As of November 27, 2018
Draft for DEDA and Council consideration

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. 31: Voyageur Lakewalk Inn (a redevelopment district)

within

Development District No. 17

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

Public Hearing: December 17, 2018
Adopted:

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(for reference purposes only)

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. 31.

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. 31

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. 31: Voyageur Lakewalk Inn (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, DEDA and the 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 four parcels of land and adjacent and internal rights-of-way. The District is being created to facilitate the construction of approximately 204 rental units and approximately 20,000 square feet of retail and commercial space in the City. Please see Appendix A for further District information. DEDA has not entered into an agreement but anticipates entering into an agreement with Northstar Development Interests, LLC. Development is likely to occur in the spring of 2019. 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 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.

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.

Subsection 2-6. 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)* 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 DEDA and the City rely on the following facts and findings:

- The District is a redevelopment district consisting of four 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 DEDA or the City (a total

of 26 years of tax increment). DEDA and the City elects to receive the first tax increment in 2021, 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 2046, or when the TIF Plan is satisfied. DEDA or the City reserve 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 2018 for taxes payable 2019.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2020 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 2019, assuming the request for certification is made before June 30, 2019. 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 2021. 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)	**$801,821**	
Original Estimated Net Tax Capacity (ONTC)	**$25,362**	
Estimated Captured Tax Capacity (CTC)	**$776,459**	
Original Local Tax Rate	**1.39622**	Pay 2018
Estimated Annual Tax Increment (CTC x Local Tax Rate)	**$1,084,108**	
Percent Retained by DEDA	**100%**	

Tax capacity includes a 3% 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 $197,221.

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

The City has review 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. Four permits have been issued and are included in Appendix H.

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. DEDA or the City reserve 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 and interfund loan. 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.

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

SOURCES OF FUNDS	TOTAL
Tax Increment	$19,363,896
Interest	$1,936,390
TOTAL	**$21,300,286**

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 $13,645,638. 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 approximately 204 rental units and approximately 20,000 square feel of retail and commercial space. DEDA and the City have determined that it will be necessary to provide assistance to the projects 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 OF TAX INCREMENT FUNDS	TOTAL
Land/Building Acquisition	$3,800,000
Site Improvements/Preparation	$3,600,000
Utilities	$2,500,000
Other Qualifying Improvements	$1,809,248
Administrative Costs (up to 10%)	$1,936,390
PROJECT COST TOTAL	$13,645,638
Interest	$7,654,648
PROJECT AND INTEREST COSTS TOTAL	**$21,300,286**

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.

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. County Road Costs

Pursuant to *M.S., Section 469.175, Subd. 1a*, the county board may require DEDA or the City to pay for all or part of the cost of county road improvements if the proposed development to be assisted by tax increment will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs and if the road improvements are not scheduled within the next five years under a capital improvement plan or within five years under another county plan.

If the county elects to use increments to improve county roads, it must notify DEDA or the City within forty-five days of receipt of this TIF Plan. In the opinion of DEDA and the City and consultants, the proposed development outlined in this TIF Plan will have little or no impact upon county roads, therefore the TIF Plan was not forwarded to the county 45 days prior to the public hearing. DEDA and the City are aware that the county could claim that tax increment should be used for county roads, even after the public hearing.

Subsection 2-13. Estimated Impact on Other Taxing Jurisdictions

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

IMPACT ON TAX BASE

	2017/Pay 2018 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) Upon Completion	Percent of CTC to Entity Total
St. Louis County	184,614,656	776,459	**0.4206%**
City of Duluth	70,628,559	776,459	**1.0994%**
Duluth Public ISD No. 709	79,400,393	776,459	**0.9779%**

IMPACT ON TAX RATES

	Pay 2018 Extension Rates	Percent of Total	CTC	Potential Taxes
St. Louis County	0.652760	46.75%	776,459	**506,841**
City of Duluth	0.397010	28.43%	776,459	**308,262**
Duluth Public ISD No. 709	0.286050	20.49%	776,459	**222,106**
Other	0.060400	4.33%	776,459	**46,898**
Total	1.396220	100.00%		**1,084,108**

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the actual Pay 2018 rate. The total net capacity for the entities listed above are based on actual Pay 2018 figures. The District will be certified under the actual Pay 2019 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 $19,363,896;

(2) Probable impact of the District on city provided services and ability to issue debt. The impact of the District on police protection is expected to be nominal. 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 in vehicles or require that the City expand its police budget.

It is anticipated that the District will result in an increase in fire protection calls attributed in large part to the increase in density for the area. However, it is recognized that typically new buildings generate fewer calls due to fires, 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 with issues such as access, hydrant locations, and converted structures. It is still undetermined if the District will result in the need for additional capital expenditures, but it is recognized that the tactics and equipment used for fires at the proposed 15-story, mixed use building are different than those tactics used to address fires for the current structures.

The impact of the District on public infrastructure is expected to be minimal. The development is not expected to significantly impact any traffic movements in the area. The current infrastructure for sanitary sewer, storm sewer and water will be able to handle the additional volume generated from the proposed development. Based on the development plans, there are no additional costs associated with street maintenance, sweeping, plowing, lighting and sidewalks. The development in the District is expected to contribute an estimated $169,000 in new fees.

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 $3,967,662;

(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 $9,052,622;

(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 2-14. 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 DEDA and the City's findings:

- Financial Assistance Application dated September 14, 2018.
- Market Study for the Proposed Mixed-Use Development located at 333 East Superior Street dated August 24, 2018.
- Report of Inspection Procedures and Results for Determining Qualifications of a Tax Increment Financing District as a Redevelopment District dated August 6, 2018.

