%	4.25%	346,518		21,547					
	146.4390%	100.00%		\$	507,438					

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Pay 2020 rate. The total net capacity for the entities listed above are based on Pay 2020 figures. The District will be certified under the Pay 2021 rates, which were unavailable at the time this TIF Plan was prepared.

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

- (1) <u>Estimate of total tax increment.</u> It is estimated that the total amount of tax increment that will be generated over the life of the District is \$8,992,768;
- (2) <u>Probable impact of the District on city provided services and ability to issue debt.</u>

An impact of the District on police protection is expected. The police department would anticipate an increase in officer time due to police services that may be needed. An officer's response to and time spent on proactive and reactive police responses, as well as proactively addressing quality of life issues, repeat calls for service, and excessive use of police services have both a financial and non-financial impact to police operations and public safety. The police department believes a positive and productive relationship can be attained with apartment building management to problem solve public safety and quality of life issues that may arise.

The police department can manage the financial and non-financial impacts that may arise from this development under our current operations and budget. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The probable impact of the District on fire protection is not expected to be significant. With any new residential development there is a possibility of medical or assist calls from the fire department. There is not an expectation that calls to these areas would increase significantly. The project will replace non-sprinklered buildings with new sprinklered buildings. This increases the safety of that building, the buildings around it and the fire fighters responding to any structure fires. While no immediate staffing or capital investment is necessary solely as a result of this project, there may be a need for an additional rental inspector in the future. At that time a small vehicle would be needed.

The impact of the District on public infrastructure is expected to be minimal. The development is not expected to significantly impact any traffic movements in the area. The project will necessitate sewer and water extensions which will be financed as part of the project without impact to taxpayers. Based on the development plans, there are no significant costs associated with street maintenance, sweeping, plowing, lighting and sidewalks.

The probable impact of any District general obligation tax increment bonds on the ability to issue debt for general fund purposes is expected to be minimal. It is not anticipated that there will be any general obligation debt issued in relation to this project, therefore there will be no impact on the City's ability to issue future debt or on the City's debt limit.

- (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 \$1,811,276;
- (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 \$4,159,276;
- (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.

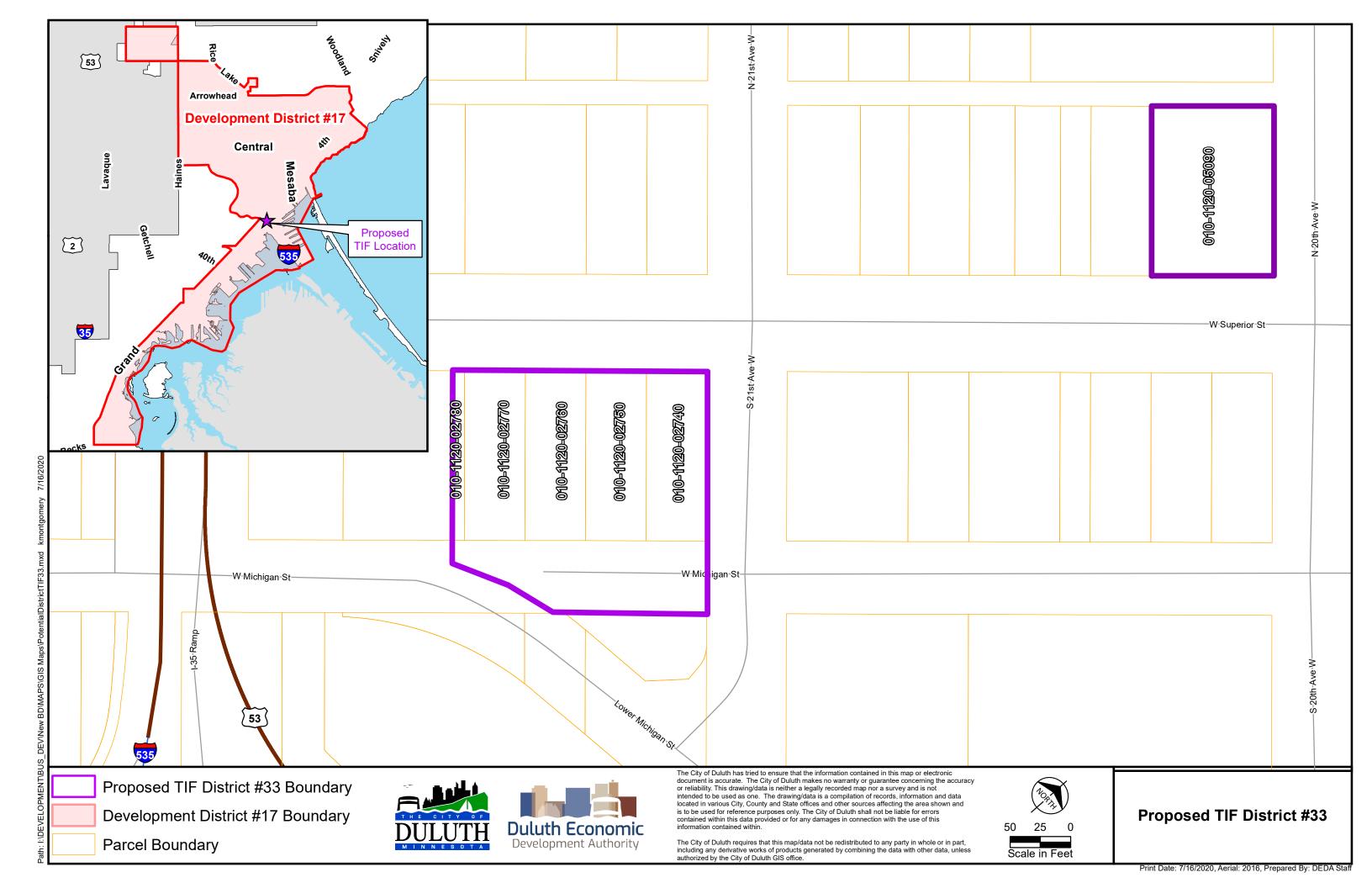
Supporting Documentation

Pursuant to M.S. Section 469.175, Subd. 1 (a), clause 7 the 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, (2) review of the developer's pro forma; and (3) 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 TIF District and Appendix C.
- (ii) A comparative analysis of estimated market value both with and without establishment of the TIF 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 TIF District and the use of tax increments.

Administration of the District

Administration of the District will be handled by the Senior Housing Developer.



Appendix B:	Estimated Cash Flow for the District

8/27/2020

Base Value Assumptions - Page 1



City of Duluth, MN

74-Unit Market Rate Apartment; 42-Unit Market Rate Apartment and 6,447 Sq Ft Retail

ASSUMPTIONS AND RATES

DistrictType:	Redevelopment		Tax Rates
District Name/Number: County District #:			Exempt Class Rate (Exempt) 0.00%
First Year Construction or Inflation on Value Existing District - Specify No. Years Remaining	2020		Commercial Industrial Preferred Class Rate (C/I Pref.) First \$150,000 1.50%
Inflation Rate - Every Year:	3.00%		Over \$150,000 2.00%
Interest Rate:	4.50%		Commercial Industrial Class Rate (C/I) 2.00%
Present Value Date:	1-Aug-21		Rental Housing Class Rate (Rental) 1.25%
First Period Ending	1-Feb-22		Affordable Rental Housing Class Rate (Aff. Rental)
Tax Year District was Certified:	Pay 2021		First \$162,000 0.75%
Cashflow Assumes First Tax Increment For Development:	2022		Over \$162,000 0.25%
Years of Tax Increment	26		Non-Homestead Residential (Non-H Res. 1 Unit)
Assumes Last Year of Tax Increment	2047		First \$500,000 1.00%
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	NA		Over \$500,000 1.25%
Incremental or Total Fiscal Disparities	NA		Homestead Residential Class Rate (Hmstd. Res.)
Fiscal Disparities Contribution Ratio	NA	Pay 2020	First \$500,000 1.00%
Fiscal Disparities Metro-Wide Tax Rate	NA	Pay 2020	Over \$500,000 1.25%
Maximum/Frozen Local Tax Rate:	146.439%	Pay 2020	Agricultural Non-Homestead 1.00%
Current Local Tax Rate: (Use lesser of Current or Max.)	146.439%	Pay 2020	
State-wide Tax Rate (Comm./Ind. only used for total taxes)	38.8460%	Pay 2020	
Market Value Tax Rate (Used for total taxes)	0.18994%	Pay 2020	

	BASE VALUE INFORMATION (Original Tax Capacity)													
				Land	Building Market	Total Market	Percentage Of Value Used	Original	Tax Year Original	Property Tax	Current Original	Class After	After Conversion	Area/
Map ID	PID	Owner	Address	Market Value	Value	Value	for District	Market Value	Market Value	Class	Tax Capacity	Conversion	Orig. Tax Cap.	Phase
C	10-1120-02740	Arrowhead Supply Co	2102 W Superior St.	84,000	117,700	201,700	100%	201,700	Pay 2021	C/I Pref.	3,284	Rental	2,521	1
C	10-1120-02750	Arrowhead Supply Co	2104 W Superior St.	55,900	117,700	173,600	100%	173,600	Pay 2021	C/I	3,472	Rental	2,170	1
C	10-1120-02760	Arrowhead Supply Co	2110 W Superior St.	55,900	117,700	173,600	100%	173,600	Pay 2021	C/I	3,472	Rental	2,170	1
C	10-1120-02770	Arrowhead Supply Co	Unassigned	28,000	0	28,000	100%	28,000	Pay 2021	C/I	560	Rental	350	1
C	10-1120-02780	Arrowhead Supply Co	Unassigned	5,600	2,500	8,100	100%	8,100	Pay 2021	C/I	162	Rental	101	1
C	10-1120-05090	Duluth HRA	2001 W Superior St	84,000	209,100	293,100	100%	293,100	Pay 2021	Rental	3,664	Rental	3,664	2
0	10-1120-05090	Duluth HRA	2001 W Superior St	55,900	5,300	61,200	100%	61,200	Pay 2021	C/I Pref.	918	C/I Pref.	918	2
				369,300	570,000			939,300			15,532		11,894	

Note:

- 1. Base values are for pay 2021 based upon review of County website on 7-10-20.
- 2. Located in UTA 010-0709-00-02-00-00

8/27/2020 Base Value Assumptions - Page 2



City of Duluth, MN

74-Unit Market Rate Apartment; 42-Unit Market Rate Apartment and 6,447 Sq Ft Retail

