



*As of September 18, 2015
Draft for Public Hearing*

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

and the

Tax Increment Financing Plan

for the establishment of

**Tax Increment Financing District No. 29
(a redevelopment district)**

within

Development District No. 17

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

Public Hearing: September 28, 2015
Adopted:



EHLERS

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Table of Contents

(for reference purposes only)

Section 1 - Modification to the Development Program	
for Development District No. 17	1-1
Foreword	1-1
Section 2 - Tax Increment Financing Plan	
for Tax Increment Financing District No. 29	2-1
Subsection 2-1. Foreword	2-1
Subsection 2-2. Statutory Authority	2-1
Subsection 2-3. Statement of Objectives	2-1
Subsection 2-4. Development Program Overview	2-1
Subsection 2-5. Description of Property in the District and Property To Be Acquired ..	2-2
Subsection 2-6. Classification of the District	2-2
Subsection 2-7. Duration and First Year of Tax Increment of the District	2-4
Subsection 2-8. Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity	
Value/Increment and Notification of Prior Planned Improvements	2-4
Subsection 2-9. Sources of Revenue/Bonds to be Issued	2-5
Subsection 2-10. Uses of Funds	2-6
Subsection 2-11. Business Subsidies	2-6
Subsection 2-12. Estimated Impact on Other Taxing Jurisdictions	2-8
Subsection 2-13. Supporting Documentation	2-9
Subsection 2-14. Definition of Tax Increment Revenues	2-9
Subsection 2-15. Modifications to the District	2-10
Subsection 2-16. Administrative Expenses	2-10
Subsection 2-17. Limitation of Increment	2-11
Subsection 2-18. Use of Tax Increment	2-12
Subsection 2-19. Excess Increments	2-12
Subsection 2-20. Requirements for Agreements with the Developer	2-13
Subsection 2-21. Administration of the District	2-13
Subsection 2-22. Annual Disclosure Requirements	2-13
Subsection 2-23. Reasonable Expectations	2-13
Subsection 2-24. Other Limitations on the Use of Tax Increment	2-14
Subsection 2-25. Summary	2-14
Appendix A	
Project Description	A-1
Appendix B	
Map of Development District No. 17 and the District	B-1
Appendix C	
Description of Property to be Included in the District	C-1
Appendix D	
Estimated Cash Flow for the District	D-1
Appendix E	
Minnesota Business Assistance Form	E-1

Appendix F	
Redevelopment Qualifications for the District	F-1
Appendix G	
Findings Including But/For Qualifications	G-1

Section 1 - 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. 29.

For further information, a review of the Development Program for Development District No. 17 is recommended. It is available from the Director of Business and Economic Development 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.

Section 2 - Tax Increment Financing Plan for Tax Increment Financing District No. 29

Subsection 2-1. Foreword

The Duluth Economic Development Authority (the "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. 29 (the "District"), a redevelopment tax increment financing district, located in Development District No. 17.

Subsection 2-2. Statutory Authority

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the DEDA and City have certain statutory powers pursuant to *Minnesota Statutes ("M.S."), Sections 469.090 to 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.

Subsection 2-3. Statement of Objectives

The District currently consists of eleven parcels of land plus adjacent rights-of-way. The District is being created to facilitate the construction of 83 market rate housing units and approximately 14,600 square feet of ground floor retail in the City. Please see Appendix A for further District information. The DEDA has not entered into an agreement at the time of preparation of this TIF Plan, but development is likely to occur in the fall of 2015. 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.

Subsection 2-4. Development Program Overview

1. Property to be Acquired - Selected property located within the District may be acquired by the DEDA 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.
3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the DEDA 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 DEDA 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.

Subsection 2-5. 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 in Appendix C of this TIF Plan. Please also see the map in Appendix B for further information on the location of the District.

The DEDA or City may acquire any parcel within the District including adjacent street rights of way. Any properties identified for acquisition will be acquired by the DEDA 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 DEDA 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.

Subsection 2-6. Classification of the District

The DEDA 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) as defined below:

(a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area in 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, as defined in Section 115C, Subd. 15, if the tank facility:

(i) have or had a capacity of more than one million gallons;

(ii) are located adjacent to rail facilities; or

(iii) have been removed, or are unused, underused, inappropriately used or infrequently used; or

(4) a qualifying disaster area, as defined in Subd. 10b.

(b) 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.

(c) 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. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. 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.

(d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) or by the improvement described in paragraph (e) if all of the following conditions are met:

- (1) the parcel was occupied by a substandard building or met the requirements of paragraph (e), as the case may be, within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;*
- (2) the substandard building or the improvements described in paragraph (e) were demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;*
- (3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building or met the requirement of paragraph (e) and that after demolition and clearance the authority intended to include the parcel within a district; and*
- (4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by § 469.177, subdivision 1, paragraph (f).*

(e) 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.