Subsection 2-15. 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 2-16. 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 DEDA or the 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 DEDA or the 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) 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.

DEDA or the 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 2-17. Administrative Expenses

In accordance with *M.S., Section 469.174, Subd. 14,* administrative expenses means all expenditures of DEDA or the 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 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 DEDA or the City and the County Treasurer shall pay the amount deducted to the State Commissioner of Management and Budget for deposit in an account in the special revenue 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 2-18. 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.

DEDA, the City or a property owner must improve parcels within the District by approximately December 2022 and report such actions to the County Auditor.

Subsection 2-19. Use of Tax Increment

DEDA or the 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 DEDA or the 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 DEDA for the Tax Increment Fund of said District. DEDA or the City will pay to the developer(s) annually an amount not to exceed an amount as specified in a developer's agreement to reimburse the costs of land acquisition, public improvements, demolition and relocation, site preparation, and administration. 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 2-20. 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.

DEDA or the City must spend or return the excess increments under paragraph (c) within nine months after the end of the year. In addition, DEDA or the 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 2-21. Requirements for Agreements with the Developer

DEDA or the 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 DEDA or the City to demonstrate the conformance of the development with City plans and ordinances. DEDA or the 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 project area as set forth in the TIF Plan shall at any time be owned by DEDA or the 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, DEDA or the City concluded an agreement for the development or redevelopment of the property acquired and which provides recourse for DEDA or the City should the development or redevelopment not be completed.

Subsection 2-22. Assessment Agreements

Pursuant to *M.S., Section 469.177, Subd. 8*, DEDA or the City may enter into a written assessment agreement in recordable form with the developer of property within the District which establishes a minimum market value of the land and completed improvements for the duration of the District. The assessment agreement shall be presented to the County Assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land upon which the improvements are to be constructed and, so long as the minimum market value contained in the assessment agreement appears, in the judgment of the assessor, to be a reasonable estimate, the County Assessor shall also certify the minimum market value agreement.

Subsection 2-23. Administration of the District

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

Subsection 2-24. Annual Disclosure Requirements

Pursuant to *M.S., Section 469.175, Subds. 5, 6, and 6b* DEDA or the 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 2-25. 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 2-26. 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. Revenues derived from tax increments paid by properties in 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 DEDA or the City, including the cost of preparation of the development action response plan, may be included in the qualifying costs.

Subsection 2-27. Summary

The Duluth Economic Development Authority and the City of Duluth are 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.

