



MODIFICATION TO THE
DEVELOPMENT PROGRAM
Development District No. 17

- AND -

TAX INCREMENT FINANCING PLAN
Establishment of Tax Increment Financing District No. 34:
Historic High School Redevelopment
(a redevelopment district)

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

Public Hearing: June 7, 2021

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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. 34: Historic High School Redevelopment.

For further information, a review of the Development Program for Development District No. 17, is recommended. It is available from the Senior Housing Developer at the City of Duluth. Other relevant information is contained in the Tax Increment Financing Plans for the Tax Increment Financing Districts located within Development District No. 17.

Tax Increment Financing Plan for Tax Increment Financing District No. 34: Historic High School Redevelopment

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. 34: Historic High School Redevelopment (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 469.124 - 469.133, 469.090 - 469.1082*, inclusive, as amended, and *M.S., Sections 469.174 to 469.1794*, inclusive, as amended (the "Tax Increment Financing Act" or "TIF Act"), to assist in financing public costs related to this project.

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

Statement of Objectives

The District currently consists of three (3) parcels of land and adjacent roads and internal rights-of-way. The District is being created to facilitate an adaptive reuse of the historic high school site to create 125 units of new rental housing in the City. DEDA anticipates entering into an agreement with Saturday Properties as the developer of the property. The project is anticipated to begin in 2021. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 17.

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

Development Program Overview

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

1. Property to be Acquired - Selected property located within the District may be acquired by DEDA or the City and is further described in this TIF Plan.
2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.

3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, DEDA or the City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. DEDA or the City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.

Description of Property in the District and Property to be Acquired

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

Parcel number	Address	Owner
010-0950-00010	15 East 2nd Street	ISD 709
010-0970-00550	7 East 3rd Street	ISD 709
010-0980-00410	215 North 1st Ave. East	ISD 709

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.

Classification of the District

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

- The District is a redevelopment district consisting of three (3) parcels.
- An inventory shows that parcels consisting of more than 70 percent of the area in the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures.
- An inspection of the buildings located within the District finds that more than 50 percent of the buildings are structurally substandard as defined in the TIF Act. (See Appendix D).

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

Duration and First Year of Tax Increment of the District

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 25 years after receipt of the first increment by DEDA or the City (a total of 26 years of tax increment). DEDA or the City elects to receive the first tax increment in 2023, 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 2048, 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 and Estimated Captured Net Tax Capacity Value/Increment and Notification of Prior Planned Improvements

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2020 for taxes payable 2021.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2023) 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 2021, assuming the request for certification is made before June 30, 2021. The ONTC and the Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 17, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. DEDA and the 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 2023. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Tax Capacity	
Project estimated Tax Capacity upon completion	499,844
Original estimated Net Tax Capacity	57,174
Fiscal Disparities	<u>0</u>
Estimated Captured Tax Capacity	442,671
Original Local Tax Rate	<u>141.9420%</u> Pay 2021
Estimated Annual Tax Increment	\$628,335
Percent Retained by the City	100%

Note: Tax capacity includes a 4.0% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in year 25. The tax capacity of the District in year one is estimated to be \$97,500.

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

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

Sources of Revenue/Bonds to be Issued

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

SOURCES	
Tax Increment	\$ 9,521,043
Interest	<u>952,104</u>
TOTAL	\$ 10,473,147

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 incur bonds or other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by pay-as-you-go notes and interfund loans. Any refunding amounts will be deemed a budgeted cost without a formal TIF Plan Modification. This provision does not obligate 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 (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of \$7,250,498. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

Uses of Funds

Currently under consideration for the District is a proposal to facilitate an adaptive reuse of the historic high school site to create 125 units of new rental housing. DEDA and the City have determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described.

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

USES	
Land/Building Acquisition	\$ 3,000,000
Site Improvements/Preparation	2,000,000
Utilities	50,000
Other Qualifying Improvements	1,248,394
Administrative Costs (up to 10%)	952,104
PROJECT COSTS TOTAL	\$ 7,250,498
Interest	3,222,649
PROJECT AND INTEREST COSTS TOTAL	\$ 10,473,147

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

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

Estimated Impact on Other Taxing Jurisdictions

The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the TIF Plan would occur without the creation of the District. However, DEDA or the City have 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	2020/Pay 2021 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
St. Louis County	205,797,844	442,671	0.2151%
City of Duluth	83,567,551	442,671	0.5297%
ISD 709 (Duluth)	93,009,780	442,671	0.4759%

Impact on Tax Rates				
Entity	Pay 2021 Extension Rate	Percent of Total	CTC	Potential Taxes
St. Louis County	66.2640%	46.68%	442,671	\$ 293,331
City of Duluth	41.6960%	29.38%	442,671	184,576
ISD 709 (Duluth)	28.0170%	19.74%	442,671	124,023
Other	5.9650%	4.20%	442,671	26,405
	141.9420%	100.00%		\$ 628,335

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Pay 2021 rate. The total net capacity for the entities listed above are based on Pay 2021 figures. The District will be certified under the Pay 2021 rates.

