

Planned Adoption Date: December 11, 2023

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

**MODIFICATION TO  
THE DEVELOPMENT PROGRAM**

Development District No. 17

**&**

**Tax Increment Financing (TIF) Plan**

Establishment of Tax Increment Financing District No. 36  
(a redevelopment district)



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

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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. 36.

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

# Tax Increment Financing Plan for Tax Increment Financing District No. 36

## FOREWORD

The Duluth Economic Development Authority ("DEDA"), the City of Duluth (the "City"), staff and consultants have prepared the following information to expedite the Establishment of Tax Increment Financing District No. 36 (the "District"), a redevelopment tax increment financing district, located in Development District No. 17.

## STATUTORY AUTHORITY

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, DEDA and the City have certain statutory powers pursuant to *Minnesota Statutes ("M.S."), Sections 469.090 - 469.1082*, inclusive, as amended, *M.S., Sections 469.174 to 469.1794*, inclusive, as amended (the "TIF Act"), and MN Laws 2023, Chapter 64, Article 8, Section 10 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 eleven (11) parcels of land and adjacent roads and internal rights-of-way. The District is being created to facilitate redevelopment of 1st Street and construction of approximately 165 units of market rate rental housing in the City. DEDA has not entered into an agreement with a developer at the time of preparation of this TIF Plan, but development is likely to occur in 2024. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 17.

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

## DEVELOPMENT PROGRAM OVERVIEW

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

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

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

The District encompasses all property and adjacent roads and internal rights-of-way and abutting roadways identified by the parcels listed below.

Parcel number	Address	Owner
010-0930-00030	unassigned	H&G Dev. LLC
010-0930-00040	15 E 1st St	H&G Dev. LLC
010-0930-00050	unassigned	H&G Dev. LLC
010-0930-00060	unassigned	H&G Dev. LLC
010-0930-00070	unassigned	H&G Dev. LLC
010-0930-00090	31 E 1st St	1st. & 1st. Prop.
010-0930-00095	25 E 1st St	H&G Dev. LLC
010-0950-00720	unassigned	H&G Dev. LLC
010-0950-00660	unassigned	H&G Dev. LLC
010-0950-00620	unassigned	H&G Dev. LLC
010-0950-00622	unassigned	H&G Dev. LLC

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

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

## **DISTRICT CLASSIFICATION**

DEDA and the City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, find that the District, to be established, is a redevelopment district. This redevelopment district is established pursuant to *MN Laws 2023, Chapter 64, Article 8, Section 10*.

- The District is a redevelopment district pursuant to special law consisting of eleven (11) parcel(s).

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

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

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

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

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

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

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2025) the amount by which the original value has increased or decreased as a result of:

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

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

The original local tax rate for the District will be the local tax rate for taxes payable 2023, assuming the request for certification is made before June 30, 2024. The rates for 2024 were not available at the time the District was established. The ONTC and the Original Local Tax Rate for the District appear in the table below.

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

<b>Project Tax Capacity</b>	
Project estimated Tax Capacity upon completion	773,399
Original estimated Net Tax Capacity	7,910
Fiscal Disparities	<u>0</u>
Estimated Captured Tax Capacity	<b>765,489</b>
Original Local Tax Rate	<u>134.0690%</u> Pay 2023
Estimated Annual Tax Increment	<b>\$1,026,284</b>
Percent Retained by the City	100%

Note: Tax capacity includes a 3.00% 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 26. The tax capacity of the District in year one is estimated to be \$97,969.

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

The City has reviewed the area to be included in the District and determined that no 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:

<b>SOURCES</b>	
Tax Increment	\$ 18,270,723
Interest	<u>1,827,072</u>
<b>TOTAL</b>	<b>\$ 20,097,795</b>

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. DEDA or the City reserves the right to issue bonds (as defined in the TIF Act) or incur other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by pay-as-you-go notes and interfund loans.



Any refunding amounts will be deemed a budgeted cost without a formal modification to this TIF Plan. This provision does not obligate DEDA or the City to incur debt. DEDA or the City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

DEDA or the City may issue bonds secured in whole or in part with tax increments from the District in a maximum principal amount of \$11,687,145. 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 redevelopment of 1st Street and construction of approximately 165 units of market rate rental housing in the City. DEDA and the City have determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described herein.