(f) For districts consisting of two or more noncontiguous areas, 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).

In meeting the statutory criteria the DEDA and City rely on the following facts and findings:

- The District is a redevelopment district consisting of 11 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 F).

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.

Subsection 2-7. 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 DEDA or City (a total of 26 years of tax increment). The DEDA or City elects to receive the first tax increment in 2018, 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 2043, or when the TIF Plan is satisfied. The DEDA or City reserves the right to decertify the District prior to the legally required date.

Subsection 2-8. 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 2015 for taxes payable 2016.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2017) 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 DEDA or City.

The original local tax rate for the District will be the local tax rate for taxes payable 2016, assuming the request for certification is made before June 30, 2016. 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 DEDA 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 2017. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Estimated Tax Capacity upon Completion (PTC)	\$141,750	
Original Estimated Net Tax Capacity (ONTC)	\$9,395	
Estimated Captured Tax Capacity (CTC)	\$132,355	
Original Local Tax Rate	1.37407	Pay 2015
Estimated Annual Tax Increment (CTC x Local Tax Rate)	\$181,865	
Percent Retained by the DEDA	100%	

Pursuant to *M.S., Section 469.177, Subd. 4*, the 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 found no parcels for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.

Subsection 2-9. Sources of Revenue/Bonds to be Issued

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The DEDA 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 a pay-as-you-go note. Any refunding amounts will be deemed a budgeted cost without a formal TIF Plan Modification. This provision does not obligate the DEDA or City to incur debt. The DEDA 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 total estimated tax increment revenues for the District are shown in the table below:

<u>SOURCES OF FUNDS</u>	<u>TOTAL</u>
Tax Increment	\$4,711,486
<u>Interest</u>	<u>\$321,712</u>
TOTAL	\$5,033,198

The DEDA 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 \$3,101,177 . 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.

Subsection 2-10. Uses of Funds

Currently under consideration for the District is a proposal to facilitate the construction of 83 market rate housing units and approximately 14,600 square feet of ground floor retail. The DEDA and City have determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described. The 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.

<u>USES OF TAX INCREMENT FUNDS</u>	<u>TOTAL</u>
Land/Building Acquisition	\$500,000
Site Improvements/Preparation	\$1,000,000
Utilities	\$50,000
Other Qualifying Improvements	\$1,093,614
<u>Administrative Costs</u>	<u>\$457,563</u>
PROJECT COST TOTAL	\$3,101,177
<u>Interest</u>	<u>\$1,932,021</u>
PROJECT AND INTEREST COSTS TOTAL	\$5,033,198

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 Subsection 2-9.

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.

Subsection 2-11. Business Subsidies

Pursuant to *M.S., Section 116J.993, Subd. 3*, the following forms of financial assistance are not considered a business subsidy:

- (1) A business subsidy of less than \$150,000;
- (2) Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) Public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) Redevelopment property polluted by contaminants as defined in *M.S., Section 116J.552, Subd. 3*;
- (5) Assistance provided for the sole purpose of renovating old or decaying building stock or bringing

it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50% of the total cost;

- (6) Assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- (7) Assistance for housing;
- (8) Assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under *M.S., Section 469.174, Subd. 23*;
- (9) Assistance for energy conservation;
- (10) Tax reductions resulting from conformity with federal tax law;
- (11) Workers' compensation and unemployment compensation;
- (12) Benefits derived from regulation;
- (13) Indirect benefits derived from assistance to educational institutions;
- (14) Funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501 (c) (3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- (15) Assistance for a collaboration between a Minnesota higher education institution and a business;
- (16) Assistance for a tax increment financing soils condition district as defined under *M.S., Section 469.174, Subd. 19*;
- (17) Redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
- (18) General changes in tax increment financing law and other general tax law changes of a principally technical nature;
- (19) Federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
- (20) Funds from dock and wharf bonds issued by a seaway port authority;
- (21) Business loans and loan guarantees of \$150,000 or less;
- (22) Federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and
- (23) Property tax abatements granted under *M.S., Section 469.1813* to property that is subject to valuation under Minnesota Rules, chapter 8100.

The DEDA will comply with *M.S., Sections 116J.993 to 116J.995* to the extent the tax increment assistance under this TIF Plan does not fall under any of the above exemptions.