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 \$9,521,043;
- (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 or businesses, police calls for service will be increased. The police department forecasts approximately 150-165 calls for service may be generated annually. In addition, the project may require future intervention by other entities of the police department relating to repeat calls for service and excessive police services. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities. In addition, the police

department determines it can manage the financial and non-financial impacts that may arise from the project under current operations and budgets.

The probable impact of the District on fire protection is not expected to be significant. With any new residential development there is a possibility of medical or assist calls from the fire department. With additional rental residential developments being added to the city, there may be a need for an additional rental inspector in the future. At that time a small vehicle would be needed but is not required at this time. The project will include building upgrades, including to the sprinkler system, which increases the safety of the building, the people using the building and the fire fighters responding to any structure fires. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

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. It is not anticipated that there will be any general obligation debt issued in relation to this project, therefore there will be no impact on the City's ability to issue future debt or on the City's debt limit.

- (3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is \$1,879,296;
- (4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is \$4,444,790;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S. Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

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

Supporting Documentation

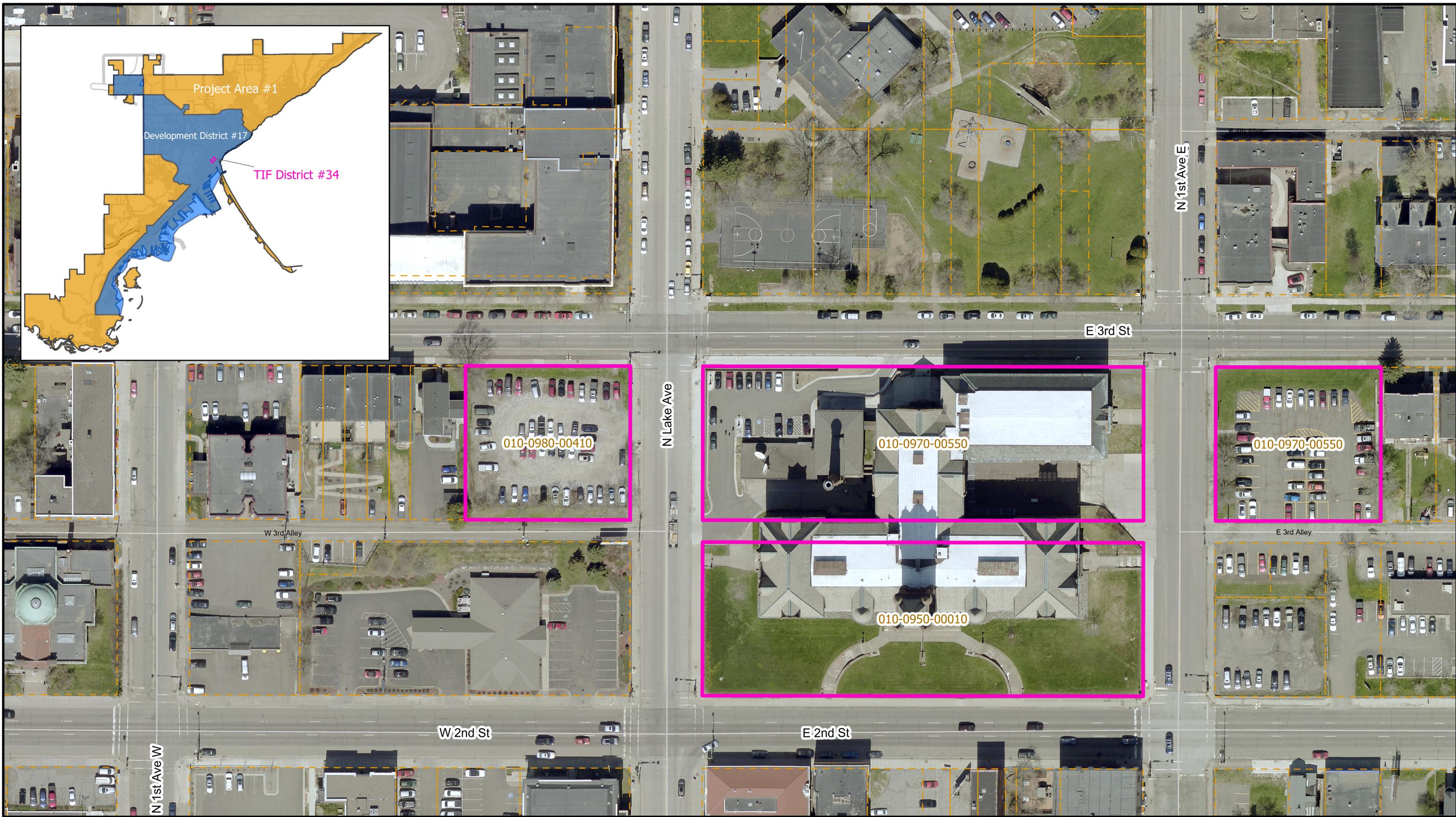
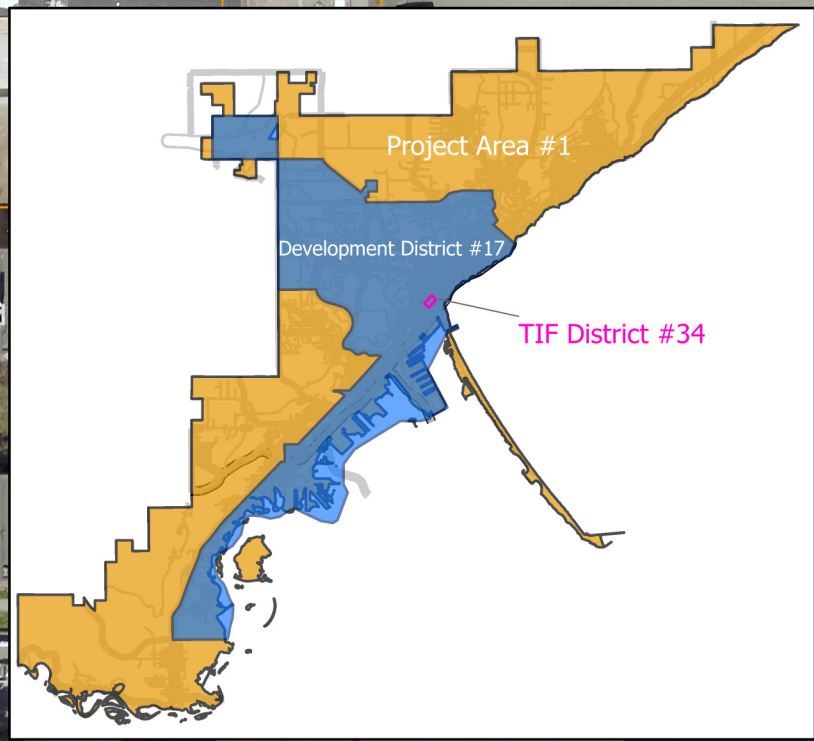
Pursuant to *M.S. Section 469.175, Subd. 1 (a), clause 7* the TIF Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S. Section 469.175, Subd. 3, clause (b)(2)* and the findings are required in the resolution approving the District.

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

Administration of the District

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

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

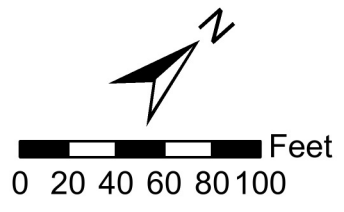


The City of Duluth has tried to ensure that the information contained in this map or electronic document is accurate. The City of Duluth makes no warranty or guarantee concerning the accuracy or reliability. This drawing/data is neither a legally recorded map nor a survey and is not intended to be used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

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- Proposed TIF District #34
- Parcel Boundary