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

<b>USES</b>	
Land/Building Acquisition	\$ 2,000,000
Site Improvements/Preparation	750,000
Utilities	500,000
Other Qualifying Improvements	6,610,073
Administrative Costs (up to 10%)	1,827,072
<b>PROJECT COSTS TOTAL</b>	<b>\$ 11,687,145</b>
Interest	8,410,650
<b>PROJECT AND INTEREST COSTS TOTAL</b>	<b>\$ 20,097,795</b>

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

Estimated costs associated with the District are subject to change among categories without a modification to the TIF Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory requirements. Pursuant to *M.S., Section 469.1763, Subd. 2*, no more than 25% of the tax increment paid by property within the District will be spent on activities related to development or redevelopment outside of the District but within the boundaries of Development District No. 17, (including administrative costs, which are considered to be spent outside of the District) subject to the limitations as described in the TIF Plan.

**ESTIMATED IMPACT ON OTHER TAXING JURISDICTIONS**

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

Impact on Tax Base			
Entity	2022/Pay 2023 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
St. Louis County	249,820,603	765,489	<b>0.3064%</b>
City of Duluth	101,021,500	765,489	<b>0.7577%</b>
ISD 709 (Duluth)	112,874,293	765,489	<b>0.6782%</b>

Impact on Tax Rates				
Entity	Pay 2023 Extension Rate	Percent of Total CTC	Potential Taxes	
St. Louis County	60.9700%	45.48%	765,489	<b>\$ 466,719</b>
City of Duluth	40.9030%	30.51%	765,489	<b>313,108</b>
ISD 709 (Duluth)	26.1770%	19.53%	765,489	<b>200,382</b>
Other	6.0190%	4.49%	765,489	<b>46,075</b>
	<b>134.0690%</b>	<b>100.00%</b>		<b>\$1,026,284</b>

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Pay 2023 rate.

The total net capacity for the entities listed above are based on Pay 2023 figures. The District will be certified under the Pay 2024 rates, which were unavailable at the time this TIF Plan was prepared.

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

- (1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is \$18,270,723;
- (2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is expected. With any addition of new residents, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. 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 addition of new residents, calls for service as well as inspection and code enforcement will be increased. Typically new buildings generate few calls, if any, and are of superior construction. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities. In addition, having new development on the vacant site will mitigate the attractive nuisance conditions that currently exist.

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 current infrastructure for sanitary sewer, storm sewer and water will be able to handle the additional volume generated from the proposed development. Based on the development plans, there are no additional costs associated with street maintenance, sweeping, plowing, lighting and sidewalks. The development in the District is expected to contribute sanitary sewer (SAC) and water (WAC) connection fees.

The probable impact of the issuance of any general obligation tax increment bonds payable from tax increment revenues from the District on the City's 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 \$3,567,362;
- (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 \$8,308,900;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S., Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

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

## SUPPORTING DOCUMENTATION

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

- (i) In making said determination, reliance has been placed upon (1) written representation made by the Developer to such effects, (2) review of the Developer's proforma; 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 District and Appendix C.
- (ii) A comparative analysis of estimated market value both with and without establishment of the District and the use of tax increments has been performed. Such analysis is included with the cashflow in Appendix B and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the District and the use of tax increments.