	PROJECT INFORMATION (Project Tax Capacity)												ſ
		Estimated	Taxable		Total Taxable	Property			Percentage	Percentage	Percentage	Percentage	First Year
l		Market Value	Market Value	Total	Market	Tax	Project	Project Tax	Completed	Completed	Completed	Completed	Full Taxes
Area/Phase	New Use	Per Sq. Ft./Unit	Per Sq. Ft./Unit	Sq. Ft./Units	Value	Class	Tax Capacity	Capacity/Unit	2020	2021	2022	2023	Payable
1	Apartments	115,000	115,000	74	8,510,000	Rental	106,375	1,438	25%	100%	100%	100%	2023
2	Apartments	115,000	115,000	42	4,830,000	Rental	60,375	1,438	25%	100%	100%	100%	2023
2	Retail	80	80	6,447	515,760	C/I Pref.	9,565	1	25%	100%	100%	100%	2023
TOTAL					13,855,760		176,315						
Subtotal Residen	tial			116	13,340,000		166,750						
Subtotal Commer	rcial/Ind.			6,447	515,760		9,565						

Note:

1. Market values are based upon discussions with the City.

TAX CALCULATIONS													
	Total Fiscal Local Fiscal State-wide Market												
	Tax	Disparities	Tax	Property	Disparities	Property	Value	Total	Taxes Per				
New Use	Capacity	Tax Capacity	Capacity	Taxes	Taxes	Taxes	Taxes	Taxes	Sq. Ft./Unit				
Apartments	106,375	0	106,375	155,774	0	0	16,164	171,938	2,323.49				
Apartments	60,375	0	60,375	88,413	0	0	9,174	97,587	2,323.49				
Retail	9,565	0	9,565	14,007	0	3,133	980	18,120	2.81				
TOTAL	176,315	0	176,315	258,194	0	3,133	26,318	287,645					

1. 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	287,645								
less State-wide Taxes	(3,133)								
less Fiscal Disp. Adj.	0								
less Market Value Taxes	(26,318)								
less Base Value Taxes	(17,418)								
Annual Gross TIF	240,776								

MARKET VALUE BUT / FOR ANALYSIS									
Current Market Value - Est.	939,300								
New Market Value - Est.	13,855,760								
Difference	12,916,460								
Present Value of Tax Increment	4,711,448								
Difference	8,205,012								
Value likely to occur without Tax Increment is less than:	8,205,012								

City of Duluth, MN

74-Unit Market Rate Apartment; 42-Unit Market Rate Apartment and 6,447 Sq Ft Retail

						TAX INCR	EMENT CAS	SH FLOW						
	Project	Original	Fiscal	Captured	Local	Annual	Semi-Annual	State	Admin.	Semi-Annual	Semi-Annual	PERIOD	_	_
% of	Tax	Tax	Disparities	Tax	Tax	Gross Tax	Gross Tax	Auditor	at	Net Tax	Present	ENDING		Payment
отс	Capacity	Capacity	NA	Capacity	Rate	Increment	Increment	0.36%	10%	Increment	Value	Yrs.	Year	Date 02/01/22
100%	44,079	(11,894)	_	32,185	146.439%	47,131	23,565	(85)	(2,348)	21,132	20,212	0.5	2022	
	,	(, ,		,		, -	23,565	(85)	(2,348)	21,132	39,980	1	2022	02/01/23
100%	176,315	(11,894)	-	164,421	146.439%	240,776	120,388	(433)	(11,996)	107,959	138,745	1.5	2023	08/01/23
							120,388	(433)	(11,996)	107,959	235,337	2	2023	02/01/24
100%	181,605	(11,894)	-	169,710	146.439%	248,522	124,261	(447)	(12,381)	111,433 111,433	332,844 428,205	2.5	2024 2024	08/01/24 02/01/25
100%	187,053	(11,894)	_	175,159	146.439%	256,500	124,261 128,250	(447) (462)	(12,381) (12,779)	115,009	524,460	3 3.5	2024	08/01/25
10070	107,000	(11,001)		170,100	1 10. 100 70	200,000	128,250	(462)	(12,779)	115,009	618,598	4	2025	02/01/26
100%	192,664	(11,894)	-	180,770	146.439%	264,718	132,359	(476)	(13,188)	118,695	713,614	4.5	2026	08/01/26
							132,359	(476)	(13,188)	118,695	806,540	5	2026	02/01/27
100%	198,444	(11,894)	-	186,550	146.439%	273,182	136,591	(492)	(13,610)	122,489	900,326	5.5	2027	08/01/27
100%	204,398	(11.904)		192,503	146 4200/	201 000	136,591 140,950	(492) (507)	(13,610) (14,044)	122,489 126,399	992,048 1,084,615	6	2027 2028	02/01/28 08/01/28
100%	204,396	(11,894)	-	192,503	146.439%	281,900	140,950	(507)	(14,044)	126,399	1,175,146	6.5 7	2028	02/01/29
100%	210,530	(11,894)	-	198,635	146.439%	290,880	145,440	(524)	(14,492)	130,424	1,266,503	7.5	2029	08/01/29
	,	, ,		,		,	145,440	(524)	(14,492)	130,424	1,355,850	8	2029	02/01/30
100%	216,845	(11,894)	-	204,951	146.439%	300,128	150,064	(540)	(14,952)	134,572	1,446,011	8.5	2030	08/01/30
							150,064	(540)	(14,952)	134,572	1,534,187	9	2030	02/01/31
100%	223,351	(11,894)	-	211,457	146.439%	309,655	154,827	(557) (557)	(15,427)	138,843 138,843	1,623,160 1,710,175	9.5 10	2031 2031	08/01/31 02/01/32
100%	230,051	(11,894)	_	218,157	146.439%	319,467	154,827 159,734	(577)	(15,427) (15,916)	143,243	1,797,972	10.5	2031	
10070	200,001	(11,054)		210,107	140.40070	313,407	159,734	(575)	(15,916)	143,243	1,883,837	11	2032	02/01/33
100%	236,953	(11,894)	-	225,059	146.439%	329,574	164,787	(593)	(16,419)	147,775	1,970,470	11.5	2033	08/01/33
		, ,					164,787	(593)	(16,419)	147,775	2,055,196	12	2033	
100%	244,061	(11,894)	-	232,167	146.439%	339,983	169,992	(612)	(16,938)	152,442	2,140,675	12.5	2034	08/01/34
4000/	054.000	(44.004)		000 400	4.40.4000/	050 705	169,992	(612)	(16,938)	152,442	2,224,273	13	2034	02/01/35
100%	251,383	(11,894)	-	239,489	146.439%	350,705	175,353 175,353	(631) (631)	(17,472) (17,472)	157,250 157,250	2,308,610 2,391,091	13.5 14	2035 2035	08/01/35 02/01/36
100%	258,925	(11,894)	_	247,031	146.439%	361,749	180,875	(651)	(18,022)	162,202	2,474,297	14.5	2036	08/01/36
10070	200,020	(11,001)		217,001	1 10. 100 70	001,110	180,875	(651)	(18,022)	162,202	2,555,672	15	2036	02/01/37
100%	266,693	(11,894)	-	254,798	146.439%	373,124	186,562	(672)	(18,589)	167,301	2,637,759	15.5	2037	08/01/37
							186,562	(672)	(18,589)	167,301	2,718,039	16	2037	02/01/38
100%	274,693	(11,894)	-	262,799	146.439%	384,840	192,420	(693)	(19,173)	172,554	2,799,018	16.5	2038	08/01/38
100%	282,934	(11,894)		271,040	146.439%	396,908	192,420 198,454	(693) (714)	(19,173) (19,774)	172,554 177,966	2,878,215 2,958,099	17 17.5	2038 2039	02/01/39 08/01/39
100%	202,934	(11,094)	-	271,040	140.439%	396,906	198,454	(714)	(19,774)	177,966	3,036,225	17.5	2039	02/01/40
100%	291,422	(11,894)	-	279,528	146.439%	409,338	204,669	(737)	(20,393)	183,539	3,115,024	18.5	2040	08/01/40
	- , ==	(,- > -/				,	204,669	(737)	(20,393)	183,539	3,192,089	19	2040	02/01/41
100%	300,165	(11,894)	-	288,271	146.439%	422,141	211,070	(760)	(21,031)	189,279	3,269,816	19.5	2041	08/01/41
4000/	000.470	(44.004)		007.070	4.40.40004	405.007	211,070	(760)	(21,031)	189,279	3,345,832	20	2041	02/01/42
100%	309,170	(11,894)	-	297,276	146.439%	435,327	217,664 217,664	(784) (784)	(21,688) (21,688)	195,192 195,192	3,422,498 3,497,477	20.5 21	2042 2042	08/01/42 02/01/43
100%	318,445	(11,894)	_	306,551	146.439%	448,910	224,455	(808)	(22,365)	201,282	3,497,477	21.5	2042	
10070	510,445	(11,034)	-	000,001	170.700/0	770,310	224,455	(808)	(22,365)	201,282	3,647,047	22	2043	02/01/43
100%	327,998	(11,894)	-	316,104	146.439%	462,899	231,450	(833)	(23,062)	207,555	3,721,627	22.5	2044	08/01/44
		,					231,450	(833)	(23,062)	207,555	3,794,565	23	2044	02/01/45
100%	337,838	(11,894)	-	325,944	146.439%	477,309	238,654	(859)	(23,780)	214,015	3,868,119	23.5	2045	
40000	0	44 **		00			238,654	(859)	(23,780)	214,015	3,940,054	24	2045	02/01/46
100%	347,973	(11,894)	-	336,079	146.439%	492,151	246,075	(886)	(24,519)	220,670	4,012,594	24.5	2046	08/01/46
1009/	2F0 440	(11.004)		246 540	146 4200/	E07 420	246,075	(886)	(24,519)	220,670	4,083,538	25 25 5	2046 2047	02/01/47 08/01/47
100%	358,412	(11,894)	-	346,518	146.439%	507,438	253,719 253,719	(913) (913)	(25,281) (25,281)	227,525 227,525	4,155,076 4,225,040	25.5 26	2047	
	Total						9,025,256	(32,488)	(899,278)	8,093,490	7,220,040	20	2071	32/01/40
		sent Value Fro	m 08/01/2020	Present Value Ra	ite 4.50%		4,711,448	(16,959)	(469,449)	4,225,040				

Appendix C: Findings Including But/For Qualifications

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan (TIF Plan) for Tax Increment Financing District No. 33: Superior Street Apartments (the "District"), as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

- 1. Finding that Tax Increment Financing District No. 33: Superior Street Apartments is a redevelopment district as defined in M.S., Section 469.174, Subd. 10.
 - The District consists of 6 parcels and vacant right-of-way, with plans to redevelop the area for the construction of an approximate 74-unit market rate apartment as well as future construction of approximately 42 apartment units and accompanying commercial use in the City. Parcels consisting of 70 percent of the area of the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures and more than 50 percent of the buildings in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. (See Appendix D of the TIF Plan.)
- 2. Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably 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 proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 33: Superior Street Apartments permitted by the TIF Plan.