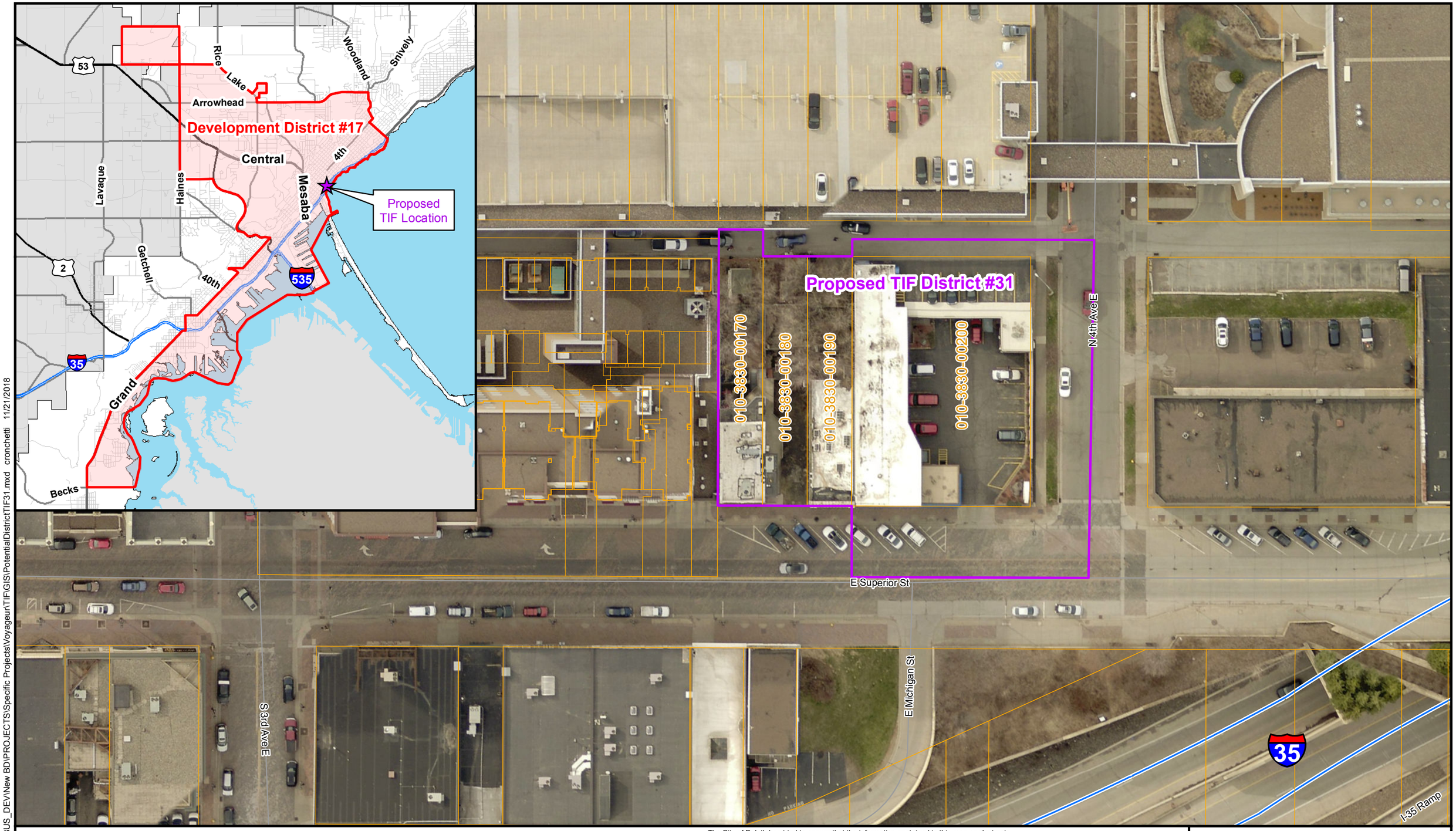
Appendix A

Project Description

Tax Increment Financing District No. 31: Voyageur Lakewalk Inn is being established to redevelop four developed parcels in the City. The new development includes a multi-family rental building with approximately 204 units of housing and approximately 20,000 square feet of retail and commercial space.

Appendix B

Map of Development District No. 17 and the District



Proposed TIF District #31 Boundary

Development District #17 Boundary

Parcel Boundary

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.

The City of Duluth requires that this map/data not be redistributed to any party in whole or in part, including any derivative works of products generated by combining the data with other data, unless authorized by the City of Duluth GIS office.

NORTH

50 25 0

Scale in Feet

Proposed TIF District #31

Path: I:\DEVELOPMENT\BUS_DEV\New BD\PROJECTS\Specific Projects\Voyageur\TIF\GIS\PotentialDistrictTIF31.mxd cronchetti 11/21/2018

Print Date: 11/21/2018, Aerial: 2016, Prepared By: DEDA Staff

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.

Parcel Numbers*	Address	Owner
010-3830-00170	319 E. Superior St.	North Shore Bank of Commerce
010-3830-00180	321 E. Superior St.	North Shore Bank of Commerce
010-3830-00190	323 E. Superior St.	John & Katherine Ann Park
010-3830-00200	333 E. Superior St.	Voyageur Inn, LLC

*The four parcels are currently located in Tax Increment Financing District No. 22 and will be removed from the District prior to establishment of TIF District No. 31 Voyageur Lakewalk Inn.

Appendix D

Estimated Cash Flow for the District

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Voyager Lakewalk Inn Redevelopment - No Inflation

City of Duluth, MN

204 Market Rate Apartments and 20,000 Sq/Ft Retail

ASSUMPTIONS AND RATES

DistrictType:	**Redevelopment**	
District Name/Number:		
County District #:		
First Year Construction or Inflation on Value	**2019**	
Existing District - Specify No. Years Remaining		
Inflation Rate - Every Year:	**3.00%**	
Interest Rate:	**4.00%**	
Present Value Date:	**1-Aug-20**	
First Period Ending	1-Feb-21	
Tax Year District was Certified:	**Pay 2019**	
Cashflow Assumes First Tax Increment For Development:	2021	