## **DISTRICT ADMINISTRATION**

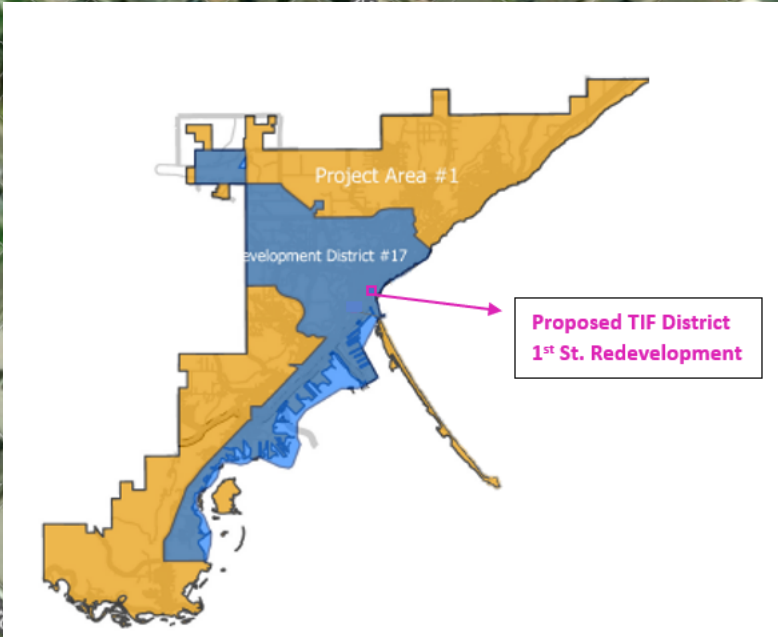
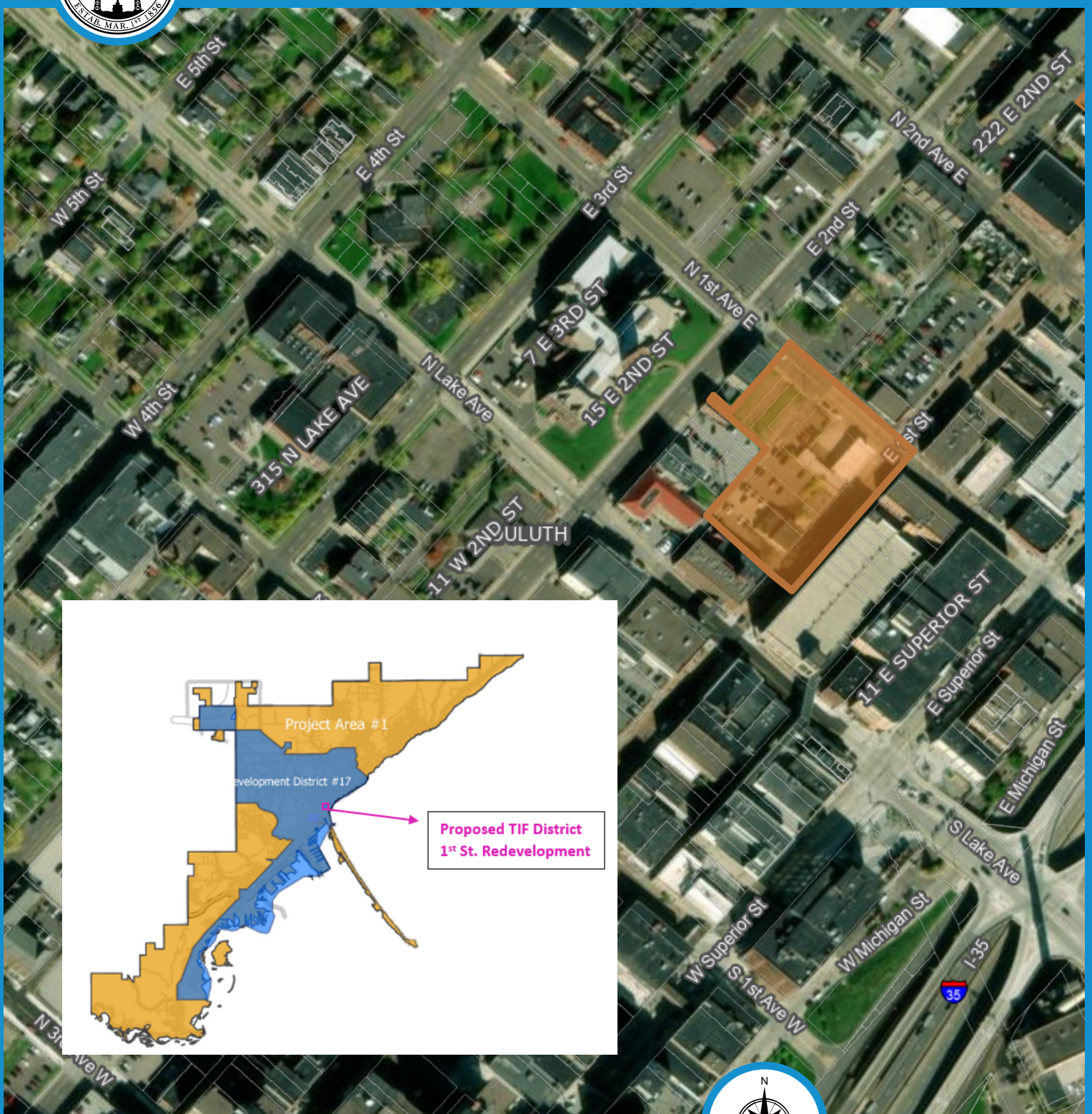
Administration of the District will be handled by the Executive Director.