The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future: This finding is supported by the fact that the redevelopment proposed in the TIF Plan meets the City's objectives for redevelopment. Due to the high cost of redevelopment on the parcels currently occupied by substandard buildings, the high cost of land assembly, demolition costs, the provision of parking, and the cost of financing the proposed improvements, this project is feasible only through assistance, in part, from tax increment financing. The developer was asked for and provided a letter and a pro forma as justification that the developer would not have gone forward without tax increment assistance.

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 market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the TIF Plan: This finding is justified on the grounds that the cost of assembling multiple parcels of land, demolition, parking, and site improvement costs add to the total redevelopment cost. Historically, the costs in this area have made redevelopment infeasible without tax increment assistance. The City reasonably determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

Therefore, the City concludes as follows:

- a. The City's estimate of the amount by which the market value of the entire District will increase without the use of tax increment financing is \$0.
- b. If the proposed development occurs, the total increase in market value will be \$12,916,460
- c. The present value of tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be \$4,711,448.
- d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$8,205,012 (the amount in clause b less the amount in clause c) without tax increment assistance.
- 3. Finding that the TIF Plan for the District conforms to the general plan for the development or redevelopment of the municipality as a whole.
 - The Planning Commission will review the TIF Plan on 09/08/2020 to find that the TIF Plan conforms to the general development plan of the City.
- 4. Finding that the TIF Plan for Tax Increment Financing District No. 33: Superior Street Apartments will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 17 by private enterprise.

The project to be assisted by the District will result in increased employment in the City and the State of Minnesota, the renovation of substandard properties, increased tax base of the State and add a high-quality development to the City.

Through the implementation of the TIF Plan, EDA or the City will increase the availability of safe and decent life-cycle housing in the City.

Appendix D:	Redevelopment Qualifications for the District

Report of Inspection Procedures and Results for Determining Qualifications of a Tax Increment Financing District as a Redevelopment District

Lincoln Park Non-Contiguous Redevelopment TIF District Duluth, Minnesota



July 17, 2019

Prepared For the

City of Duluth

Prepared by:



LHB, Inc. 701 Washington Avenue North, Suite 200 Minneapolis, Minnesota 55401

LHB Project No. 190416

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PART 1 – EXECUTIVE SUMMARY

PURPOSE OF EVALUATION

LHB was hired by the City of Duluth to inspect and evaluate the properties within a Tax Increment Financing Redevelopment District ("TIF District") proposed to be established by the City. The proposed TIF District is located in two non-contiguous areas. The first is at the west corner of North 20th Avenue West and West Superior Street, and the second is bounded by West Superior Street, South 21st Avenue West, and Lower Michigan Street (Diagram 1).

The purpose of LHB's work is to determine whether the proposed TIF District meets the statutory requirements for coverage, and whether two (2) buildings on seven (7) parcels and one (1) right-of-way parcel, located within the proposed TIF District, meet the qualifications required for a

Redevelopment District with two noncontiguous areas.



SCOPE OF WORK

The proposed TIF District consists of seven (7) parcels and one (1) right-of-way parcel, with two (2) buildings. Two (2) buildings were inspected on June 13, 2019. Building code and Condition Deficiency Reports for the buildings that were inspected are located in Appendix B.

CONCLUSION

After inspecting and evaluating the properties within the proposed TIF District and applying current statutory criteria for a Redevelopment District under *Minnesota Statutes, Section 469.174, Subdivision 10*, it is our professional opinion that the proposed TIF District qualifies as a Redevelopment District because:

- The proposed TIF District has a coverage calculation of 100 percent which is above the 70 percent requirement.
- 100 percent of the buildings are structurally substandard which is above the 50 percent requirement.
- The substandard buildings are reasonably distributed.
- The proposed TIF District meets the requirements for two or more noncontiguous areas under *Minnesota Statutes, Section 469.174, Subdivision 10 (f)* which states: "...each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a)."

The remainder of this report describes our process and findings in detail.

PART 2 – MINNESOTA STATUTE 469.174, SUBDIVISION 10 REQUIREMENTS

The properties were inspected in accordance with the following requirements under *Minnesota Statutes, Section 469.174, Subdivision 10(c)*, which states:

INTERIOR INSPECTION

"The municipality may not make such determination [that the building is structurally substandard] without an interior inspection of the property..."

EXTERIOR INSPECTION AND OTHER MEANS

"An interior inspection of the property is not required, if the municipality finds that

- (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and
- (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard."

DOCUMENTATION

"Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3(1)."

QUALIFICATION REQUIREMENTS

Minnesota Statutes, Section 469.174, Subdivision 10 (a) (1) requires three tests for occupied parcels:

A. COVERAGE TEST

... "parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or paved or gravel parking lots..."

The coverage required by the parcel to be considered occupied is defined under *Minnesota Statutes, Section 469.174*, *Subdivision 10(e)*, which states: "For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures."

B. CONDITION OF BUILDINGS TEST

Minnesota Statutes, Section 469.174, Subdivision 10(a) states, "...and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;"

- 1. Structurally substandard is defined under *Minnesota Statutes, Section 469.174*, *Subdivision 10(b)*, which states: "For purposes of this subdivision, 'structurally substandard' shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance."
 - a. We do not count energy code deficiencies toward the thresholds required by *Minnesota Statutes, Section 469.174, Subdivision 10(b)* defined as "structurally substandard", due to concerns expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.
- 2. Buildings are not eligible to be considered structurally substandard unless they meet certain additional criteria, as set forth in Subdivision 10(c) which states:
 - "A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence."

"Items of evidence that support such a conclusion [that the building is not disqualified] include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence."

LHB counts energy code deficiencies toward the 15 percent code threshold required by *Minnesota Statutes, Section 469.174, Subdivision 10(i)*) for the following reasons:

- The Minnesota energy code is one of ten building code areas highlighted by the Minnesota Department of Labor and Industry website where minimum construction standards are required by law.
- Chapter 13 of the 2015 Minnesota Building Code states, "Buildings shall be designed and constructed in accordance with the International Energy Conservation Code." Furthermore, Minnesota Rules, Chapter 1305.0021 Subpart 9 states, "References to the International Energy Conservation Code in this code mean the Minnesota Energy Code..."
- The Senior Building Code Representative for the Construction Codes and Licensing Division of the Minnesota Department of Labor and Industry confirmed that the Minnesota Energy Code is being enforced throughout the State of Minnesota.
- In a January 2002 report to the Minnesota Legislature, the Management Analysis
 Division of the Minnesota Department of Administration confirmed that the
 construction cost of new buildings complying with the Minnesota Energy Code is
 higher than buildings built prior to the enactment of the code.
- Proper TIF analysis requires a comparison between the replacement value of a
 new building built under current code standards with the repairs that would be
 necessary to bring the existing building up to current code standards. In order for
 an equal comparison to be made, all applicable code chapters should be applied to
 both scenarios. Since current construction estimating software automatically
 applies the construction cost of complying with the Minnesota Energy Code,
 energy code deficiencies should also be identified in the existing structures.

C. DISTRIBUTION OF SUBSTANDARD BUILDINGS

Minnesota Statutes, Section 469.174, Subdivision 10, defines a Redevelopment District and requires one or more of the following conditions, "reasonably distributed throughout the district."

- (1) "Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;
- (2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used rail yards, rail storage facilities, or excessive or vacated railroad rights-of-way;
- (3) tank facilities, or property whose immediately previous use was for tank facilities..."

Our interpretation of the distribution requirement is that the substandard buildings must be reasonably distributed throughout the district as compared to the location of all buildings in the district. For example, if all of the buildings in a district are located on one half of the area of the district, with the other half occupied by parking lots (meeting the required 70

percent coverage for the district), we would evaluate the distribution of the substandard buildings compared with only the half of the district where the buildings are located. If all of the buildings in a district are located evenly throughout the entire area of the district, the substandard buildings must be reasonably distributed throughout the entire area of the district. We believe this is consistent with the opinion expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.

PART 3 – PROCEDURES FOLLOWED

LHB inspected two (2) of the two (2) buildings during the day of June 13, 2019.

PART 4 – FINDINGS

A. COVERAGE TEST

- 1. The total square foot area of the parcel in the proposed TIF District was obtained from City records, GIS mapping and site verification.
- 2. The total square foot area of buildings and site improvements on the parcels in the proposed TIF District was obtained from City records, GIS mapping and site verification.
- 3. The percentage of coverage for each parcel in the proposed TIF District was computed to determine if the 15 percent minimum requirement was met. The total square footage of parcels meeting the 15 percent requirement was divided into the total square footage of the entire district to determine if the 70 percent requirement was met.

FINDING:

The proposed TIF District met the coverage test under *Minnesota Statutes, Section 469.174, Subdivision 10(e)*, which resulted in parcels consisting of 100 percent of the area of the proposed TIF District being occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures (Diagram 2). This exceeds the 70 percent area coverage requirement for the proposed TIF District under *Minnesota Statutes, Section 469.174, Subdivision (a) (1)*.



Shaded area depicts a parcel more than 15 percent occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures

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B. CONDITION OF BUILDING TEST

1. BUILDING INSPECTION

The first step in the evaluation process is the building inspection. After an initial walk-thru, the inspector makes a judgment whether or not a building "appears" to have enough defects or deficiencies of sufficient total significance to justify substantial renovation or clearance. If it does, the inspector documents with notes and photographs code and non-code deficiencies in the building.

2. REPLACEMENT COST

The second step in evaluating a building to determine if it is substandard to a degree requiring substantial renovation or clearance is to determine its replacement cost. This is the cost of constructing a new structure of the same square footage and type on site. Replacement costs were researched using R.S. Means Cost Works square foot models for 2019.

A replacement cost was calculated by first establishing building use (office, retail, residential, etc.), building construction type (wood, concrete, masonry, etc.), and building size to obtain the appropriate median replacement cost, which factors in the costs of construction in Duluth, Minnesota.

Replacement cost includes labor, materials, and the contractor's overhead and profit. Replacement costs do not include architectural fees, legal fees or other "soft" costs not directly related to construction activities. Replacement cost for each building is tabulated in Appendix A.

3. CODE DEFICIENCIES

The next step in evaluating a building is to determine what code deficiencies exist with respect to such building. Code deficiencies are those conditions for a building which are not in compliance with current building codes applicable to new buildings in the State of Minnesota.

Minnesota Statutes, Section 469.174, Subdivision 10(c), specifically provides that a building cannot be considered structurally substandard if its code deficiencies are not at least 15 percent of the replacement cost of the building. As a result, it was necessary to determine the extent of code deficiencies for each building in the proposed TIF District.

The evaluation was made by reviewing all available information with respect to such buildings contained in City Building Inspection records and making interior and exterior inspections of the buildings. LHB utilizes the current Minnesota State Building Code as the official code for our evaluations. The Minnesota State Building Code is actually a series of provisional codes written specifically for Minnesota only requirements, adoption of several international codes, and amendments to the adopted international codes.