Proposed TIF District #34

Path: G:\GIS\myArcGISProProjects\Default\Default_RBB.aprx

Appendix B: Estimated Cash Flow for the District

TIF District #34 - Historic High School Redevelopment - 4% Inflation

City of Duluth, MN

125 Apartment Units



ASSUMPTIONS AND RATES

DistrictType:	Redevelopment
District Name/Number:	
County District #:	
First Year Construction or Inflation on Value	2021
Existing District - Specify No. Years Remaining	
Inflation Rate - Every Year:	4.00%
Interest Rate:	3.00%
Present Value Date:	1-Aug-22
First Period Ending	1-Feb-23
Tax Year District was Certified:	Pay 2021
Cashflow Assumes First Tax Increment For Development:	2023
Years of Tax Increment	26
Assumes Last Year of Tax Increment	2048
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	NA
Incremental or Total Fiscal Disparities	NA
Fiscal Disparities Contribution Ratio	NA Pay 2021
Fiscal Disparities Metro-Wide Tax Rate	NA Pay 2021
Maximum/Frozen Local Tax Rate:	141.942% Pay 2021
Current Local Tax Rate: (Use lesser of Current or Max.)	141.942% Pay 2021
State-wide Tax Rate (Comm./Ind. only used for total taxes)	35.9780% Pay 2021
Market Value Tax Rate (Used for total taxes)	0.18832% Pay 2021

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 \$174,000	0.75%
Over \$174,000	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 Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	010-0950-00010	ISD 709	15 East 2nd Street	308,000	3,887,500	4,195,500	100%	4,195,500	Pay 2021	Exempt	-	Rental	52,444	1
2	010-0970-00550	ISD 709	7 East 3rd Street	304,900	0	304,900	100%	304,900	Pay 2021	Exempt	-	Rental	3,811	
3	010-0980-00410	ISD 709	215 North 1st Ave. East	73,500	0	73,500	100%	73,500	Pay 2021	Exempt	-	Rental	919	
				686,400	3,887,500	4,573,900		4,573,900			0		57,174	

Note:

1. Base values are for pay 2021 based upon review of County website on 4-1-2021.
2. Located in SD # 709

TIF District #34 - Historic High School Redevelopment - 4% Inflation
City of Duluth, MN
125 Apartment Units



PROJECT INFORMATION (Project Tax Capacity)													
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2021	Percentage Completed 2022	Percentage Completed 2023	Percentage Completed 2024	First Year Full Taxes Payable
1	Apartments	124,800	124,800	125	15,600,000	Rental	195,000	1,560	50%	100%	100%	100%	2024
TOTAL					15,600,000		195,000						
Subtotal Residential				125	15,600,000		195,000						
Subtotal Commercial/Ind.				0	0		0						

Note:

1. Market values are based upon estimates received from the County Assessor's office.

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	195,000	0	195,000	276,787	0	0	29,378	306,165	2,449.32
TOTAL	195,000	0	195,000	276,787	0	0	29,378	306,165	

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	306,165
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(29,378)
less Base Value Taxes	(81,154)
Annual Gross TIF	195,633

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	4,573,900
New Market Value - Est.	15,600,000
Difference	11,026,100
Present Value of Tax Increment	5,961,784
Difference	5,064,316
Value likely to occur without Tax Increment is less than:	5,064,316



TIF District #34 - Historic High School Redevelopment - 4% Inflation
 City of Duluth, MN
 125 Apartment Units