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

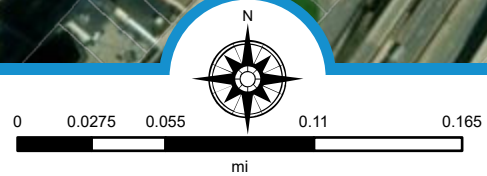


# County Land Explorer

St. Louis County, Minnesota



## Proposed 1st St. Redevelopment TIF District



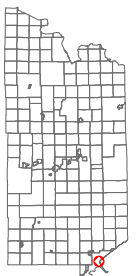
St. Louis County [www.stlouiscountymn.gov/explorer](http://www.stlouiscountymn.gov/explorer) Minnesota

### Disclaimer

This is a compilation of records as they appear in the Saint Louis County Offices affecting the area shown. This drawing is to be used only for reference purposes and the County is not responsible for any inaccuracies herein

Map created using County Land Explorer  
[www.stlouiscountymn.gov/explorer](http://www.stlouiscountymn.gov/explorer)

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# Appendix B: Estimated Cash Flow for the District



## TIF District No. 36 (15 East 1st. Street Redevelopment) - 3% Inflation

City of Duluth, MN

165 Market Rate Apartments



### ASSUMPTIONS AND RATES

<b>DistrictType:</b>	Redevelopment
<b>District Name/Number:</b>	
<b>County District #:</b>	
<b>First Year Construction or Inflation on Value</b>	<b>2024</b>
<b>Existing District - Specify No. Years Remaining</b>	
Inflation Rate - Every Year:	<b>3.00%</b>
Interest Rate:	<b>5.00%</b>
Present Value Date:	<b>1-Aug-25</b>
First Period Ending	1-Feb-26
Tax Year District was Certified:	<b>Pay 2024</b>
Cashflow Assumes First Tax Increment For Development:	2026
Years of Tax Increment	26
Assumes Last Year of Tax Increment	2051
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	<b>NA</b>
Incremental or Total Fiscal Disparities	<b>NA</b>
Fiscal Disparities Contribution Ratio	NA Pay 2023
Fiscal Disparities Metro-Wide Tax Rate	NA Pay 2023
Maximum/Frozen Local Tax Rate:	134.069% Pay 2023
Current Local Tax Rate: (Use lesser of Current or Max.)	134.069% Pay 2023
State-wide Tax Rate (Comm./Ind. only used for total taxes)	33.0030% Pay 2023
Market Value Tax Rate (Used for total taxes)	0.15310% Pay 2023

Tax Rates		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First \$150,000		1.50%
Over \$150,000		2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		
First \$100,000		0.25%
Over \$100,000		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		
First \$500,000		1.00%
Over \$500,000		1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First \$500,000		1.00%
Over \$500,000		1.25%
Agricultural Non-Homestead		1.00%

### BASE VALUE INFORMATION (Original Tax Capacity)

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year	Property Tax Class	Current	Class After Conversion	After	Area/ Phase
									Original		Original		Conversion	
								Market Value	Market Value		Tax Capacity	Orig. Tax Cap.		
1	010-0930-00030	H&G Dev. LLC	unassigned	67,200	9,000	76,200	100%	76,200	Pay 2024	C/I Pref.	1,143	Rental	953	1
2	010-0930-00040	H&G Dev. LLC	15 E 1st St	114,000	6,300	120,300	100%	120,300	Pay 2024	C/I Pref.	1,805	Rental	1,504	1
3	010-0930-00050	H&G Dev. LLC	unassigned	84,000	8,100	92,100	100%	92,100	Pay 2024	C/I Pref.	1,382	Rental	1,151	1
4	010-0930-00060	H&G Dev. LLC	unassigned	50,400	8,100	58,500	100%	58,500	Pay 2024	C/I Pref.	878	Rental	731	1
5	010-0930-00070	H&G Dev. LLC	unassigned	24,000	7,200	31,200	100%	31,200	Pay 2024	C/I Pref.	468	Rental	390	1
6	010-0930-00090	1st. & 1st. Prop.	31 E 1st St	139,200	0	139,200	100%	139,200	Pay 2024	C/I Pref.	2,088	Rental	1,740	1
7	010-0930-00095	H&G Dev. LLC	25 E 1st St	15,000	0	15,000	100%	15,000	Pay 2024	C/I Pref.	225	Rental	188	1
8	010-0950-00720	H&G Dev. LLC	unassigned	13,600	0	13,600	100%	13,600	Pay 2024	C/I Pref.	204	Rental	170	1
9	010-0950-00660	H&G Dev. LLC	unassigned	21,200	0	21,200	100%	21,200	Pay 2024	C/I Pref.	318	Rental	265	1
10	010-0950-00620	H&G Dev. LLC	unassigned	19,600	0	19,600	100%	19,600	Pay 2024	C/I Pref.	294	Rental	245	1
11	010-0950-00622	H&G Dev. LLC	unassigned	45,900	0	45,900	100%	45,900	Pay 2024	C/I Pref.	689	Rental	574	1
				<b>594,100</b>	<b>38,700</b>	<b>632,800</b>		<b>632,800</b>			<b>9,492</b>		<b>7,910</b>	