Subsection 2-12. 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 DEDA 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			
	2014/Pay 2015 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) Upon Completion	Percent of CTC to Entity Total
St. Louis County	170,649,416	132,355	0.0776%
City of Duluth	61,666,019	132,355	0.2146%
Duluth Schools ISD No. 709	69,448,834	132,355	0.1906%

IMPACT ON TAX RATES				
	Pay 2015 Extension Rates	Percent of Total	CTC	Potential Taxes
St. Louis County	0.644440	46.90%	132,355	85,295
City of Duluth	0.325090	23.66%	132,355	43,027
Duluth Schools ISD No. 709	0.342380	24.92%	132,355	45,316
Other	<u>0.062160</u>	<u>4.52%</u>	<u>132,355</u>	<u>8,227</u>
Total	1.374070	100.00%		181,865

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the actual Pay 2015 rate. The total net capacity for the entities listed above are based on actual Pay 2015 figures. The District will be certified under the actual Pay 2016 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 \$4,575,635;
- (2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is not expected. The City police department does track all calls for service including property-type calls and crimes. With any addition of new residents or businesses, 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.

The probable impact of the District on fire protection is not expected to be significant. Typically new buildings generate few calls, if any, and are of superior construction. The existing buildings, which

will be eliminated by the new development, have public safety concerns that include several unprotected old buildings without installed sprinkler systems.

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 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.

- (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 \$1,140,248;
- (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 \$2,145,973;
- (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.

Subsection 2-13. 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. Following is a list of reports and studies on file at the City that support the DEDA and City's findings:

- Developer TIF Application
- Ehlers' August 2015 But For Memo

Subsection 2-14. Definition of Tax Increment Revenues

Pursuant to *M.S., Section 469.174, Subd. 25*, tax increment revenues derived from a tax increment financing district include all of the following potential revenue sources:

1. Taxes paid by the captured net tax capacity, but excluding any excess taxes, as computed under *M.S., Section 469.177*;
2. The proceeds from the sale or lease of property, tangible or intangible, to the extent the property was purchased by the authority with tax increments;
3. Principal and interest received on loans or other advances made by the authority with tax increments;

4. Interest or other investment earnings on or from tax increments;
5. Repayments or return of tax increments made to the Authority under agreements for districts for which the request for certification was made after August 1, 1993; and
6. The market value homestead credit paid to the Authority under *M.S., Section 273.1384*.

Subsection 2-15. Modifications to the District

In accordance with *M.S., Section 469.175, Subd. 4*, any:

1. Reduction or enlargement of the geographic area of the District, if the reduction does not meet the requirements of *M.S., Section 469.175, Subd. 4(e)*;
2. Increase in amount of bonded indebtedness to be incurred;
3. A determination to capitalize interest on debt if that determination was not a part of the original TIF Plan;
4. Increase in the portion of the captured net tax capacity to be retained by the DEDA or City;
5. Increase in the estimate of the cost of the District, including administrative expenses, that will be paid or financed with tax increment from the District; or
6. Designation of additional property to be acquired by the DEDA or City,

shall be approved upon the notice and after the discussion, public hearing and findings required for approval of the original TIF Plan.

Pursuant to *M.S. Section 469.175 Subd. 4(f)*, the geographic area of the District may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor. If a redevelopment district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of *M.S., Section 469.174, Subd. 10*, must be documented in writing and retained. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcel(s) from the District and (2)(A) the current net tax capacity of the parcel(s) eliminated from the District equals or exceeds the net tax capacity of those parcel(s) in the District's original net tax capacity or (B) the DEDA agrees that, notwithstanding *M.S., Section 469.177, Subd. 1*, the original net tax capacity will be reduced by no more than the current net tax capacity of the parcel(s) eliminated from the District.

The DEDA or City must notify the County Auditor of any modification to the District. Modifications to the District in the form of a budget modification or an expansion of the boundaries will be recorded in the TIF Plan.

Subsection 2-16. Administrative Expenses

In accordance with *M.S., Section 469.174, Subd. 14*, administrative expenses means all expenditures of the DEDA or City, *other than*:

1. Amounts paid for the purchase of land;
2. Amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the District;
3. Relocation benefits paid to or services provided for persons residing or businesses located in the District;
4. Amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to *M.S., Section 469.178*; or
5. Amounts used to pay other financial obligations to the extent those obligations were used to finance

costs described in clauses (1) to (3).

For districts for which the request for certification were made before August 1, 1979, or after June 30, 1982, and before August 1, 2001, administrative expenses also include amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants. Pursuant to *M.S., Section 469.176, Subd. 3*, tax increment may be used to pay any **authorized and documented** administrative expenses for the District up to but not to exceed 10 percent of the total estimated tax increment expenditures authorized by the TIF Plan or the total tax increments, as defined by *M.S., Section 469.174, Subd. 25, clause (1)*, from the District, whichever is less.

For districts for which certification was requested after July 31, 2001, no tax increment may be used to pay any administrative expenses for District costs which exceed ten percent of total estimated tax increment expenditures authorized by the TIF Plan or the total tax increments, as defined in *M.S., Section 469.174, Subd. 25, clause (1)*, from the District, whichever is less.