Years of Tax Increment	26	
Assumes Last Year of Tax Increment	2046	
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	**NA**	
Incremental or Total Fiscal Disparities	**Incremental**	
Fiscal Disparities Contribution Ratio	0.0000%	Pay 2018
Fiscal Disparities Metro-Wide Tax Rate	0.0000%	Pay 2018
Maximum/Frozen Local Tax Rate:	139.622%	Pay 2018
Current Local Tax Rate: (Use lesser of Current or Max.)	139.622%	Pay 2018
State-wide Tax Rate (Comm./Ind. only used for total taxes)	45.0000%	Pay 2018
Market Value Tax Rate (Used for total taxes)	0.13902%	Pay 2018

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	$121,000	0.75%
Over	$121,000	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	010-3830-00200	Voyager Inn	333 E. Superior St.	350,000	946,900	1,296,900	100%	1,296,900	Pay 2019	C/I Pref.	25,188	Rental	16,211	1
2	010-3830-00190	John & Katherine Ann	323 E. Superior St.	52,500	36,300	88,800	100%	88,800	Pay 2019	Rental	1,110	Rental	1,110	1
				52,500	125,900	178,400	100%	178,400	Pay 2019	C/I Pref.	2,818	C/I Pref.	2,818	1
3	010-3830-00170	North Shore Bank	319 E. Superior St.	105,000	128,000	233,000	100%	233,000	Pay 2019	C/I Pref.	3,910	C/I Pref.	3,910	1
4	010-3830-00180	North Shore Bank	321 E. Superior St.	105,000	0	105,000	100%	105,000	Pay 2019	C/I Pref.	1,575	Rental	1,313	1
				665,000	1,237,100	1,902,100		**1,902,100**			**34,601**		**25,362**	

Note:

1. Base values are for pay 2019 based upon review of County website on 9-17-18.

Voyager Lakewalk Inn Redevelopment - No Inflation

City of Duluth, MN

204 Market Rate Apartments and 20,000 Sq/Ft Retail

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 2019	Percentage Completed 2020	Percentage Completed 2021	Percentage Completed 2022	First Year Full Taxes Payable
1	Apts	85,643	85,643	204	17,471,100	Rental	218,389	1,071	50%	100%	100%	100%	2022
1	Retail	442	442	17,000	7,514,170	C/I Pref.	149,533	9	50%	100%	100%	100%	2022
1	Retail	442	442	3,000	1,326,030	C/I	26,521	9	50%	100%	100%	100%	2022
TOTAL					**26,311,300**		**394,443**						
Subtotal Residential				**204**	**17,471,100**		**218,389**						
Subtotal Commercial/Ind.				**20,000**	**8,840,200**		**176,054**						

Note:

1. Market values for each use (apartment, retail, and commercial) are based on a letter from the County Assessor dated 10-9-2018.