Note:

1. Base values are for pay 2023 based upon review of County website on 10-5-23.
2. Located in SD # 709.

**TIF District No. 36 (15 East 1st. Street Redevelopment) - 3% Inflation**

City of Duluth, MN  
165 Market Rate Apartments



PROJECT INFORMATION (Project Tax Capacity)													
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2024	Percentage Completed 2025	Percentage Completed 2026	Percentage Completed 2027	First Year Full Taxes Payable
1	Apartments	190,000	190,000	165	31,350,000	Rental	391,875	2,375	25%	75%	100%	100%	2028
<b>TOTAL</b>					<b>31,350,000</b>		<b>391,875</b>						
<b>Subtotal Residential</b>				<b>165</b>	<b>31,350,000</b>		<b>391,875</b>						
<b>Subtotal Commercial/Ind.</b>				<b>0</b>	<b>0</b>		<b>0</b>						

Note:

1. Market value based on assessed value of Endi project in Duluth.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Apartments	391,875	0	391,875	525,383	0	0	47,997	573,380	3,475.03
<b>TOTAL</b>	<b>391,875</b>	<b>0</b>	<b>391,875</b>	<b>525,383</b>	<b>0</b>	<b>0</b>	<b>47,997</b>	<b>573,380</b>	

Note:

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	573,380
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(47,997)
less Base Value Taxes	(10,605)
<b>Annual Gross TIF</b>	<b>514,778</b>

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	632,800
New Market Value - Est.	31,350,000
Difference	30,717,200
Present Value of Tax Increment	8,957,804
Difference	21,759,396
Value likely to occur without Tax Increment is less than:	21,759,396