Pursuant to *M.S., Section 469.176, Subd. 4h*, tax increments may be used to pay for the County's actual administrative expenses incurred in connection with the District and are not subject to the percentage limits of *M.S., Section 469.176, Subd. 3*. The county may require payment of those expenses by February 15 of the year following the year the expenses were incurred.

Pursuant to *M.S., Section 469.177, Subd. 11*, the County Treasurer shall deduct an amount (currently .36 percent) of any increment distributed to the DEDA or City and the County Treasurer shall pay the amount deducted to the State Commissioner of Management and Budget for deposit in the state general fund to be appropriated to the State Auditor for the cost of financial reporting of tax increment financing information and the cost of examining and auditing authorities' use of tax increment financing. This amount may be adjusted annually by the Commissioner of Revenue.

Subsection 2-17. Limitation of Increment

The tax increment pledged to the payment of bonds and interest thereon may be discharged and the District may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or redemption date.

Pursuant to *M.S., Section 469.176, Subd. 6*:

if, after four years from the date of certification of the original net tax capacity of the tax increment financing district pursuant to M.S., Section 469.177, no demolition, rehabilitation or renovation of property or other site preparation, including qualified improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel, and the original net tax capacity of that parcel shall be excluded from the original net tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation or renovation or other site preparation on that parcel including qualified improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity

of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district. For purposes of this subdivision, qualified improvements of a street are limited to (1) construction or opening of a new street, (2) relocation of a street, and (3) substantial reconstruction or rebuilding of an existing street.

The DEDA or City or a property owner must improve parcels within the District by approximately September 2019 and report such actions to the County Auditor.

Subsection 2-18. Use of Tax Increment

The DEDA or City hereby determines that it will use 100 percent of the captured net tax capacity of taxable property located in the District for the following purposes:

1. To pay the principal of and interest on bonds issued to finance a project;
2. To finance, or otherwise pay the cost of redevelopment of the Development District No. 17 pursuant to *M.S., Sections 469.090 to 469.1082*;
3. To pay for project costs as identified in the budget set forth in the TIF Plan;
4. To finance, or otherwise pay for other purposes as provided in *M.S., Section 469.176, Subd. 4*;
5. To pay principal and interest on any loans, advances or other payments made to or on behalf of the DEDA or City or for the benefit of Development District No. 17 by a developer;
6. To finance or otherwise pay premiums and other costs for insurance or other security guaranteeing the payment when due of principal of and interest on bonds pursuant to the TIF Plan or pursuant to *M.S., Chapter 462C, M.S., Sections 469.152 through 469.165*, and/or *M.S., Sections 469.178*; and
7. To accumulate or maintain a reserve securing the payment when due of the principal and interest on the tax increment bonds or bonds issued pursuant to *M.S., Chapter 462C, M.S., Sections 469.152 through 469.165*, and/or *M.S., Sections 469.178*.

These revenues shall not be used to circumvent any levy limitations applicable to the City nor for other purposes prohibited by *M.S., Section 469.176, Subd. 4*.

Tax increments generated in the District will be paid by St. Louis County to the DEDA for the Tax Increment Fund of said District. The DEDA or City will pay to the developer(s) semi-annually an amount not to exceed an amount as specified in a developer's agreement to reimburse the costs of public improvements, demolition and relocation, site preparation, and administration and other TIF eligible costs. Remaining increment funds will be used for DEDA or City administration (up to 10 percent) and for the costs of public improvement activities outside the District.

Subsection 2-19. Excess Increments

Excess increments, as defined in *M.S., Section 469.176, Subd. 2*, shall be used only to do one or more of the following:

1. Prepay any outstanding bonds;
2. Discharge the pledge of tax increment for any outstanding bonds;
3. Pay into an escrow account dedicated to the payment of any outstanding bonds; or
4. Return the excess to the County Auditor for redistribution to the respective taxing jurisdictions in proportion to their local tax rates.

The DEDA or City must spend or return the excess increments under paragraph (c) of *M.S., Section 469.176, Subd. 2* within nine months after the end of the year. In addition, the DEDA or City may, subject to the limitations set forth herein, choose to modify the TIF Plan in order to finance additional public costs in Development District No. 17 or the District.

Subsection 2-20. Requirements for Agreements with the Developer

The DEDA or City will review any proposal for private development to determine its conformance with the Development Program and with applicable municipal ordinances and codes. To facilitate this effort, the following documents may be requested for review and approval: site plan, construction, mechanical, and electrical system drawings, landscaping plan, grading and storm drainage plan, signage system plan, and any other drawings or narrative deemed necessary by the DEDA or City to demonstrate the conformance of the development with City plans and ordinances. The DEDA or City may also use the Agreements to address other issues related to the development.