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
Apts	**218,389**	**0**	**218,389**	**304,919**	**0**	**0**	**24,288**	**329,207**	**1,613.76**
Retail	**149,533**	**0**	**149,533**	**208,782**	**0**	**67,290**	**10,446**	**286,518**	**16.85**
Retail	**26,521**	**0**	**26,521**	**37,029**	**0**	**11,934**	**1,843**	**50,806**	**16.94**
TOTAL	**394,443**	**0**	**394,443**	**550,729**	**0**	**79,224**	**36,578**	**666,531**	

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	**666,531**
less State-wide Taxes	**(79,224)**
less Fiscal Disp. Adj.	**0**
less Market Value Taxes	**(36,578)**
less Base Value Taxes	**(35,411)**
Annual Gross TIF	**515,318**

MARKET VALUE BUT / FOR ANALYSIS

Current Market Value - Est.	1,902,100
New Market Value - Est.	26,311,300
Difference	24,409,200
Present Value of Tax Increment	10,897,964
Difference	13,511,236
Value likely to occur without Tax Increment is less than:	**13,511,236**

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Voyager Lakewalk Inn Redevelopment - No Inflation
City of Duluth, MN
204 Market Rate Apartments and 20,000 Sq/Ft Retail

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	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
							-	-	-	-				02/01/21
100%	197,221	(25,362)	-	171,860	139.622%	239,954	119,977	(432)	(11,955)	107,591	103,413	0.5	2021	08/01/21
							119,977	(432)	(11,955)	107,591	204,798	1	2021	02/01/22
100%	394,443	(25,362)	-	369,081	139.622%	515,318	257,659	(928)	(25,673)	231,058	418,260	1.5	2022	08/01/22
							257,659	(928)	(25,673)	231,058	627,537	2	2022	02/01/23
100%	406,276	(25,362)	-	380,914	139.622%	531,840	265,920	(957)	(26,496)	238,466	839,288	2.5	2023	08/01/23
							265,920	(957)	(26,496)	238,466	1,046,887	3	2023	02/01/24
100%	418,464	(25,362)	-	393,103	139.622%	548,858	274,429	(988)	(27,344)	246,097	1,256,929	3.5	2024	08/01/24
							274,429	(988)	(27,344)	246,097	1,462,851	4	2024	02/01/25
100%	431,018	(25,362)	-	405,656	139.622%	566,386	283,193	(1,019)	(28,217)	253,956	1,671,184	4.5	2025	08/01/25
							283,193	(1,019)	(28,217)	253,956	1,875,431	5	2025	02/01/26
100%	443,949	(25,362)	-	418,587	139.622%	584,440	292,220	(1,052)	(29,117)	262,051	2,082,057	5.5	2026	08/01/26
							292,220	(1,052)	(29,117)	262,051	2,284,631	6	2026	02/01/27
100%	457,267	(25,362)	-	431,906	139.622%	603,035	301,518	(1,085)	(30,043)	270,389	2,489,552	6.5	2027	08/01/27
							301,518	(1,085)	(30,043)	270,389	2,690,455	7	2027	02/01/28
100%	470,985	(25,362)	-	445,624	139.622%	622,188	311,094	(1,120)	(30,997)	278,977	2,893,674	7.5	2028	08/01/28
							311,094	(1,120)	(30,997)	278,977	3,092,909	8	2028	02/01/29
100%	485,115	(25,362)	-	459,753	139.622%	641,916	320,958	(1,155)	(31,980)	287,822	3,294,431	8.5	2029	08/01/29
							320,958	(1,155)	(31,980)	287,822	3,492,001	9	2029	02/01/30
100%	499,668	(25,362)	-	474,307	139.622%	662,236	331,118	(1,192)	(32,993)	296,933	3,691,828	9.5	2030	08/01/30
							331,118	(1,192)	(32,993)	296,933	3,887,738	10	2030	02/01/31
100%	514,658	(25,362)	-	489,297	139.622%	683,166	341,583	(1,230)	(34,035)	306,318	4,085,876	10.5	2031	08/01/31
							341,583	(1,230)	(34,035)	306,318	4,280,130	11	2031	02/01/32
100%	530,098	(25,362)	-	504,736	139.622%	704,723	352,361	(1,269)	(35,109)	315,984	4,476,583	11.5	2032	08/01/32
							352,361	(1,269)	(35,109)	315,984	4,669,185	12	2032	02/01/33
100%	546,001	(25,362)	-	520,639	139.622%	726,927	363,463	(1,308)	(36,216)	325,940	4,863,960	12.5	2033	08/01/33
							363,463	(1,308)	(36,216)	325,940	5,054,916	13	2033	02/01/34
100%	562,381	(25,362)	-	537,019	139.622%	749,797	374,899	(1,350)	(37,355)	336,194	5,248,017	13.5	2034	08/01/34
							374,899	(1,350)	(37,355)	336,194	5,437,332	14	2034	02/01/35
100%	579,252	(25,362)	-	553,891	139.622%	773,353	386,677	(1,392)	(38,528)	346,756	5,628,766	14.5	2035	08/01/35
							386,677	(1,392)	(38,528)	346,756	5,816,446	15	2035	02/01/36
100%	596,630	(25,362)	-	571,268	139.622%	797,616	398,808	(1,436)	(39,737)	357,635	6,006,219	15.5	2036	08/01/36
							398,808	(1,436)	(39,737)	357,635	6,192,271	16	2036	02/01/37
100%	614,529	(25,362)	-	589,167	139.622%	822,607	411,304	(1,481)	(40,982)	368,841	6,380,390	16.5	2037	08/01/37
							411,304	(1,481)	(40,982)	368,841	6,564,821	17	2037	02/01/38
100%	632,965	(25,362)	-	607,603	139.622%	848,348	424,174	(1,527)	(42,265)	380,382	6,751,293	17.5	2038	08/01/38
							424,174	(1,527)	(42,265)	380,382	6,934,109	18	2038	02/01/39
100%	651,954	(25,362)	-	626,592	139.622%	874,860	437,430	(1,575)	(43,586)	392,270	7,118,941	18.5	2039	08/01/39
							437,430	(1,575)	(43,586)	392,270	7,300,150	19	2039	02/01/40
100%	671,512	(25,362)	-	646,151	139.622%	902,168	451,084	(1,624)	(44,946)	404,514	7,483,350	19.5	2040	08/01/40
							451,084	(1,624)	(44,946)	404,514	7,662,959	20	2040	02/01/41
100%	691,658	(25,362)	-	666,296	139.622%	930,296	465,148	(1,675)	(46,347)	417,126	7,844,535	20.5	2041	08/01/41
							465,148	(1,675)	(46,347)	417,126	8,022,552	21	2041	02/01/42
100%	712,407	(25,362)	-	687,046	139.622%	959,267	479,633	(1,727)	(47,791)	430,116	8,202,513	21.5	2042	08/01/42
							479,633	(1,727)	(47,791)	430,116	8,378,945	22	2042	02/01/43
100%	733,780	(25,362)	-	708,418	139.622%	989,107	494,554	(1,780)	(49,277)	443,496	8,557,299	22.5	2043	08/01/43
							494,554	(1,780)	(49,277)	443,496	8,732,155	23	2043	02/01/44
100%	755,793	(25,362)	-	730,431	139.622%	1,019,843	509,921	(1,836)	(50,809)	457,277	8,908,910	23.5	2044	08/01/44
							509,921	(1,836)	(50,809)	457,277	9,082,199	24	2044	02/01/45
100%	778,467	(25,362)	-	753,105	139.622%	1,051,500	525,750	(1,893)	(52,386)	471,472	9,257,364	24.5	2045	08/01/45
							525,750	(1,893)	(52,386)	471,472	9,429,094	25	2045	02/01/46
100%	801,821	(25,362)	-	776,459	139.622%	1,084,108	542,054	(1,951)	(54,010)	486,092	9,602,678	25.5	2046	08/01/46
							542,054	(1,951)	(54,010)	486,092	9,772,858	26	2046	02/01/47
	Total						**19,433,858**	**(69,962)**	**(1,936,390)**	**17,427,507**				
	Present Value From 08/01/2020			**Present Value Rate**	**4.00%**		**10,897,964**	**(39,233)**	**(1,085,873)**	**9,772,858**				