After identifying the code deficiencies in each building, we used <u>R.S. Means Cost Works</u> 2019; <u>Unit and Assembly Costs</u> to determine the cost of correcting the identified deficiencies. We were then able to compare the correction costs with the replacement cost of each building to determine if the costs for correcting code deficiencies meet the required 15 percent threshold.

FINDING:

Two (2) out of two (2) buildings (100 percent) in the proposed TIF District contained code deficiencies exceeding the 15 percent threshold required by *Minnesota Statutes, Section* 469.174, Subdivision 10(c). Building Code, Condition Deficiency and Context Analysis reports for the buildings in the proposed TIF District can be found in Appendix B of this report.

4. SYSTEM CONDITION DEFICIENCIES

If a building meets the minimum code deficiency threshold under *Minnesota Statutes, Section* 469.174, Subdivision 10(c), then in order for such building to be "structurally substandard" under *Minnesota Statutes, Section* 469.174, Subdivision 10(b), the building's defects or deficiencies should be of sufficient total significance to justify "substantial renovation or clearance." Based on this definition, LHB re-evaluated each of the buildings that met the code deficiency threshold under *Minnesota Statutes, Section* 469.174, Subdivision 10(c), to determine if the total deficiencies warranted "substantial renovation or clearance" based on the criteria we outlined above.

System condition deficiencies are a measurement of defects or substantial deterioration in site elements, structure, exterior envelope, mechanical and electrical components, fire protection and emergency systems, interior partitions, ceilings, floors and doors.

The evaluation of system condition deficiencies was made by reviewing all available information contained in City records, and making interior and exterior inspections of the buildings. LHB only identified system condition deficiencies that were visible upon our inspection of the building or contained in City records. We <u>did not</u> consider the amount of "service life" used up for a particular component unless it was an obvious part of that component's deficiencies.

After identifying the system condition deficiencies in each building, we used our professional judgment to determine if the list of defects or deficiencies is of sufficient total significance to justify "substantial renovation or clearance."

FINDING:

In our professional opinion, two (2) out of two (2) buildings (100 percent) in the proposed TIF District are structurally substandard to a degree requiring substantial renovation or clearance, because of defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. This exceeds the 50 percent requirement of Subdivision 10a(1).

C. DISTRIBUTION OF SUBSTANDARD STRUCTURES

Much of this report has focused on the condition of individual buildings as they relate to requirements identified by *Minnesota Statutes, Section 469.174, Subdivision 10*. It is also important to look at the distribution of substandard buildings throughout the geographic area of the proposed TIF District (Diagram 3).

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FINDING:

The parcels with substandard buildings are reasonably distributed compared to all parcels that contain buildings.



Shaded green area depicts parcels with substandard buildings.

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Michael A. Fischer, AIA, LEED AP - Project Principal/TIF Analyst

Michael has 31 years of experience as project principal, project manager, project designer and project architect on planning, urban design, educational, commercial and governmental projects. He has become an expert on Tax Increment Finance District analysis assisting over 100 cities with strategic planning for TIF Districts. He is an Architectural Principal at LHB and currently leads the Minneapolis office.

Michael completed a two-year Bush Fellowship, studying at MIT and Harvard in 1999, earning Masters degrees in City Planning and Real Estate Development from MIT. He has served on more than 50 committees, boards and community task forces, including a term as a City Council President and as Chair of a Metropolitan Planning Organization. Most recently, he served as Chair of the Edina, Minnesota planning commission and is currently a member of the Edina city council. Michael has also managed and designed several award-winning architectural projects, and was one of four architects in the Country to receive the AIA Young Architects Citation in 1997.

Philip Waugh - Project Manager/TIF Analyst

Philip is a project manager with 13 years of experience in historic preservation, building investigations, material research, and construction methods. He previously worked as a historic preservationist and also served as the preservation specialist at the St. Paul Heritage Preservation Commission. Currently, Phil sits on the Board of Directors for the Preservation Alliance of Minnesota. His current responsibilities include project management of historic preservation projects, performing building condition surveys and analysis, TIF analysis, writing preservation specifications, historic design reviews, writing Historic Preservation Tax Credit applications, preservation planning, and grant writing.

Phil Fisher – Inspector

For 35 years, Phil Fisher worked in the field of Building Operations in Minnesota including White Bear Lake Area Schools. At the University of Minnesota he earned his Bachelor of Science in Industrial Technology. He is a Certified Playground Safety Inspector, Certified Plant Engineer, and is trained in Minnesota Enterprise Real Properties (MERP) Facility Condition Assessment (FCA). His FCA training was recently applied to the Minnesota Department of Natural Resources Facilities Condition Assessment project involving over 2,000 buildings.

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APPENDICES

APPENDIX A	Property Condition Assessment Summary Sheet
APPENDIX B	Building Code and Condition Deficiencies Reports
APPENDIX C	Building Replacement Cost Reports Code Deficiency Cost Reports Photographs

APPENDIX A

Property Condition Assessment Summary Sheet

Lincoln Park Non-Contiguous Redevelopment TIF District Property Condition Assessment Summary Sheet

TIF Map No.	PID#	Property Address	Improved or Vacant	Survey Method Used	Site Area (S.F.)	Coverage Area of Improvements (S.F.)	Coverage Percent of Improvements	Coverage Quantity (S.F.)	No. of Buildings	Building Replacement Cost	15% of Replacement Cost	Building Code Deficiencies	No. of Buildings Exceeding 15% Criteria	No. of building determined substandard
Area 1														
Α	010-1120-05090	2001 W Superior St	Improved	Interior/Exterior	14,114	14,114	100.0%	14,114	1	\$2,766,501	\$414,975	\$928,210	1	1
Area 1	Subtotals				14,114			14,114	1				1	1
				_		Tota	al Coverage Percent:	100%						
							_		Percent of buil	dings exceeding 15	percent code defi	ciency threshold:	100%	
											Percent of	buildings determi	ned substandard:	100%
Area 2														
В	010-1120-02740	2102 W Superior St	Improved		7,085	7,085	100.0%	7,085						
С	010-1120-02750	2104 W Superior St	Improved	Interior/Exterior	7,046	7,046	100.0%	7,046	1	\$3,205,622	\$480,843	\$1,186,198	1	1
D	010-1120-02760	2112 W Superior St	Improved	1	7,002	7,002	100.0%	7,002						
E	010-1120-02770	N/A	Improved	Exterior	7,133	7,133	100.0%	7,133	0					
F	010-1120-02780	N/A	Improved	Exterior	1,418	1,418	100.0%	1,418	0					
G	R.O.W.	N/A	Improved	Exterior	9,931	8,185	82.4%	9,931	0					
Н	010-1120-00091	N/A	Improved	Exterior	4,461	2,389	53.6%	4,461	0					
Area 2	Subtotals				44,076			44,076	1				1	1
				•		Tota	al Coverage Percent:	100%						
							•		Percent of buil	dings exceeding 15	percent code defi	ciency threshold:	100%	
											Percent of	buildings determi	ned substandard:	100%
														•
Overal	II Totals				58,190			58,190	2				2	2
					·	Total Cov	/erage Percent:	100.0%						
									lue exceedi	ng 15 percent (rode deficienc	cy throshold:	100.0%	
							FEICE	iii oi builuli	iga exceedi	ing to belocite	COUR URINGIELL	y un conoiu.	substandard:	

APPENDIX B

Building Code, Condition Deficiency and Context Analysis Reports

Lincoln Park Non-Contiguous Redevelopment TIF District

Building Code, Condition Deficiency and Context Analysis Report

Parcel No. & Building Name: Parcel No. A Esmond Building

Address: 2001 W Superior St, Duluth MN 55806

Parcel ID: 010-1120-05090

Inspection Date(s) & Time(s): June 13, 2019 1:30 PM

Inspection Type: Interior and Exterior

Summary of Deficiencies: It is our professional opinion that this building is <u>Substandard</u>

because:

- Substantial renovation is required to correct Conditions found.

- Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost: \$2,766,501

Estimated Cost to Correct Building Code Deficiencies: \$928,210

Percentage of Replacement Cost for Building Code Deficiencies: 33.55%

Defects in Structural Elements

1. None observed.

Combination of Deficiencies

- 1. Essential Utilities and Facilities
 - a. There is no code-required accessible parking.
 - b. There is no code-required accessible route into the building.
 - c. There is no code-required accessible route to all levels.
 - d. Door hardware is not code-compliant.
 - e. There are no code-required accessible restrooms.
 - f. There are no code-required accessible rooms to rent.
 - g. The plumbing system is not code-compliant.

2. Light and Ventilation

- a. The lighting system is not code-compliant.
- b. The electrical wiring system is not code-compliant.
- c. The HVAC system is not code-compliant.
- 3. Fire Protection/Adequate Egress
 - a. Thresholds do not comply with code for maximum height.
 - b. Stairways do not comply with code.
 - c. Flooring material is damaged/missing, creating an impediment to emergency egress, contrary to code.
 - d. Exterior fire escape system does not comply with code.
 - e. Install code-required fire proofing.
 - f. There are no code-required smoke detectors in the building.

- g. Emergency lighting is not code-compliant.
- h. The emergency notification system is not code-compliant.
- i. The building sprinkler system is not code-compliant.
- j. There are no code-required Ground Fault Circuit Interrupters.
- k. There are no code-required Arc Fault Circuit Interrupters.
- 1. There are no code-required Carbon Monoxide detectors.
- 4. Layout and Condition of Interior Partitions/Materials
 - a. Interior walls should be repaired/repainted.
 - b. Interior ceilings should be repaired/repainted.
 - c. Doors are damaged and should be repaired.
- 5. Exterior Construction
 - a. The exterior brick is failing, allowing for water intrusion, contrary to code.
 - b. Windows are failing, allowing for water intrusion, contrary to code.

Description of Code Deficiencies

- 1. Code-required accessible parking should be created.
- 2. Code-required accessible route into the building should be created.
- 3. Code-required accessible route to all levels of the building should be created.
- 4. Code-compliant door hardware should be installed.
- 5. The plumbing system is not code-compliant.
- 6. A code-required accessible restroom should be installed.
- 7. A code-required accessible rented room space should be created.
- 8. The lighting system is not code-compliant.
- 9. The electrical wiring system is not code-compliant.
- 10. The HVAC system is not code-compliant.
- 11. Thresholds should be modified to comply with code for maximum height.
- 12. Stairways should be modified to comply with code.
- 13. Flooring material should be repaired/replaced to create in unimpeded means of emergency egress per code.
- 14. Install code-required fire proofing.
- 15. The exterior fire escape system should be modified to comply with code.
- 16. Code-required smoke detectors should be installed.
- 17. A code-compliant emergency lighting system should be installed.
- 18. A code-compliant emergency notification system should be installed.
- 19. The building sprinkler system is not code-compliant.
- 20. Code-required GFCI's should be installed.
- 21. Code-required AFCI's should be installed.
- 22. Code-required carbon monoxide detectors should be installed.
- 23. Exterior brick should be repaired/replaced to prevent water intrusion per code.
- 24. Failed windows should be replaced to prevent water intrusion per code.