Pursuant to *M.S., Section 469.176, Subd. 5*, no more than 25 percent, by acreage, of the property to be acquired in the District as set forth in the TIF Plan shall at any time be owned by the DEDA or City as a result of acquisition with the proceeds of bonds issued pursuant to *M.S., Section 469.178* to which tax increments from property acquired is pledged, unless prior to acquisition in excess of 25 percent of the acreage, the DEDA or City concluded an agreement for the development or redevelopment of the property acquired and which provides recourse for the DEDA or City should the development or redevelopment not be completed.

Subsection 2-21. Administration of the District

Administration of the District will be handled by the Director of Business and Economic Development.

Subsection 2-22. Annual Disclosure Requirements

Pursuant to *M.S., Section 469.175, Subds. 5, 6, and 6b* the DEDA or City must undertake financial reporting for all tax increment financing districts to the Office of the State Auditor, County Board and County Auditor on or before August 1 of each year. *M.S., Section 469.175, Subd. 5* also provides that an annual statement shall be published in a newspaper of general circulation in the City on or before August 15.

If the City fails to make a disclosure or submit a report containing the information required by *M.S., Section 469.175 Subd. 5 and Subd. 6*, the Office of the State Auditor will direct the County Auditor to withhold the distribution of tax increment from the District.

Subsection 2-23. Reasonable Expectations

As required by the TIF Act, in establishing the District, the determination has been made that the anticipated development 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 the District permitted by the TIF Plan. In making said determination, reliance has been placed upon written representation made by the developer to such effects and upon DEDA and City staff awareness of the feasibility of developing the project site(s) within the District. A comparative analysis of estimated market values both with and without establishment of the District and the use of tax increments has been performed as described above. Such analysis is included with the cashflow in Appendix D, 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.

Subsection 2-24. Other Limitations on the Use of Tax Increment

1. General Limitations. All revenue derived from tax increment shall be used in accordance with the TIF Plan. The revenues shall be used to finance, or otherwise pay the cost of redevelopment of the Development District No. 17 pursuant to *M.S., Sections 469.090 to 469.1082*. Tax increments may not be used to circumvent existing levy limit law. No tax increment may be used for the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the state or federal government. This provision does not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure.
2. Pooling Limitations. At least 75 percent of tax increments from the District must be expended on activities in the District or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities within said district or to pay, or secure payment of, debt service on credit enhanced bonds. Not more than 25 percent of said tax increments may be expended, through a development fund or otherwise, on activities outside of the District except to pay, or secure payment of, debt service on credit enhanced bonds. For purposes of applying this restriction, all administrative expenses must be treated as if they were solely for activities outside of the District.
3. Five Year Limitation on Commitment of Tax Increments. Tax increments derived from the District shall be deemed to have satisfied the 75 percent test set forth in paragraph (2) above only if the five year rule set forth in *M.S., Section 469.1763, Subd. 3*, has been satisfied; and beginning with the sixth year following certification of the District, 75 percent of said tax increments that remain after expenditures permitted under said five year rule must be used only to pay previously committed expenditures or credit enhanced bonds as more fully set forth in *M.S., Section 469.1763, Subd. 5*.
4. Redevelopment District. At least 90 percent of the revenues derived from tax increment from a redevelopment district must be used to finance the cost of correcting conditions that allow designation of redevelopment and renewal and renovation districts under *M.S., Section 469.176 Subd. 4j*. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, the removal of hazardous substances or remediation necessary for development of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the DEDA or City, including the cost of preparation of the development action response plan, may be included in the qualifying costs.

Subsection 2-25. Summary

The City of Duluth is establishing the District to preserve and enhance the tax base, redevelop substandard areas, and provide employment opportunities in the City. The TIF Plan for the District was prepared by Ehlers & Associates, Inc., 3060 Centre Pointe Drive, Roseville, Minnesota 55113, telephone (651) 697-8500.