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

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

Duluth Voyageurs TIF District
Duluth, Minnesota

August 6, 2018

Prepared For the

City of Duluth

Prepared by:

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

LHB Project No. 170732

TABLE OF CONTENTS

PART 1 – EXECUTIVE SUMMARY

PURPOSE OF EVALUATION

LHB was hired by the City of Duluth to inspect and evaluate the properties within a Tax Increment Financing Redevelopment District ("TIF District") proposed to be established by the City. The proposed TIF District is located at the west corner of North 4th Avenue East and East Superior Street (Diagram 1). The purpose of LHB's work is to determine whether the proposed TIF District meets the statutory requirements for coverage, and whether three (3) buildings on four (4) parcels, located within the proposed TIF District, meet the qualifications required for a Redevelopment District.

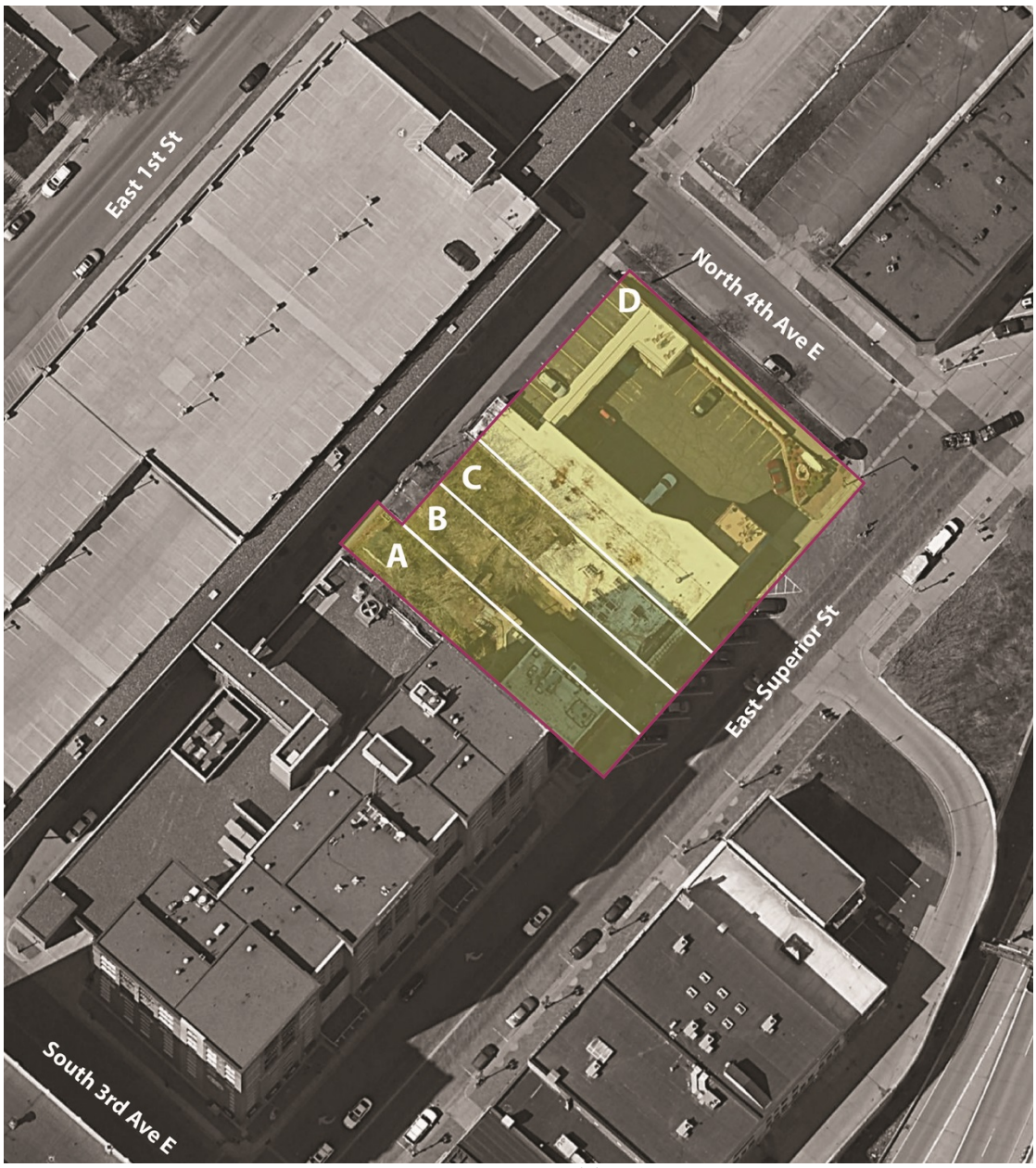

Diagram 1 – Proposed TIF District

SCOPE OF WORK
The proposed TIF District consists of four (4) parcels with three (3) buildings. Three (3) buildings were inspected on October 24, 2017. Building code and Condition Deficiency Reports for the buildings that were inspected are located in Appendix B.

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

- The proposed TIF District has a coverage calculation of 100 percent which is above the 70 percent requirement.
- 100 percent of the buildings are structurally substandard which is above the 50 percent requirement.
- The substandard buildings are reasonably distributed.

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

PART 2 – MINNESOTA STATUTE 469.174, SUBDIVISION 10 REQUIREMENTS

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

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

EXTERIOR INSPECTION AND OTHER MEANS
"An interior inspection of the property is not required, if the municipality finds that
(1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and
(2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard."

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

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

A. COVERAGE TEST

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

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

B. CONDITION OF BUILDINGS TEST

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

1. Structurally substandard is defined under *Minnesota Statutes, Section 469.174, Subdivision 10(b)*, which states: "For purposes of this subdivision, 'structurally substandard' shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance."

    a. We do not count energy code deficiencies toward the thresholds required by *Minnesota Statutes, Section 469.174, Subdivision 10(b)* defined as "structurally substandard"*,* due to concerns expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.

2. Buildings are not eligible to be considered structurally substandard unless they meet certain additional criteria, as set forth in Subdivision 10(c) which states:

    "A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence."

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

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

    - The Minnesota energy code is one of ten building code areas highlighted by the Minnesota Department of Labor and Industry website where minimum construction standards are required by law.

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

C. DISTRIBUTION OF SUBSTANDARD BUILDINGS

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

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

Our interpretation of the distribution requirement is that the substandard buildings must be reasonably distributed throughout the district as compared to the location of all buildings in the district. For example, if all of the buildings in a district are located on one half of the area of the district, with the other half occupied by parking lots (meeting the required 70 percent coverage for the district), we would evaluate the distribution of the substandard buildings compared with only the half of the district where the buildings are located. If all of the buildings in a district are located evenly throughout the entire area of the district, the substandard buildings must be reasonably distributed throughout the entire area of the district. We believe this is consistent with the opinion expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.

PART 3 – PROCEDURES FOLLOWED

LHB inspected three (3) of the three (3) buildings during the day of October 24, 2017.

PART 4 – FINDINGS

A. COVERAGE TEST

1. The total square foot area of the parcel in the proposed TIF District was obtained from City records, GIS mapping and site verification.

2. The total square foot area of buildings and site improvements on the parcels in the proposed TIF District was obtained from City records, GIS mapping and site verification.

3. The percentage of coverage for each parcel in the proposed TIF District was computed to determine if the 15 percent minimum requirement was met. The total square footage of parcels meeting the 15 percent requirement was divided into the total square footage of the entire district to determine if the 70 percent requirement was met.