Overview of Deficiencies

This building was originally constructed as a hotel. It is now being used as an apartment house. Code-required accessibility is not apparent anywhere in the building. Interior walls and ceilings should be repaired/repainted. Flooring material should be repaired/replaced to create an unimpeded means for emergency egress per code. The plumbing, lighting, electrical wiring and HVAC systems are not code-compliant. Exterior brick is failing, allowing for water intrusion, contrary to code. The window system has failed allowing for water intrusion, contrary to code. The exterior fire escape system is not code-compliant.

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Building Code, Condition Deficiency and Context Analysis Report

Parcel No. & Building Name: Parcels B, C and D Roberts Furniture Building

Address and Parcel ID: 2102 W Superior St, Duluth, MN 55806 PID 010-1120-02740

2104 W Superior St, Duluth, MN 55806 PID 010-1120-02750

2112 W Superior St, Duluth, MN 55806 PID 010-1120-02760

Inspection Date(s) & Time(s): June 13, 2019 3:00 PM

Inspection Type: Interior and Exterior

Summary of Deficiencies: It is our professional opinion that this building is <u>Substandard</u>

oecause:

- Substantial renovation is required to correct Conditions found.

- Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost:

\$3,205,622

Estimated Cost to Correct Building Code Deficiencies:

\$1,186,198

Percentage of Replacement Cost for Building Code Deficiencies:

37%

Defects in Structural Elements

1. None observed.

Combination of Deficiencies

- 1. Essential Utilities and Facilities
 - a. There is no code-required accessible parking.
 - b. There is no code-compliant accessible route into the building.
 - c. There is no code-required accessible route to all levels.
 - d. Door hardware is not code-compliant.
 - e. There are no code-required accessible restrooms.
- 2. Light and Ventilation
 - a. The lighting system is not code-compliant.
 - b. The electrical wiring system is not code-compliant.
 - c. The HVAC system is not code-compliant.
- 3. Fire Protection/Adequate Egress
 - a. Thresholds do not comply with code for maximum height.
 - b. Stairways do not comply with code.
 - c. Install code-required fire proofing.
 - d. There are no code-required smoke detectors in the building.
 - e. Emergency lighting is not code-compliant.
 - f. The emergency notification system is not code-compliant.
 - g. There is no code-required building sprinkler system.
 - h. Exterior glass doors are not code-compliant.

- 4. Layout and Condition of Interior Partitions/Materials
 - a. Interior walls should be repaired/repainted.
 - b. Interior ceilings should be repaired/repainted/replaced
 - c. Doors are damaged and should be repaired.
- 5. Exterior Construction
 - a. The Exterior Insulation Finish System is damaged, allowing for water intrusion, contrary to code.
 - b. Windows are failing, allowing for water intrusion, contrary to code.

Description of Code Deficiencies

- 1. Code-required accessible parking should be created.
- 2. Code-required accessible route into the building should be created.
- 3. Code-required accessible route to all levels of the building should be created.
- 4. Code-compliant door hardware should be installed.
- 5. A code-required accessible restroom should be installed.
- 6. The lighting system is not code-compliant.
- 7. The electrical wiring system is not code-compliant.
- 8. The HVAC system is not code-compliant.
- 9. Thresholds should be modified to comply with code for maximum height.
- 10. Stairways should be modified to comply with code.
- 11. Install code-required fire proofing.
- 12. Code-required smoke detectors should be installed.
- 13. A code-compliant emergency lighting system should be installed.
- 14. A code-compliant emergency notification system should be installed.
- 15. A code-required building sprinkler system should be installed.
- 16. Exterior glass doors should have 10-inch kick plates installed per code.
- 17. Exterior Insulation Finish System should be repaired/replaced to prevent water intrusion per code.
- 18. Failed windows should be replaced to prevent water intrusion per code.

Overview of Deficiencies

This two-story building recently housed a home furnishing store and is now used as a warehouse. Code deficient accessibility items include parking, access into the building, access to all levels of the building and restrooms. Code deficient life safety systems include, smoke detectors, emergency lighting, emergency notification, and building sprinklers. The Exterior Insulation Finish System is damaged, allowing for water intrusion, contrary to code. Windows are failing, allowing for water intrusion, contrary to code. The current lighting system, wiring system and HVAC system does not comply with code. All interior walls should be repainted. All interior floors should be repaired, cleaned or replaced. Stairways are not code-compliant.

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APPENDIX C

Building Replacement Cost Reports Code Deficiency Cost Reports Photographs

Lincoln Park Non-Contiguous Redevelopment TIF District Replacement Cost Report

RSMeans data from GGRDIAN	Square Foot Cost Estimate Report	Date: 6/27/2019
Estimate Name:	2001 West Superior Street	Esmond Building
Building Type:	Apartment, 1-3 Story with Stone Veneer / Wood Frame	
Location:	DULUTH, MN 55806	Com Rathy
Story Count:	3	
Story Height (L.F.):	10.00	
Floor Area (S.F.):	13400	
Labor Type:	OPN	
Basement Included:	Yes	
Data Release:	Year 2019	Costs are derived from a building model with basic components.
Cost Per Square Foot:	\$206.46	Scope differences and market conditions can cause costs to vary significantly.
Building Cost:	\$2,766,501.67	

		% of Total	Cost Per S.F.	Cost
A	Substructure	9.60%	\$17.23	\$230,874.54
A1010	Standard Foundations		\$5.92	\$79,271.60
A10101102700	Strip footing, concrete, reinforced, load 11.1 KLF, soil bearing capacity 6 KSF, 12" deep x 24" wide		\$1.36	\$18,258.39
A10102107700	Spread footings, 3000 PSI concrete, load 200K, soil bearing capacity 6 KSF, 6' - 0" square x 20" deep		\$4.55	\$61,013.21
A1030	Slab on Grade		\$1.74	\$23,359.60
A10301202240	Slab on grade, 4" thick, non industrial, reinforced		\$1.74	\$23,359.60
A2010	Basement Excavation		\$1.15	\$15,423.76
A20101104620	Excavate and fill, 10,000 SF, 8' deep, sand, gravel, or common earth, on site storage		\$1.15	\$15,423.76
A2020	Basement Walls		\$8.42	\$112,819.58
A20201107260	Foundation wall, CIP, 12' wall height, pumped, .444 CY/LF, 21.59 PLF, 12" thick		\$8.42	\$112,819.58
В	Shell	41.61%	\$74.70	\$1,001,043.96
B1010	Floor Construction		\$23.88	\$319,973.80
B10102030860	Cast-in-place concrete column, 12" square, tied, 200K load, 12' story height, 142 lbs/LF, 4000PSI		\$5.02	\$67,287.14
B10102103450	Wood column, 8" x 8", 20' x 20' bay, 10' unsupported height, 133 BF/MSF, 160 PSF total allowable load		\$0.42	\$5,681.87
B10102221720	Flat slab, concrete, with drop panels, 6" slab/2.5" panel, 12" column, 15'x15' bay, 75 PSF superimposed load, 153 PSF total load		\$4.43	\$59,416.49
B10102643050	Wood beam and joist floor, 12"x16" girder, 8"x16" beam, 2x10 joists @ 16", 20'x20' bay, 75 PSF LL, 102 PSF total load		\$11.35	\$152,104.56
B10107203750	Fireproofing, gypsum board, fire rated, 3 layer, 1.5" thick, 8" steel column, 3 hour rating, 23 PLF		\$2.65	\$35,483.74
B1020	Roof Construction		\$8.33	\$111,622.00
* B10201026100	Wood roof, flat rafter, 3" x 12", 12" O.C.		\$8.33	\$111,622.00
B2010	Exterior Walls		\$31.32	\$419,718.66
B20101282000	Stone wall, ashlar veneer, 4" thick, 8' high, 2x4@16" stud back-up, low priced stone		\$30.11	\$403,508.43
B20101907600	Insulation, fiberglass batts, 6" thick, R19		\$1.21	\$16,210.23
B2020	Exterior Windows		\$6.75	\$90,450.58

B20201066650	Windows, aluminum, sliding, standard glass, 5' x 3'		\$6.75	\$90,450.58
B2030	Exterior Doors		\$0.51	\$6,884.92
B20302203500	Door, steel 18 gauge, hollow metal, 1 door with frame, no label, 3'-6"		\$0.51	\$6,884.92
	x 7'-0" opening			
B3010	Roof Coverings		\$3.91	\$52,394.00
* B30101052300	Roofing, asphalt flood coat, gravel, coated glass base sheet, 4 plies		\$3.91	\$52,394.00
C	glass (type IV), mopped Interiors	19.25%	\$34.56	\$463,140.82
C1010	Partitions	1311370	\$6.76	\$90,586.64
C10101241200	Wood partition, 5/8"fire rated gypsum board face, none base,2 x 4,@		\$2.01	\$26,917.80
0201011 12200	16" OC framing, same opposite face, 0 insul		42.02	Ψ=0,0=7.100
C10101241425	Wood partition, 5/8" fire rated gypsum board face, 1/4"sound		\$3.49	\$46,718.83
	deadening gypsum board, 2x4 @ 16" OC framing, same opposite face,			
C4.04.04.200.700	sound attenuation insul		ć0.70	640 445 00
C10101280700	Gypsum board, 1 face only, exterior sheathing, fire resistant, 5/8"		\$0.78	\$10,445.90
C10101280960	Add for the following: taping and finishing		\$0.49	\$6,504.11
C1020	Interior Doors		\$10.18	\$136,383.01
C10201022600	Door, single leaf, kd steel frame, hollow metal, commercial quality,		\$9.06	\$121,394.26
	flush, 3'-0" x 7'-0" x 1-3/8"			
C10201101600	Doors, interior fire door, drywall frame, 1-3/8" thick, 3'-0" x 7'-0"		\$1.12	\$14,988.75
C1030	Fittings		\$5.16	\$69,114.82
C10308300115	Cabinets, residential, base, hardwood, 1 top drawer & 1 door below x		\$2.65	\$35,460.96
	24" W			
C10308300140	Cabinets, residential, wall, two doors x 48" wide		\$1.77	\$23,773.94
C10308300150	Cabinets, residential, counter top-laminated plastic, stock, economy		\$0.74	\$9,879.92
C2010	Stair Construction		\$0.75	\$10,045.36
C20101101120	Stairs, wood, prefab box type, oak treads, wood rails 3'-6" wide, 14		\$0.75	\$10,045.36
	risers		4	
C3010	Wall Finishes		\$2.68	\$35,873.64
C30102300140	Painting, interior on plaster and drywall, walls & ceilings, roller work,		\$1.35	\$18,138.38
C30102300140	primer & 2 coats Painting, interior on plaster and drywall, walls & ceilings, roller work,		\$0.68	\$9,117.64
C30102300140	primer & 2 coats		40.00	Ç3,117.04
C30102301940	Ceramic tile, thin set, 4-1/4" x 4-1/4"		\$0.64	\$8,617.62
C3020	Floor Finishes		\$5.06	\$67,845.82
C30204100060	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 24 oz		\$2.36	\$31,583.02
C30204100080	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 35 oz		\$1.26	\$16,920.72
C30204101600	Vinyl, composition tile, maximum		\$0.34	\$4,571.90
C30204101720	Tile, ceramic natural clay		\$1.10	\$14,770.18
C3030	Ceiling Finishes		\$3.98	\$53,291.53
C30301105400	Gypsum board ceilings, 1/2" fire rated gypsum board, painted and		\$3.98	\$53,291.53
	textured finish, 7/8"resilient channel furring, 24" OC support			
D	Services	28.76%	\$51.63	\$691,842.45
D1010	Elevators and Lifts		\$4.86	\$65,061.59
D10101109050	Hydraulic passenger elevator, 3500 lb., 3 floors, 10' story height, 125		\$4.86	\$65,061.59
	FPM			•
D2010	Plumbing Fixtures		\$6.37	\$85,390.35
D20104101880	Kitchen sink w/trim, countertop, stainless steel, 19" x 18" single bowl		\$1.40	\$18,716.33