## TIF District No. 36 (15 East 1st. Street Redevelopment) - 3% Inflation

City of Duluth, MN

165 Market Rate Apartments

TAX INCREMENT CASH FLOW														
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities NA	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
														02/01/26
100%	97,969	(7,910)	-	90,059	134.069%	120,741	60,370	(217)	(6,015)	54,138	51,529	0.5	2026	08/01/26
100%	293,906	(7,910)	-	285,996	134.069%	383,432	60,370	(217)	(6,015)	54,138	101,801	1	2026	02/01/27
100%	391,875	(7,910)	-	383,965	134.069%	514,778	191,716	(690)	(19,103)	171,923	257,556	1.5	2027	08/01/27
100%	403,631	(7,910)	-	395,721	134.069%	530,540	191,716	(690)	(19,103)	171,923	409,511	2	2027	02/01/28
100%	415,740	(7,910)	-	407,830	134.069%	546,774	257,389	(927)	(25,646)	230,816	608,543	2.5	2028	08/01/28
100%	428,212	(7,910)	-	420,302	134.069%	563,495	257,389	(927)	(25,646)	230,816	802,720	3	2028	02/01/29
100%	441,059	(7,910)	-	433,149	134.069%	580,718	265,270	(955)	(26,431)	237,883	997,962	3.5	2029	08/01/29
100%	454,291	(7,910)	-	446,381	134.069%	598,458	265,270	(955)	(26,431)	237,883	1,188,442	4	2029	02/01/30
100%	467,919	(7,910)	-	460,009	134.069%	616,730	273,387	(984)	(27,240)	245,162	1,379,963	4.5	2030	08/01/30
100%	481,957	(7,910)	-	474,047	134.069%	635,550	273,387	(984)	(27,240)	245,162	1,566,812	5	2030	02/01/31
100%	496,416	(7,910)	-	488,506	134.069%	654,934	281,748	(1,014)	(28,073)	252,660	1,754,679	5.5	2031	08/01/31
100%	511,308	(7,910)	-	503,398	134.069%	674,901	281,748	(1,014)	(28,073)	252,660	1,937,964	6	2031	02/01/32
100%	526,647	(7,910)	-	518,737	134.069%	695,466	290,359	(1,045)	(28,931)	260,382	2,122,243	6.5	2032	08/01/32
100%	542,447	(7,910)	-	534,537	134.069%	716,648	290,359	(1,045)	(28,931)	260,382	2,302,028	7	2032	02/01/33
100%	558,720	(7,910)	-	550,810	134.069%	738,466	299,229	(1,077)	(29,815)	268,337	2,482,787	7.5	2033	08/01/33
100%	575,482	(7,910)	-	567,572	134.069%	760,938	299,229	(1,077)	(29,815)	268,337	2,659,136	8	2033	02/01/34
100%	592,746	(7,910)	-	584,836	134.069%	784,084	308,365	(1,110)	(30,725)	276,529	2,836,437	8.5	2034	08/01/34
100%	610,528	(7,910)	-	602,618	134.069%	807,925	308,365	(1,110)	(30,725)	276,529	3,009,414	9	2034	02/01/35
100%	628,844	(7,910)	-	620,934	134.069%	832,480	317,775	(1,144)	(31,663)	284,968	3,183,322	9.5	2035	08/01/35
100%	647,710	(7,910)	-	639,800	134.069%	857,773	317,775	(1,144)	(31,663)	284,968	3,352,988	10	2035	02/01/36
100%	667,141	(7,910)	-	659,231	134.069%	883,824	327,467	(1,179)	(32,629)	293,660	3,523,564	10.5	2036	08/01/36
100%	687,155	(7,910)	-	679,245	134.069%	910,657	327,467	(1,179)	(32,629)	293,660	3,689,980	11	2036	02/01/37
100%	707,770	(7,910)	-	699,860	134.069%	938,295	337,450	(1,215)	(33,624)	302,612	3,857,287	11.5	2037	08/01/37
100%	729,003	(7,910)	-	721,093	134.069%	966,762	337,450	(1,215)	(33,624)	302,612	4,020,513	12	2037	02/01/38
100%	750,873	(7,910)	-	742,963	134.069%	996,083	347,733	(1,252)	(34,648)	311,833	4,184,610	12.5	2038	08/01/38
100%	773,399	(7,910)	-	765,489	134.069%	1,026,284	347,733	(1,252)	(34,648)	311,833	4,344,705	13	2038	02/01/39
							358,324	(1,290)	(35,703)	321,331	4,505,652	13.5	2039	08/01/39
							358,324	(1,290)	(35,703)	321,331	4,662,674	14	2039	02/01/40
							369,233	(1,329)	(36,790)	331,113	4,820,530	14.5	2040	08/01/40
							369,233	(1,329)	(36,790)	331,113	4,974,536	15	2040	02/01/41
							380,469	(1,370)	(37,910)	341,189	5,129,357	15.5	2041	08/01/41
							380,469	(1,370)	(37,910)	341,189	5,280,403	16	2041	02/01/42
							392,042	(1,411)	(39,063)	351,568	5,432,247	16.5	2042	08/01/42
							392,042	(1,411)	(39,063)	351,568	5,580,387	17	2042	02/01/43
							403,962	(1,454)	(40,251)	362,257	5,729,309	17.5	2043	08/01/43
							403,962	(1,454)	(40,251)	362,257	5,874,598	18	2043	02/01/44
							416,240	(1,498)	(41,474)	373,268	6,020,652	18.5	2044	08/01/44
							416,240	(1,498)	(41,474)	373,268	6,163,144	19	2044	02/01/45
							428,887	(1,544)	(42,734)	384,608	6,306,384	19.5	2045	08/01/45
							428,887	(1,544)	(42,734)	384,608	6,446,130	20	2045	02/01/46
							441,912	(1,591)	(44,032)	396,289	6,586,608	20.5	2046	08/01/46
							441,912	(1,591)	(44,032)	396,289	6,723,661	21	2046	02/01/47
							455,329	(1,639)	(45,369)	408,320	6,861,429	21.5	2047	08/01/47
							455,329	(1,639)	(45,369)	408,320	6,995,838	22	2047	02/01/48
							469,148	(1,689)	(46,746)	420,713	7,130,948	22.5	2048	08/01/48
							469,148	(1,689)	(46,746)	420,713	7,262,763	23	2048	02/01/49
							483,381	(1,740)	(48,164)	433,477	7,395,264	23.5	2049	08/01/49
							483,381	(1,740)	(48,164)	433,477	7,524,534	24	2049	02/01/50
							498,042	(1,793)	(49,625)	446,624	7,654,476	24.5	2050	08/01/50
							498,042	(1,793)	(49,625)	446,624	7,781,248	25	2050	02/01/51
							513,142	(1,847)	(51,129)	460,165	7,908,678	25.5	2051	08/01/51
							513,142	(1,847)	(51,129)	460,165	8,033,001	26	2051	02/01/52
<b>Total</b>							<b>18,336,735</b>	<b>(66,012)</b>	<b>(1,827,072)</b>	<b>16,443,651</b>				
		<b>Present Value From 08/01/2025</b>		<b>Present Value Rate</b>	<b>5.00%</b>		<b>8,957,804</b>	<b>(32,248)</b>	<b>(892,556)</b>	<b>8,033,001</b>				