FINDING:

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

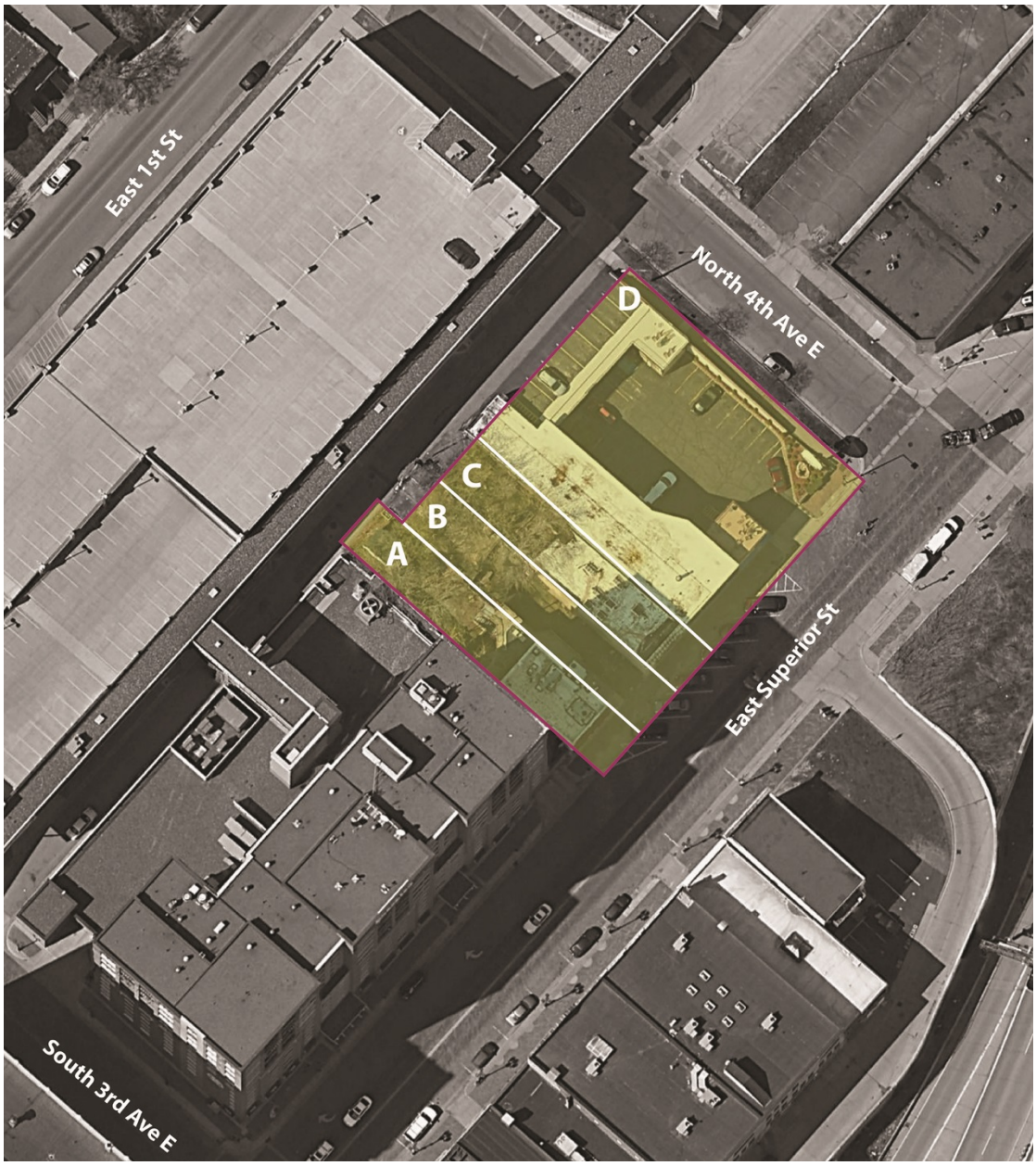

Diagram 2 – Coverage Diagram
Shaded green area depicts a parcel more than 15 percent occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures

B. CONDITION OF BUILDING TEST

1. BUILDING INSPECTION

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

2. REPLACEMENT COST

The second step in evaluating a building to determine if it is substandard to a degree requiring substantial renovation or clearance is to determine its replacement cost. This is the cost of constructing a new structure of the same square footage and type on site. Replacement costs were researched using R.S. Means Cost Works square foot models for 2017.

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

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

3. CODE DEFICIENCIES

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

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

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

After identifying the code deficiencies in each building, we used R.S. Means Cost Works 2017; Unit and Assembly Costs to determine the cost of correcting the identified deficiencies. We were then able to compare the correction costs with the replacement cost of each building to determine if the costs for correcting code deficiencies meet the required 15 percent threshold.

FINDING:

Three (3) out of three (3) buildings (100 percent) in the proposed TIF District contained code deficiencies exceeding the 15 percent threshold required by *Minnesota Statutes, Section 469.174, Subdivision 10(c).* Building Code, Condition Deficiency and Context Analysis reports for the buildings in the proposed TIF District can be found in Appendix B of this report.

4. SYSTEM CONDITION DEFICIENCIES

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

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

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

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

FINDING:

In our professional opinion, three (3) out of three (3) buildings (100 percent) in the proposed TIF District are structurally substandard to a degree requiring substantial renovation or clearance, because of defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. This exceeds the 50 percent requirement of Subdivision 10a(1).