TAX INCREMENT CASH FLOW															
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities NA	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date	
100%	97,500	(57,174)	-	40,326	141.942%	57,240	28,620	(103)	(2,852)	25,665	24,912	0.5	2023	02/01/23	
100%	97,500	(57,174)	-	40,326	141.942%	57,240	28,620	(103)	(2,852)	25,665	49,456	1	2023	02/01/24	
100%	195,000	(57,174)	-	137,826	141.942%	195,633	97,817	(352)	(9,746)	87,718	132,103	1.5	2024	08/01/24	
100%	195,000	(57,174)	-	137,826	141.942%	195,633	97,817	(352)	(9,746)	87,718	213,528	2	2024	02/01/25	
100%	202,800	(57,174)	-	145,626	141.942%	206,705	103,352	(372)	(10,298)	92,682	298,290	2.5	2025	08/01/25	
100%	202,800	(57,174)	-	145,626	141.942%	206,705	103,352	(372)	(10,298)	92,682	381,799	3	2025	02/01/26	
100%	210,912	(57,174)	-	153,738	141.942%	218,219	109,110	(393)	(10,872)	97,845	468,657	3.5	2026	08/01/26	
100%	210,912	(57,174)	-	153,738	141.942%	218,219	109,110	(393)	(10,872)	97,845	554,232	4	2026	02/01/27	
100%	219,348	(57,174)	-	162,175	141.942%	230,194	115,097	(414)	(11,468)	103,214	643,168	4.5	2027	08/01/27	
100%	219,348	(57,174)	-	162,175	141.942%	230,194	115,097	(414)	(11,468)	103,214	730,791	5	2027	02/01/28	
100%	228,122	(57,174)	-	170,949	141.942%	242,648	121,324	(437)	(12,089)	108,798	821,788	5.5	2028	08/01/28	
100%	228,122	(57,174)	-	170,949	141.942%	242,648	121,324	(437)	(12,089)	108,798	911,441	6	2028	02/01/29	
100%	237,247	(57,174)	-	180,074	141.942%	255,600	127,800	(460)	(12,734)	114,606	1,004,484	6.5	2029	08/01/29	
100%	237,247	(57,174)	-	180,074	141.942%	255,600	127,800	(460)	(12,734)	114,606	1,096,152	7	2029	02/01/30	
100%	246,737	(57,174)	-	189,563	141.942%	269,070	134,535	(484)	(13,405)	120,646	1,191,224	7.5	2030	08/01/30	
100%	246,737	(57,174)	-	189,563	141.942%	269,070	134,535	(484)	(13,405)	120,646	1,284,892	8	2030	02/01/31	
100%	256,607	(57,174)	-	199,433	141.942%	283,079	141,540	(510)	(14,103)	126,927	1,381,980	8.5	2031	08/01/31	
100%	256,607	(57,174)	-	199,433	141.942%	283,079	141,540	(510)	(14,103)	126,927	1,477,633	9	2031	02/01/32	
100%	266,871	(57,174)	-	209,697	141.942%	297,648	148,824	(536)	(14,829)	133,460	1,576,723	9.5	2032	08/01/32	
100%	266,871	(57,174)	-	209,697	141.942%	297,648	148,824	(536)	(14,829)	133,460	1,674,348	10	2032	02/01/33	
100%	277,546	(57,174)	-	220,372	141.942%	312,801	156,400	(563)	(15,584)	140,253	1,775,427	10.5	2033	08/01/33	
100%	277,546	(57,174)	-	220,372	141.942%	312,801	156,400	(563)	(15,584)	140,253	1,875,012	11	2033	02/01/34	
100%	288,648	(57,174)	-	231,474	141.942%	328,559	164,279	(591)	(16,369)	147,319	1,978,068	11.5	2034	08/01/34	
100%	288,648	(57,174)	-	231,474	141.942%	328,559	164,279	(591)	(16,369)	147,319	2,079,602	12	2034	02/01/35	
100%	300,194	(57,174)	-	243,020	141.942%	344,947	172,474	(621)	(17,185)	154,667	2,184,624	12.5	2035	08/01/35	
100%	300,194	(57,174)	-	243,020	141.942%	344,947	172,474	(621)	(17,185)	154,667	2,288,094	13	2035	02/01/36	