## 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. 36 (the “District”), as required pursuant to *Minnesota Statutes (M.S.), Section 469.175, Subdivision 3* are as follows:

1. *Finding that Tax Increment Financing District No. 36 is a redevelopment district as defined in M.S., Section 469.174, Subd. 10 and MN Laws 2023, Chapter 64, Article 8, Section 10.*
  - Special law rules: If the city or authority establishes a redevelopment tax increment financing district under this section, the following special rules apply:
    - (1) the district is deemed to meet all the requirements of Minnesota Statutes, section 469.174, subdivision 10; and
    - (2) Minnesota Statutes, section 469.176, subdivision 4j, does not apply to the district.

See Appendix D for full Special Law.

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. 36 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, the incompatible land uses at close proximity, 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 site and public improvements and utilities add to the total redevelopment cost. Historically, construction costs, site and public improvements 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 \$30,717,200.
  - 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 \$8,957,804.
  - 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 \$21,759,396 (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 reviewed the TIF Plan on October 10, 2023 and found 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. 36 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, DEDA or the City will increase the availability of safe and decent life-cycle housing in the City.

## Appendix D: Special TIF Law

### MN Laws 2023, Chapter 64, Article 8, Section 10

#### **Sec. 10. CITY OF DULUTH; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

**Subdivision 1. Establishment.** Under the special rules established in subdivision 2, the economic development authority of the city of Duluth or the city of Duluth may establish one or more redevelopment districts located wholly within the area of the city of Duluth, St. Louis County, Minnesota, limited to the area classified as the Medical Regional Exchange District and East 1st Street Corridor as bounded by: East 6th Street from North 3rd Avenue East to North 7th Avenue East; North 7th Avenue East from East 6th Street to East 3rd Street; East 3rd Street from North 7th Avenue East to North 12th Avenue East; North 12th Avenue East from East 3rd Street straight through the Duluth Rose Garden to the Lake Superior Waterfront; the Lake Superior waterfront from the Duluth Rose Garden at North 12th Avenue East to Lake Place Park at North 3rd Avenue East; North 3rd Avenue East from Lake Place Park at the Lake Superior waterfront to East Superior Street; East Superior Street from North 3rd Avenue East to North Lake Avenue; North Lake Avenue from East Superior Street to East 2nd Street; East 2nd Street from North Lake Avenue to North 3rd Avenue East; North 3rd Ave East from East 2nd Street to East 6th Street.

**Subd. 2. Special rules.** If the city or authority establishes a redevelopment tax increment financing district under this section, the following special rules apply:

(1) the district is deemed to meet all the requirements of Minnesota Statutes, section 469.174, subdivision 10; and

(2) Minnesota Statutes, section 469.176, subdivision 4j, does not apply to the district.

**Subd. 3. Expiration.** The authority to approve a tax increment financing plan to establish a tax increment financing district under this section expires December 31, 2030.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.