D20104202040	Laundry sink w/trim, plastic, on wall or legs, 18" x 23" single		\$0.20	\$2,658.42
D20104404260	compartment Service sink w/trim, PE on CI, corner floor, 28" x 28", w/rim guard		\$0.41	\$5,493.24
D20109262160	Bathroom, three fixture, 2 wall plumbing, lavatory, water closet &		\$4.37	\$58,522.36
D2020	bathtub, stand alone Domestic Water Distribution		\$8.34	\$111,699.53
D20202401820	Electric water heater, commercial, 100< F rise, 50 gallon tank, 9 KW		\$8.34	\$111,699.53
D2040	Rain Water Drainage		\$0.45	\$5,976.57
D20402102040	Roof drain, DWV PVC, 4" diam, diam, 10' high		\$0.27	\$3,639.11
D20402102080	Roof drain, DWV PVC, 4" diam, for each additional foot add		\$0.17	\$2,337.46
D3010	Energy Supply		\$7.42	\$99,394.50
D30105101840	Apartment building heating system, fin tube radiation, forced hot water, 20,000 SF area,200,000 CF vol		\$7.42	\$99,394.50
D3030	Cooling Generating Systems		\$8.00	\$107,242.75
D30301103240	Packaged chiller, air cooled, with fan coil unit, medical centers, 20,000		\$8.00	\$107,242.75
D.1010	SF, 46.66 ton		40.04	440.004.00
D4010	Sprinklers		\$3.21	\$43,001.38
D40104100600	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 5000 SF		\$1.51	\$20,280.75
D40104100720	Wet pipe sprinkler systems, steel, light hazard, each additional floor, 5000 SF		\$1.70	\$22,720.63
D5010	Electrical Service/Distribution		\$4.16	\$55,788.95
D50101200400	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 800 A		\$0.85	\$11,410.95
D50102300400	Feeder installation 600 V, including RGS conduit and XHHW wire, 800 A		\$1.98	\$26,556.90
D50102400280	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 3 phase, 800 A		\$1.33	\$17,821.10
D5020	Lighting and Branch Wiring		\$6.97	\$93,411.03
D50201100520	Receptacles incl plate, box, conduit, wire, 10 per 1000 SF, 1.2 watts per SF		\$2.78	\$37,313.64
D50201300320	Wall switches, 2.5 per 1000 SF		\$0.53	\$7,040.36
D50201350440	Miscellaneous power, 2 watts		\$0.50	\$6,755.74
D50201400240	Central air conditioning power, 3 watts		\$0.54	\$7,277.81
D50201450720	Motor installation, three phase, 200 V, 15 HP motor size		\$0.24	\$3,265.75
D50202160200	Incandescent fixtures recess mounted, type A, 1 watt per SF, 8 FC, 6		\$2.37	\$31,757.73
D5030	fixtures per 1000 SF Communications and Security		\$1.86	\$24,875.80
D50309100452	Communication and alarm systems, fire detection, addressable, 25		\$0.88	\$11,794.80
	detectors, includes outlets, boxes, conduit and wire		•	. ,
D50309100460	Fire alarm command center, addressable without voice, excl. wire &		\$0.45	\$5,987.60
D50309200102	conduit Internet wiring, 2 data/voice outlets per 1000 S.F.		\$0.53	\$7,093.40
Е	Equipment & Furnishings	0.78%	\$1.40	\$18,751.86
E1090	Other Equipment		\$1.40	\$18,751.86
E10904100135	Architectural equipment, appliances, range, 30" free standing, 1 oven,		\$0.97	\$12,972.78
E10904100170	gas, average Architectural equipment, appliances, dish washer, built-in, 2 cycles,		\$0.43	\$5,779.08
11030 .100170	economy		φυ. υ	ψ3,773.00
F	Special Construction	0.00%	\$0.00	\$0.00
G	Building Sitework	0.00%	\$0.00	\$0.00

SubTotal	100%	\$179.53	\$2,405,653.63
Contractor Fees (General Conditions, Overhead, Profit)	15.0 %	\$26.93	\$360,848.04
Architectural Fees	0.0 %	\$0.00	\$0.00
User Fees	0.0 %	\$0.00	\$0.00
Total Building Cost		\$206.46	\$2,766,501.67

Code Deficiency Cost Report

Parcel A - 2001 W Superior St, Duluth, MN 55806 - PID 010-1120-05090

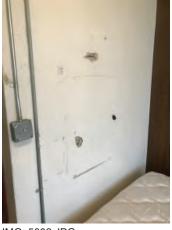
Esmond Building

Code Related Cost Items	Unit Cost		Units	Unit Quantity		Total
Accessibility Items						
Parking						
Create a code required parking space Accessible Routes	\$	100.00	EA	1	\$	100.00
Create a code required accessible route into the building Create a code required accessible route to all levels of the	\$	2,500.00	Lump	1	\$	2,500.00
building	\$	4.86	SF	13,400	\$	65,124.00
Structural Elements						
					\$	-
Exiting						
Door Hardware						
Install code compliant door hardware Thresholds	\$	250.00	EA	70	\$	17,500.00
Modify thresholds to comply with code.	\$	5,000.00	Lump	1	\$	5,000.00
Stairways Modify stairways to comply with code.	\$	0.75	SF	13,400	\$	10,050.00
Flooring Material	Ψ	0.70	OI.	10,400	Ψ	10,000.00
Install code compliant flooring to create an unimpeded means						
of egress	\$	5.06	SF	13,400	\$	67,804.00
Fire Escape System	_				_	
Install a code compliant fire escape system	\$	10,000.00	Lump	1	\$	10,000.00
Fire Protection						
Smoke Detectors						
Install code required smoke detectors	\$	0.88	SF	13,400	\$	11,792.00
Emergency Lighting Install code compliant emergency lighting	\$	0.75	SF	13,400	\$	10,050.00
Emergency Notification System	φ	0.75	SF	13,400	φ	10,030.00
Install code compliant emergency notification system	\$	0.45	SF	13,400	\$	6,030.00
Building Sprinkler System				,		·
Install code compliant building sprinkler system	\$	1.66	SF	13,400	\$	22,244.00
GFCI's						
Install code required GFCI's	\$	0.25	SF	13,400	\$	3,350.00
AFCI's Install code required AFCI's	\$	0.25	SF	13,400	\$	3,350.00
Carbon Monoxide Detector	Ψ	0.20	OI.	10,400	Ψ	5,550.00
Install code required carbon monoxide detectors	\$	0.25	SF	13,400	\$	3,350.00

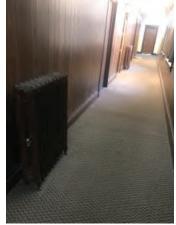
Code Related Cost Items	Unit Cost		Unit Cost Units Q		Total
Fire Proofing					
Install code required fire proofing	\$	2.65	SF	13,400	\$ 35,510.00
Exterior Construction					
Brick					
Repair/replace brick and mortar to prevent water intrusion per code	\$	2.12	SF	13,400	\$ 28,408.00
Windows					
Replace failed window system to prevent water intrusion per code	\$	6.75	SF	13,400	\$ 90,450.00
Roof Construction					
					\$ -
Mechanical- Electrical					
Mechanical					
Install code compliant HVAC system	\$	15.42	SF	13,400	\$ 206,628.00
Install code compliant plumbing system	\$	14.71	SF	13,400	\$ 197,114.00
Electrical					
Install code compliant electrical wiring system	\$	7.47	SF	13,400	\$ 100,098.00
Install code compliant lighting system	\$	2.37	SF	13,400	\$ 31,758.00
	•	Total Cod	de Impro	vements	\$ 928,210

Photos: Parcel A - Parcel A - 2001 W Superior St - Esmond Building









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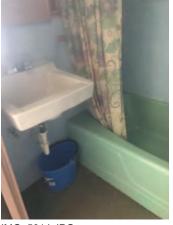
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Photos: Parcel A - Parcel A - 2001 W Superior St - Esmond Building









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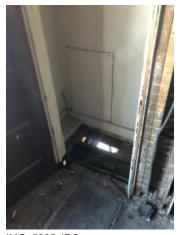


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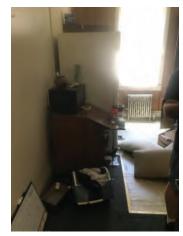


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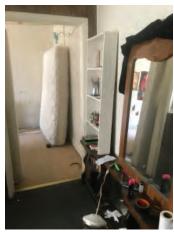
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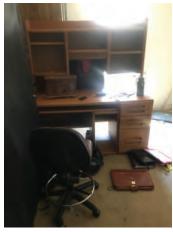


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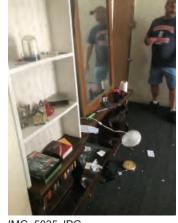
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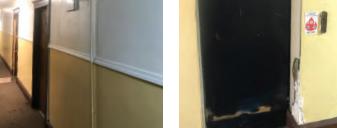
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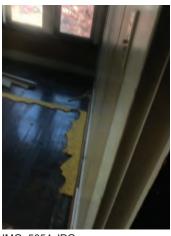