100%	312,201	(57,174)	-	255,028	141.942%	361,991	180,996	(652)	(18,034)	162,310	2,395,072	13.5	2036	08/01/36	
100%	312,201	(57,174)	-	255,028	141.942%	361,991	180,996	(652)	(18,034)	162,310	2,500,470	14	2036	02/01/37	
100%	324,689	(57,174)	-	267,516	141.942%	379,717	189,858	(683)	(18,917)	170,257	2,609,394	14.5	2037	08/01/37	
100%	324,689	(57,174)	-	267,516	141.942%	379,717	189,858	(683)	(18,917)	170,257	2,716,709	15	2037	02/01/38	
100%	337,677	(57,174)	-	280,503	141.942%	398,152	199,076	(717)	(19,836)	178,523	2,827,570	15.5	2038	08/01/38	
100%	337,677	(57,174)	-	280,503	141.942%	398,152	199,076	(717)	(19,836)	178,523	2,936,794	16	2038	02/01/39	
100%	351,184	(57,174)	-	294,010	141.942%	417,324	208,662	(751)	(20,791)	187,120	3,049,585	16.5	2039	08/01/39	
100%	351,184	(57,174)	-	294,010	141.942%	417,324	208,662	(751)	(20,791)	187,120	3,160,709	17	2039	02/01/40	
100%	365,231	(57,174)	-	308,058	141.942%	437,263	218,632	(787)	(21,784)	196,060	3,275,421	17.5	2040	08/01/40	
100%	365,231	(57,174)	-	308,058	141.942%	437,263	218,632	(787)	(21,784)	196,060	3,388,439	18	2040	02/01/41	
100%	379,841	(57,174)	-	322,667	141.942%	458,000	229,000	(824)	(22,818)	205,358	3,505,066	18.5	2041	08/01/41	
100%	379,841	(57,174)	-	322,667	141.942%	458,000	229,000	(824)	(22,818)	205,358	3,619,971	19	2041	02/01/42	
100%	395,034	(57,174)	-	337,860	141.942%	479,566	239,783	(863)	(23,892)	215,028	3,738,507	19.5	2042	08/01/42	
100%	395,034	(57,174)	-	337,860	141.942%	479,566	239,783	(863)	(23,892)	215,028	3,855,292	20	2042	02/01/43	
100%	410,836	(57,174)	-	353,662	141.942%	501,995	250,997	(904)	(25,009)	225,084	3,975,733	20.5	2043	08/01/43	
100%	410,836	(57,174)	-	353,662	141.942%	501,995	250,997	(904)	(25,009)	225,084	4,094,393	21	2043	02/01/44	
100%	427,269	(57,174)	-	370,095	141.942%	525,321	262,660	(946)	(26,171)	235,543	4,216,732	21.5	2044	08/01/44	
100%	427,269	(57,174)	-	370,095	141.942%	525,321	262,660	(946)	(26,171)	235,543	4,337,263	22	2044	02/01/45	
100%	444,360	(57,174)	-	387,186	141.942%	549,580	274,790	(989)	(27,380)	246,420	4,461,496	22.5	2045	08/01/45	
100%	444,360	(57,174)	-	387,186	141.942%	549,580	274,790	(989)	(27,380)	246,420	4,583,894	23	2045	02/01/46	
100%	462,134	(57,174)	-	404,960	141.942%	574,809	287,404	(1,035)	(28,637)	257,733	4,710,019	23.5	2046	08/01/46	
100%	462,134	(57,174)	-	404,960	141.942%	574,809	287,404	(1,035)	(28,637)	257,733	4,834,279	24	2046	02/01/47	
100%	480,620	(57,174)	-	423,446	141.942%	601,047	300,524	(1,082)	(29,944)	269,498	4,962,292	24.5	2047	08/01/47	
100%	480,620	(57,174)	-	423,446	141.942%	601,047	300,524	(1,082)	(29,944)	269,498	5,088,413	25	2047	02/01/48	
100%	499,844	(57,174)	-	442,671	141.942%	628,335	314,168	(1,131)	(31,304)	281,733	5,218,311	25.5	2048	08/01/48	
100%	499,844	(57,174)	-	442,671	141.942%	628,335	314,168	(1,131)	(31,304)	281,733	5,346,290	26	2048	02/01/49	
Total							9,555,443	(34,400)	(952,104)	8,568,939					
Present Value From 08/01/2022							5,961,784	(21,462)	(594,032)	5,346,290					
Present Value Rate							3.00%								