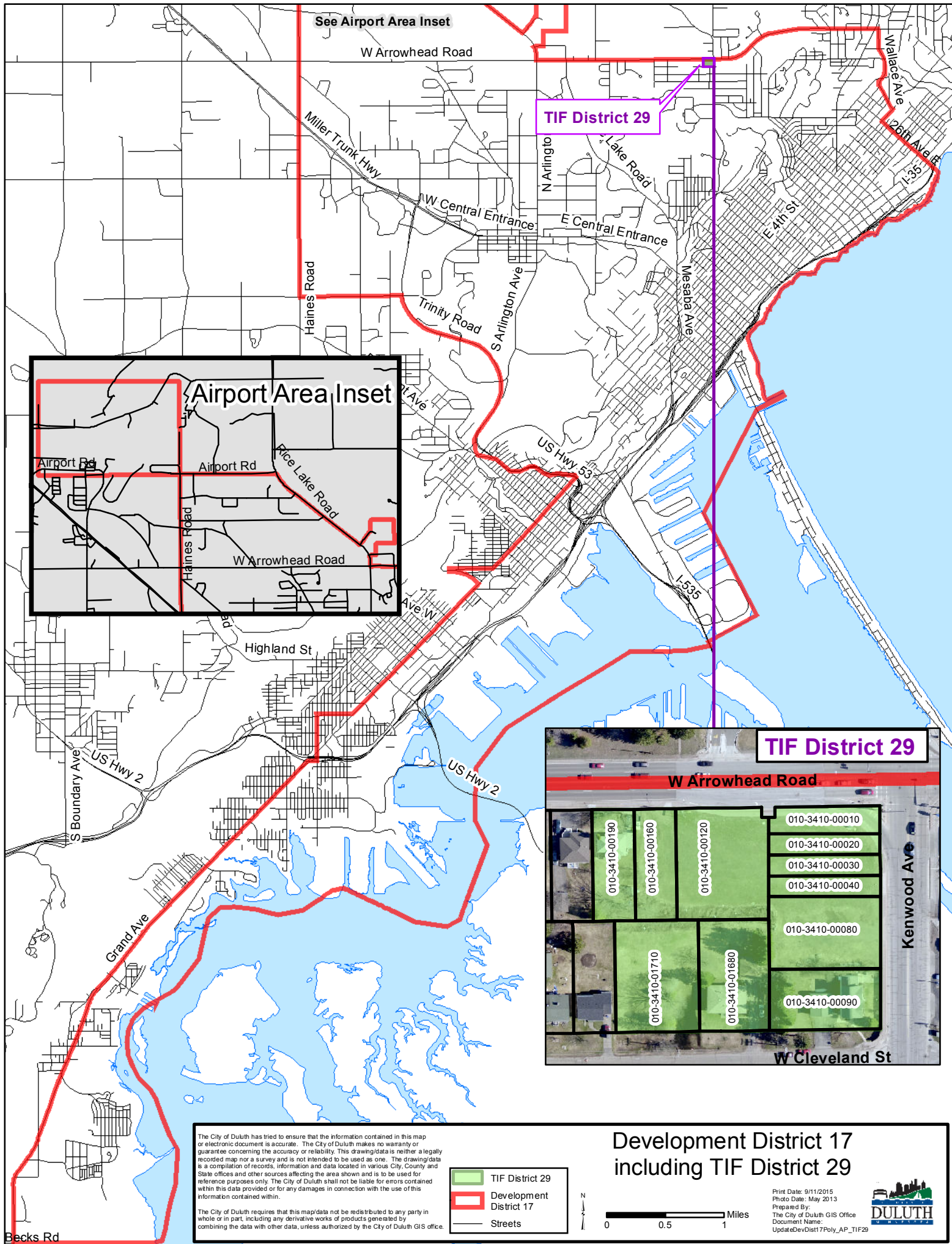
Appendix A

Project Description

Kenwood Village, LLC has requested TIF assistance for housing and retail mixed-use development in the TIF District. The request is for assistance to offset acquisition costs, demolition, soils, and parking deck costs. The property is expected to be developed as a market rate rental housing building and a retail facility served primarily by structured parking. The assistance is expected to be on a “pay-as-you-go” basis with the developer paying for all eligible costs up-front and being repaid with TIF over the term of the TIF District.

Appendix B

Map of Development District No. 17 and the District



Appendix C

Description of Property to be Included in the District

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

<u>Parcel Numbers</u>	<u>Address</u>	<u>Owner</u>
010-3410-00010		Duluth Teachers CU
010-3410-00020		Duluth Teachers CU
010-3410-00030		Duluth Teachers CU
010-3410-00040		Duluth Teachers CU
010-3410-00080		Duluth Teachers CU
010-3410-00090		Chauncey Riggs
010-3410-00120		Duluth Teachers CU
010-3410-00160		Duluth Teachers CU
010-3410-00190		Earl Ricards
010-3410-01710		Duluth Teachers CU
010-3410-01680		Duluth Teachers CU

Appendix D

Estimated Cash Flow for the District



Kenwood Village TIF Projections

City of Duluth/DEDA

83 market rate apartments and 14,600 sq. ft. of ground floor retail - \$9.9M value request

ASSUMPTIONS AND RATES

DistrictType:	Redevelopment
District Name/Number:	
County District #:	
First Year Construction or Inflation on Value	2016
Existing District - Specify No. Years Remaining	
Inflation Rate - Every Year:	0.00%
Interest Rate:	5.00%
Present Value Date:	1-Aug-16
First Period Ending	1-Feb-17
Tax Year District was Certified:	Pay 2016
Cashflow Assumes First Tax Increment For Development:	2018
Years of Tax Increment	26
Assumes Last Year of Tax Increment	2043
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	NA
Incremental or Total Fiscal Disparities	NA
Fiscal Disparities Contribution Ratio	NA
Fiscal Disparities Metro-Wide Tax Rate	NA
Maximum/Frozen Local Tax Rate:	137.407% Pay 2015
Current Local Tax Rate: (Use lesser of Current or Max.)	137.407% Pay 2015
State-wide Tax Rate (Comm./Ind. only used for total taxes)	50.8400% Pay 2015
Market Value Tax Rate (Used for total taxes)	0.15882% Pay 2015