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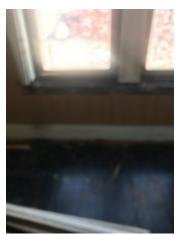


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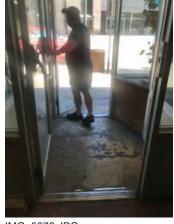
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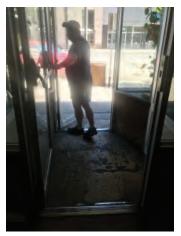
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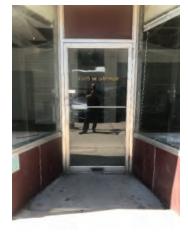
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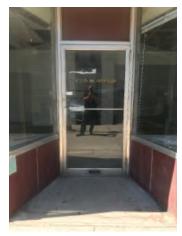


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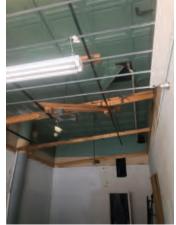
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Photos: Parcel A - Parcel A - 2001 W Superior St - Esmond Building











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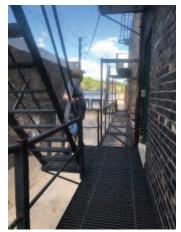
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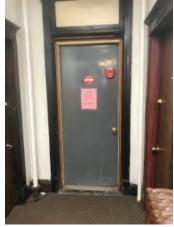


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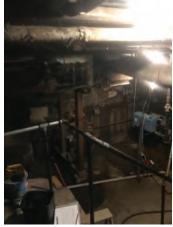
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Photos: Parcel A - Parcel A - 2001 W Superior St - Esmond Building









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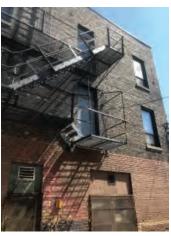
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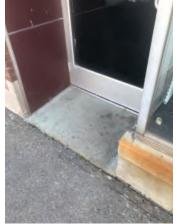


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Replacement Cost Report

RSMeans data **Square Foot Cost Estimate Report** Date: 6/27/2019 Estimate Name: **Roberts Furniture** Store, 2-4 Story with Vinyl Clapboard / Wood Frame **Building Type:** 2102, 2104, and 2112 W Superior St, Duluth, MN 55806 Location: Story Count: Story Height (L.F.): 12.00 Floor Area (S.F.): 18200 Labor Type: OPN Basement Included: Yes Data Release: Year 2019 Costs are derived from a building model with basic components Scope differences and market conditions can cause costs to vary significantly. Cost Per Square Foot: \$176.13 **Building Cost:** \$3,205,622.06

		% of Total	Cost Per S.F.	Cost
A	Substructure	13.60%	\$20.84	\$379,217.72
A1010	Standard Foundations		\$7.71	\$140,257.12
A10101102700	Strip footing, concrete, reinforced, load 11.1 KLF, soil bearing capacity 6 KSF, 12" deep x 24" wide		\$1.42	\$25,885.31
A10102107700	Spread footings, 3000 PSI concrete, load 200K, soil bearing capacity 6 KSF, 6' - 0" square x 20" deep		\$6.28	\$114,371.81
A1030	Slab on Grade		\$2.61	\$47,590.82
A10301202240	Slab on grade, 4" thick, non industrial, reinforced		\$2.61	\$47,590.82
A2010	Basement Excavation		\$1.73	\$31,423.03
A20101104620	Excavate and fill, 10,000 SF, 8' deep, sand, gravel, or common earth, on site storage		\$1.73	\$31,423.03
A2020	Basement Walls		\$8.79	\$159,946.75
A20201107260	Foundation wall, CIP, 12' wall height, pumped, .444 CY/LF, 21.59 PLF, 12" thick		\$8.79	\$159,946.75
В	Shell	34.28%	\$52.50	\$955,445.70
B1010	Floor Construction		\$26.72	\$486,266.84
B10102030860	Cast-in-place concrete column, 12" square, tied, 200K load, 12' story height, 142 lbs/LF, 4000PSI		\$6.93	\$126,132.54
B10102103450	Wood column, 8" x 8", 20' x 20' bay, 10' unsupported height, 133 BF/MSF, 160 PSF total allowable load		\$0.21	\$3,858.58
B10102103450	Wood column, 8" x 8", 20' x 20' bay, 10' unsupported height, 133 BF/MSF, 160 PSF total allowable load		\$0.21	\$3,858.58
B10102221720	Flat slab, concrete, with drop panels, 6" slab/2.5" panel, 12" column, 15'x15' bay, 75 PSF superimposed load, 153 PSF total load		\$6.65	\$121,050.02
B10102643050	Wood beam and joist floor, 12"x16" girder, 8"x16" beam, 2x10 joists @ 16", 20'x20' bay, 75 PSF LL, 102 PSF total load		\$8.51	\$154,942.33
B10107203700	Fireproofing, gypsum board, fire rated, 2 layer, 1" thick, 14" steel column, 3 hour rating, 22 PLF		\$4.20	\$76,424.79
B1020	Roof Construction		\$4.83	\$87,906.00
* B10201024100	Wood roof, flat rafter, 2" x 12", 12" O.C.		\$4.83	\$87,906.00
B2010	Exterior Walls		\$10.37	\$188,705.61
B20101484850	Wood, 2"x6" studs 16"OC, E.I.F.S.		\$9.66	\$175,738.56
B20101907600	Insulation, fiberglass batts, 6" thick, R19		\$0.71	\$12,967.05

B2020	Exterior Windows		\$5.18	\$94,261.15
B20201066550	Windows, aluminum, awning, insulated glass, 4'-5" x 5'-3"		\$5.18	\$94,261.15
B2030	Exterior Doors		\$1.27	\$23,190.48
B20301106950	Door, aluminum & glass, with transom, narrow stile, double door,		\$0.67	\$12,113.60
B20301107300	hardware, 6'-0" x 10'-0" opening Door, aluminum & glass, with transom, bronze finish, hardware, 3'-0"		\$0.34	\$6,264.44
B20302203450	x 10'-0" opening Door, steel 18 gauge, hollow metal, 1 door with frame, no label, 3'-0"		\$0.26	\$4,812.44
B3010	x 7'-0" opening Roof Coverings		\$4.13	\$75,115.62
* B30101052300	Roofing, asphalt flood coat, gravel, coated glass base sheet, 4 plies		\$3.91	\$73,113.02
D30101032300	glass (type IV), mopped		Ş3.91	\$71,102.00
B30106100050	Gutters, box, aluminum, .027" thick, 5", enameled finish		\$0.16	\$2,824.71
B30106200100	Downspout, aluminum, rectangular, 2" x 3", embossed mill finish,		\$0.06	\$1,128.91
	.020" thick			
С	Interiors	15.61%	\$23.91	\$435,079.84
C1010	Partitions		\$3.26	\$59,389.68
C10101241200	Wood partition, 5/8"fire rated gypsum board face, none base,2 x 4,@		\$1.27	\$23,032.80
C10101241425	16" OC framing,same opposite face, 0 insul Wood partition, 5/8" fire rated gypsum board face, 1/4"sound		\$0.94	\$17,132.56
C10101241425	deadening gypsum board, 2x4 @ 16" OC framing, same opposite face,		Ş0.5 4	\$17,132.30
	sound attenuation insul			
C10101280700	Gypsum board, 1 face only, exterior sheathing, fire resistant, 5/8"		\$0.65	\$11,847.50
C10101280960	Add for the following: taping and finishing		\$0.41	\$7,376.82
C1020	Interior Doors		\$3.83	\$69,756.40
C10201022600	Door, single leaf, kd steel frame, hollow metal, commercial quality, flush, $3'-0" \times 7'-0" \times 1-3/8"$		\$3.83	\$69,756.40
C1030	Fittings		\$0.22	\$3,940.50
C10301100420	Toilet partitions, cubicles, ceiling hung, plastic laminate		\$0.22	\$3,940.50
C2010	Stair Construction		\$4.31	\$78,359.92
C20101100720	Stairs, steel, pan tread for conc in-fill, picket rail,12 risers w/ landing		\$4.31	\$78,359.92
			4	
C3010	Wall Finishes		\$1.21	\$22,010.57
C30102300140	Painting, interior on plaster and drywall, walls & ceilings, roller work,		\$0.64	\$11,669.55
C30102300140	primer & 2 coats Painting, interior on plaster and drywall, walls & ceilings, roller work,		\$0.57	\$10,341.02
C3020	primer & 2 coats Floor Finishes		\$4.99	\$90,741.45
C30204100080	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 35 oz		\$3.03	\$55,156.48
C30204101600	Vinyl, composition tile, maximum		\$0.85	\$15,523.98
C30204101720	Tile, ceramic natural clay		\$1.10	\$20,060.99
C3030	Ceiling Finishes		\$6.09	\$110,881.32
C30302106000	Acoustic ceilings, 3/4" fiberglass board, 24" x 48" tile, tee grid,		\$6.09	\$110,881.32
C30302100000	suspended support		Ç0.05	\$110,001.32
D	Services	36.51%	\$55.92	\$1,017,754.18
D1010	Elevators and Lifts		\$11.64	\$211,896.05
D10101108900	Hydraulic passenger elevator, 3000 lb, 3 floors,12' story height, 2 car group,125 FPM		\$11.64	\$211,896.05
D2010	Plumbing Fixtures		\$2.02	\$36,771.67
D20101102080	Water closet, vitreous china, bowl only with flush valve, wall hung		\$0.83	\$15,150.82
D20102102000	Urinal, vitreous china, wall hung		\$0.13	\$2,319.23