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. 34: Historic High School Redevelopment (the “District”), as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 34: Historic High School Redevelopment is a redevelopment district as defined in M.S., Section 469.174, Subd. 10.*

The District consists of two (2) parcels and vacant right-of-way, with plans to redevelop the area for adaptive reuse of the historic high school site to include 125 units of new rental housing. Parcels consisting of 70 percent of the area of the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures and more than 50 percent of the buildings in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. (See Appendix D of the TIF Plan.)

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 34: Historic High School Redevelopment 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 development proposed in this plan is an adaptive reuse of a historic building that will also include affordable housing units meeting the City's objectives for development. The cost of building rehabilitation makes this housing development infeasible without City assistance. The cost to rehabilitate the building for housing is the same for affordable housing units as it is for market rate housing units. The decreased rental income from the affordable units means there is less cash flow available to service the operating and debt expenses for the project. The affordable rents contribute to a gap in funding for the project. The cost to rehabilitate the building and the need to offset the reduction in rents for the affordable housing units makes this development 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 project 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 costs of building acquisition and rehabilitation for housing adds to the total development cost. Historically, the costs of construction and/or rehabilitation in the City have made development of affordable housing infeasible without tax increment assistance. Although other projects could potentially be proposed, the City reasonably determines that no other redevelopment of similar scope providing the desired affordability

can be 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 \$11,026,100.
 - 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 \$5,961,784.
 - 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 \$5,064,316 (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 05/11/2021 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. 34: Historic High School Redevelopment 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.*

Through the implementation of the TIF Plan, DEDA or the City will provide an impetus for residential development, which is desirable or necessary for increased population and an increased need for life-cycle housing within the City.

Appendix D: Redevelopment Qualifications for the District

(to be included prior to public hearing)