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	0.75%
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 #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/ Phase
	010-3410-00010	Duluth Teachers CU		44,200		44,200	100%	44,200	Pay 2016	C/I Pref.	663	C/I Pref.	663	
	010-3410-00020	Duluth Teachers CU		35,000		35,000	100%	35,000	Pay 2016	C/I Pref.	525	C/I Pref.	525	
	010-3410-00030	Duluth Teachers CU		31,100		31,100	100%	31,100	Pay 2016	C/I Pref.	467	C/I Pref.	467	
	010-3410-00040	Duluth Teachers CU		19,800		19,800	100%	19,800	Pay 2016	C/I Pref.	297	Rental	248	
	010-3410-00080	Duluth Teachers CU		64,700		64,700	100%	64,700	Pay 2016	C/I Pref.	971	Rental	809	
	010-3410-00090	Chauncey Riggs		25,000	171,600	196,600	100%	196,600	Pay 2016	Hmstd. Res.	1,966	Rental	2,458	
	010-3410-00120	Duluth Teachers CU		76,200		76,200	100%	76,200	Pay 2016	C/I Pref.	1,143	Rental	953	
	010-3410-00160	Duluth Teachers CU		37,100		37,100	100%	37,100	Pay 2016	C/I Pref.	557	Rental	464	
	010-3410-00190	Earl Ricards		20,000	43,600	63,600	100%	63,600	Pay 2016	Hmstd. Res.	636	Rental	795	
	010-3410-01710	Duluth Teachers CU		14,900		14,900	100%	14,900	Pay 2016	Non-H Res. 1 Unit	149	Rental	186	
	010-3410-01680	Duluth Teachers CU		25,500	120,800	146,300	100%	146,300	Pay 2016	Non-H Res. 1 Unit	1,463	Rental	1,829	
				393,500	336,000	729,500		729,500			8,836		9,395	

Note:

1. Base values are for pay 2016 based upon review of County website on 6-22-15.



Kenwood Village TIF Projections

City of Duluth/DEDA

83 market rate apartments and 14,600 sq. ft. of ground floor retail - \$9.9M value request

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	Percentage Completed 2016	Percentage Completed 2017	Percentage Completed 2018	Percentage Completed 2019	First Year Full Taxes Payable
	Apartment	89,157	89,157	83	7,400,000	Rental	92,500	100%	100%	100%	100%	2018
	Retail	171	171	14,628	2,500,000	C/I Pref.	49,250	100%	100%	100%	100%	2018
TOTAL					9,900,000		141,750					
Subtotal Residential				83	7,400,000		92,500					
Subtotal Commercial/Ind.				14,628	2,500,000		49,250					

Note:

1. Market values are based upon developer request for minimum assessment agreement with county.

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
Apartment	92,500	0	92,500	127,101	0	0	11,753	138,854	1,672.94
Retail	49,250	0	49,250	67,673	0	25,039	3,971	96,682	6.61
TOTAL	141,750	0	141,750	194,774	0	25,039	15,723	235,536	

Note:

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

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	235,536
less State-wide Taxes	(25,039)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(15,723)
less Base Value Taxes	(12,909)
Annual Gross TIF	181,866

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	729,500
New Market Value - Est.	9,900,000
Difference	9,170,500
Present Value of Tax Increment	2,442,271
Difference	6,728,229
Value likely to occur without Tax Increment is less than:	6,728,229



Kenwood Village TIF Projections
City of Duluth/DEDA

83 market rate apartments and 14,600 sq. ft. of ground floor retail - \$9.9M value request