Total Building Cost			\$176.13	\$3,205,622.06
User Fees		0.0 %	\$0.00 \$0.00	\$0.00
Architectural Fees		0.0 %	\$0.00	\$0.00
	neral Conditions,Overhead,Profit)	15.0 %	\$22.97	\$418,124.62
SubTotal		100%	\$153.16	\$2,787,497.44
G	Building Sitework	0.00%	\$0.00	\$0.00
F	Special Construction	0.00%	\$0.00	\$0.00
E1090	Other Equipment		\$0.00	\$0.00
Е	Equipment & Furnishings	0.00%	\$0.00	\$0.00
D50309200110	Internet wiring, 8 data/voice outlets per 1000 S.F.		\$1.66	\$30,137.29
D50309100462	Fire alarm command center, addressable with voice, excl. wire & conduit		\$0.60	\$10,989.21
D-0000400400	detectors, includes outlets, boxes, conduit and wire		40.00	440.000 - :
D50309100454	Communication and alarm systems, fire detection, addressable, 50		\$1.92	\$34,872.29
D50303101020	Telephone wiring for offices & laboratories, 8 jacks/MSF		\$1.53	\$27,835.08
D5030	10 fixtures @32watt per 1000 SF Communications and Security		\$5.71	\$103,833.87
D50202100520	Fluorescent fixtures recess mounted in ceiling, 1.6 watt per SF, 40 FC,		\$5.75	\$104,680.14
D50201452080	Motor installation, three phase, 460 V, 15 HP motor size		\$0.26	\$4,737.76
D50201400280	Central air conditioning power, 4 watts		\$0.56	\$10,247.33
D50201350320	Miscellaneous power, 1.2 watts		\$0.31	\$5,687.50
23221230070	SF, with transformer		Ų 1.52	Ψ <u>σ</u> Σ, <u>σ</u> Σσ.15
D50201100640	Receptacles incl plate, box, conduit, wire, 16.5 per 1000 SF, 2.0 W per		\$4.52	\$82,325.15
D50102400320 D5020	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 3 phase, 1200 A Lighting and Branch Wiring		\$1.51 \$11.41	\$27,535.86 \$207,677.88
D50102300440	Feeder installation 600 V, including RGS conduit and XHHW wire, 1000 A Switchgood installation, including RGS conduit and XHHW wire,		\$1.24	\$22,492.00
D50101200440	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 1000 A		\$0.97	\$17,589.25
D5010	Electrical Service/Distribution		\$3.72	\$67,617.11
D40203101560	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, additional floors		\$0.45	\$8,111.79
D40203101340	floor			
D4020 D40203101540	Standpipes Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1		\$0.98 \$0.53	\$17,760.24 \$9,648.45
D40104108930	Standard High Rise Accessory Package 3 story		\$0.26	\$4,697.19
D40104109720	Wet pipe sprinkler systems, steel, light hazard, each additional floor, 5000 SF		\$1.67	\$30,398.77
D40104100600	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 5000 SF		\$1.56 \$1.67	\$28,380.21
D4010	Sprinklers		\$3.49	\$63,476.17
D30501553960	Rooftop, multizone, air conditioner, offices, 25,000 SF, 79.16 ton		\$16.38	\$298,099.62
D3050	GPH Terminal & Package Units		\$16.38	\$298,099.62
D20202501860	Gas fired water heater, commercial, 100< F rise, 100 MBH input, 91		\$0.58	\$10,621.57
D2020	Domestic Water Distribution		\$0.58	\$10,621.57
D20108201920	Water cooler, electric, wall hung, wheelchair type, 7.5 GPH		\$0.28	\$5,006.27
D20104404340	Service sink w/trim, PE on CI, wall hung w/rim guard, 24" x 20"		\$0.55	\$9,920.34
D20103101560	Lavatory w/trim, vanity top, PE on CI, 20" x 18"		\$0.24	\$4,375.01

Code Deficiency Cost Report

Parcels B, C, and D - 2102, 2104, and 2112 W Superior St, Duluth, MN 55806 Parcel IDs: 010-1120-02740, 010-1120-02750, 010-1120-02760

Roberts Furniture

Accessibility Items Parking Create a code required parking space Accessible Routes Create a code required accessible route into the building Create a code required accessible route to all levels of the building Restrooms Install code compliant restroom	\$ \$ \$	100.00 5,000.00 11.64 1.42	EA Lump SF SF	1 1 18,200 18,200	\$ \$ \$	100.00 5,000.00 211,848.00 25,844.00
Create a code required parking space Accessible Routes Create a code required accessible route into the building Create a code required accessible route to all levels of the building Restrooms Install code compliant restroom	\$ 5 \$	5,000.00 11.64	Lump SF	1 18,200	\$	5,000.00 211,848.00
Accessible Routes Create a code required accessible route into the building Create a code required accessible route to all levels of the building Restrooms Install code compliant restroom	\$ 5 \$	5,000.00 11.64	Lump SF	1 18,200	\$	5,000.00 211,848.00
Create a code required accessible route into the building Create a code required accessible route to all levels of the building Restrooms Install code compliant restroom	\$	11.64	SF	18,200	\$	211,848.00
Create a code required accessible route to all levels of the building Restrooms Install code compliant restroom	\$	11.64	SF	18,200	\$	211,848.00
building Restrooms Install code compliant restroom						
Restrooms Install code compliant restroom						
	\$	1.42	SF	18,200	\$	25,844.00
Other street Flore and						
Structural Elements						
					\$	-
Exiting						
Door Hardware						
Install code compliant door hardware	\$	250.00	EA	35	\$	8,750.00
Thresholds	. -				•	5 000 00
Modify thresholds to comply with code. Stairways	\$ 5	5,000.00	Lump	1	\$	5,000.00
Modify stairways to comply with code.	\$	4.31	SF	18,200	\$	78,442.00
Fire Protection						
Smoke Detectors						
Install code required smoke detectors	\$	1.92	SF	18,200	\$	34,944.00
Emergency Lighting Install code compliant emergency lighting	φ	0.75	SF	10 200	c	12 650 00
Emergency Notification System	\$	0.75	SF	18,200	\$	13,650.00
Install code compliant emergency notification system	\$	0.60	SF	18,200	\$	10,920.00
Building Sprinkler System	,			-,	•	- ,
Install code required building sprinkler system	\$	4.47	SF	18,200	\$	81,354.00
Fire Proofing						
Install code required fire proofing	\$	4.20	SF	18,200	\$	76,440.00
Exterior Construction						
Exterior Insulation Finish System			o-	40.555	•	
Repair/replace E.F.I.S. to prevent water intrusion per code	\$	0.25	SF	18,200	\$	4,550.00

Code Related Cost Items	Un	it Cost	Units	Unit Quantity	Total
Windows					
Replace failed window system to prevent water intrusion per code	\$	5.18	SF	18,200	\$ 94,276.00
Roof Construction					
					\$ -
Mechanical- Electrical					
Mechanical					
Install code compliant HVAC system	\$	16.38	SF	18,200	\$ 298,116.00
Electrical					
Install code compliant electrical wiring system	\$	7.27	SF	18,200	\$ 132,314.00
Install code compliant lighting system	\$	5.75	SF	18,200	\$ 104,650.00
	Т	otal Cod	de Impro	vements	\$ 1,186,198







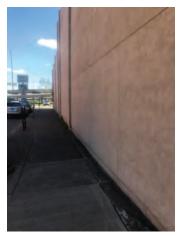
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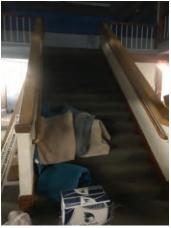
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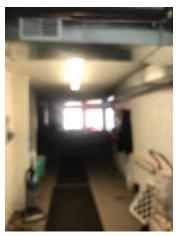
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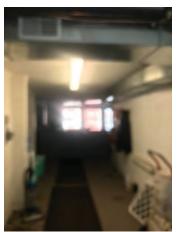
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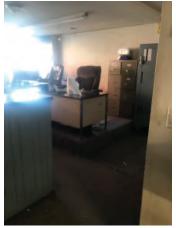
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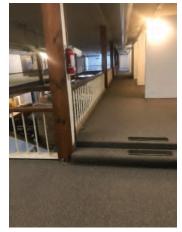
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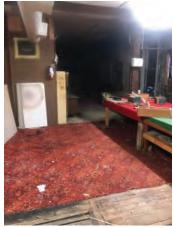


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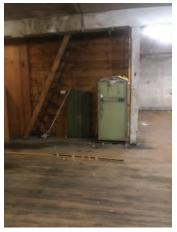
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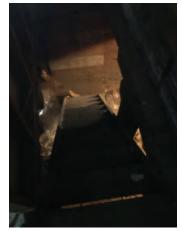




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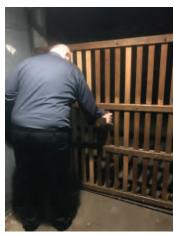
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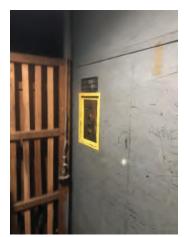
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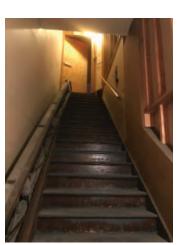
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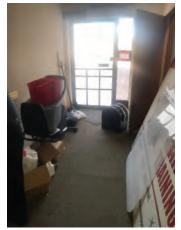
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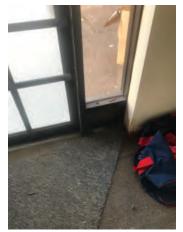
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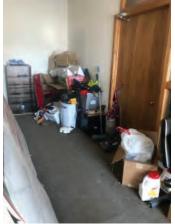
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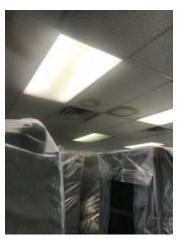
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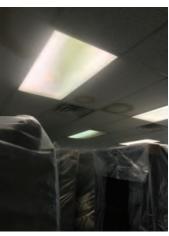
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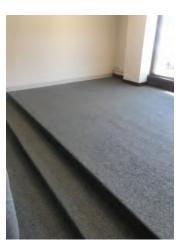
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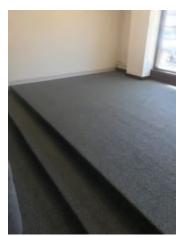
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IMG_5238.JPG



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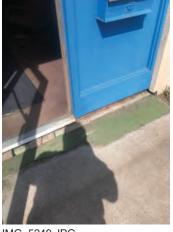
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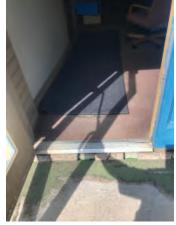


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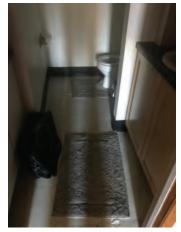




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IMG_5250.JPG









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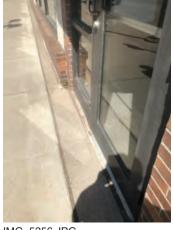
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IMG_5255.JPG

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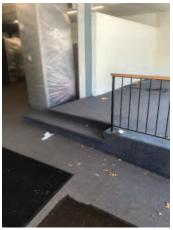
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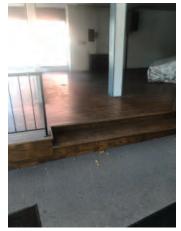




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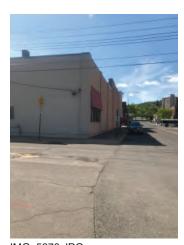
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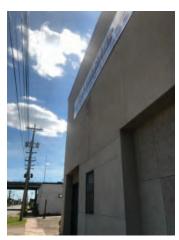
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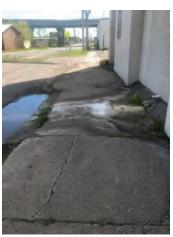
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