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
							-	-	-	-	-			02/01/17
							-	-	-	-	-			08/01/17
							-	-	-	-	-			02/01/18
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	73,876	0.5	2018	08/01/18
							90,933	(327)	(9,061)	81,545	145,950	1	2018	02/01/19
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	216,266	1.5	2019	08/01/19
							90,933	(327)	(9,061)	81,545	284,866	2	2019	02/01/20
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	351,794	2.5	2020	08/01/20
							90,933	(327)	(9,061)	81,545	417,090	3	2020	02/01/21
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	480,792	3.5	2021	08/01/21
							90,933	(327)	(9,061)	81,545	542,941	4	2021	02/01/22
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	603,575	4.5	2022	08/01/22
							90,933	(327)	(9,061)	81,545	662,729	5	2022	02/01/23
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	720,441	5.5	2023	08/01/23
							90,933	(327)	(9,061)	81,545	776,745	6	2023	02/01/24
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	831,675	6.5	2024	08/01/24
							90,933	(327)	(9,061)	81,545	885,266	7	2024	02/01/25
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	937,550	7.5	2025	08/01/25
							90,933	(327)	(9,061)	81,545	988,559	8	2025	02/01/26
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,038,323	8.5	2026	08/01/26
							90,933	(327)	(9,061)	81,545	1,086,874	9	2026	02/01/27
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,134,241	9.5	2027	08/01/27
							90,933	(327)	(9,061)	81,545	1,180,452	10	2027	02/01/28
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,225,536	10.5	2028	08/01/28
							90,933	(327)	(9,061)	81,545	1,269,521	11	2028	02/01/29
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,312,432	11.5	2029	08/01/29
							90,933	(327)	(9,061)	81,545	1,354,298	12	2029	02/01/30
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,395,142	12.5	2030	08/01/30
							90,933	(327)	(9,061)	81,545	1,434,989	13	2030	02/01/31
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,473,865	13.5	2031	08/01/31
							90,933	(327)	(9,061)	81,545	1,511,793	14	2031	02/01/32
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,548,796	14.5	2032	08/01/32
							90,933	(327)	(9,061)	81,545	1,584,896	15	2032	02/01/33
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,620,116	15.5	2033	08/01/33
							90,933	(327)	(9,061)	81,545	1,654,476	16	2033	02/01/34
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,687,999	16.5	2034	08/01/34
							90,933	(327)	(9,061)	81,545	1,720,704	17	2034	02/01/35
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,752,611	17.5	2035	08/01/35
							90,933	(327)	(9,061)	81,545	1,783,740	18	2035	02/01/36
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,814,110	18.5	2036	08/01/36
							90,933	(327)	(9,061)	81,545	1,843,739	19	2036	02/01/37
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,872,646	19.5	2037	08/01/37
							90,933	(327)	(9,061)	81,545	1,900,847	20	2037	02/01/38
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,928,361	20.5	2038	08/01/38
							90,933	(327)	(9,061)	81,545	1,955,203	21	2038	02/01/39
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	1,981,391	21.5	2039	08/01/39
							90,933	(327)	(9,061)	81,545	2,006,940	22	2039	02/01/40
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	2,031,866	22.5	2040	08/01/40
							90,933	(327)	(9,061)	81,545	2,056,184	23	2040	02/01/41
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	2,079,909	23.5	2041	08/01/41
							90,933	(327)	(9,061)	81,545	2,103,055	24	2041	02/01/42
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	2,125,637	24.5	2042	08/01/42
							90,933	(327)	(9,061)	81,545	2,147,668	25	2042	02/01/43
100%	141,750	(9,395)	-	132,356	137.407%	181,866	90,933	(327)	(9,061)	81,545	2,169,161	25.5	2043	08/01/43
							90,933	(327)	(9,061)	81,545	2,190,131	26	2043	02/01/44
Total							4,728,509	(17,023)	(471,149)	4,240,338				
Present Value From 08/01/2016 Present Value Rate 5.00%							2,442,271	(8,792)	(243,348)	2,190,131				

Appendix E

Minnesota Business Assistance Form (Minnesota Department of Employment and Economic Development)

A Minnesota Business Assistance Form (MBAF) should be used to report and/or update each calendar year's activity by April 1 of the following year.

Please see the Minnesota Department of Employment and Economic Development (DEED) website at <http://www.deed.state.mn.us/Community/subsidies/MBAFForm.htm> for information and forms.

Appendix F

Redevelopment Qualifications for the District

The redevelopment qualifications are available from the Office of the Director of Business and Economic Development.

Appendix G

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. 29 (District), as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 29 is a redevelopment district as defined in M.S., Section 469.174, Subd. 10.*

The District consists of 11 parcels with plans to redevelop the area for commercial and rental housing purposes. At least 70 percent of the area of the parcels in 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 F 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 the District 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 and for increasing the City's housing choices for a growing workforce. Due to site construction that require structured parking, high costs of soils correction, and high acquisition costs, this project is feasible only through assistance, in part, from tax increment financing. The developer was asked for and provided a proforma 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: Several development proposals have not been successful in the past. The site has many challenges including public improvement need on adjacent intersections on top of the costs of redevelopment. 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 \$9,170,500.
- 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 \$2,442,271.

- 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 \$6,728,229 (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 and found that the TIF Plan conforms to the general development plan of the City.

4. *Finding that the TIF Plan for the District 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, the DEDA or City will increase the availability of safe and decent life-cycle housing in the City.

But-For Analysis	
Current Market Value	729,500
New Market Value - Estimate	9,900,000
Difference	9,170,500
Present Value of Tax Increment	2,442,271
Difference	6,728,229
Value Likely to Occur Without TIF is Less Than:	6,728,229