C. DISTRIBUTION OF SUBSTANDARD STRUCTURES

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

FINDING:

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

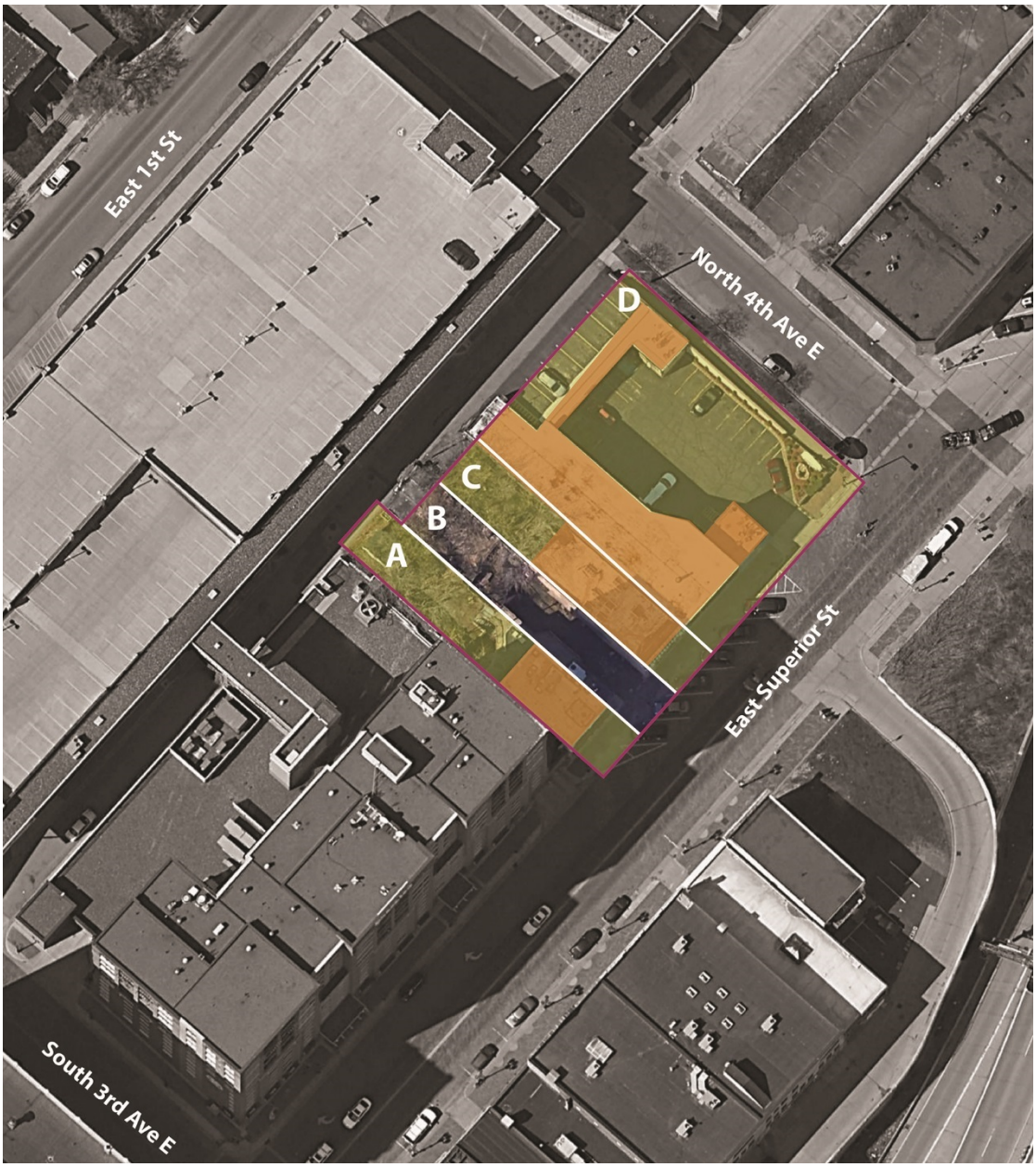

Diagram 3 – Substandard Buildings

Shaded green area depicts parcels with buildings.
Shaded orange area depicts substandard buildings.

PART 5 - TEAM CREDENTIALS

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

Michael has 30 years of experience as project principal, project manager, project designer and project architect on planning, urban design, educational, commercial and governmental projects. He has become an expert on Tax Increment Finance District analysis assisting over 100 cities with strategic planning for TIF Districts. He is an Architectural Principal at LHB and currently leads the Minneapolis office.

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

Philip Waugh – Project Manager/TIF Analyst

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

Thomas D. Fennessey – Inspector

Prior to joining the LHB team in early 2015, Tom served over 30 years in various positions within facilities management at the University of Wisconsin-Superior, including serving as Director of Facilities Management for over 10 years. His role in LHB's Superior office includes owner's representation, quality assurance of project delivery, construction management, Wisconsin business development, building assessments, plan reviews, and other facilities-related assessments and projects. He has served nearly eight years as a city councilor for the City of Superior and is currently city council president. In his various roles he has worked with both local and state levels of government in seeking new and revised legislation for both higher Ed and local government.

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APPENDICES

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

APPENDIX A

Property Condition Assessment Summary Sheet

Property Condition Assessment Summary Sheet

TIF Map No.	PID #	Property Address	Improved or Vacant	Survey Method Used	Site Area (S.F.)	Coverage Area of Improvements (S.F.)	Coverage Percent of Improvements	Coverage Quantity (S.F.)	No. of Buildings	Building Replacement Cost	15% of Replacement Cost	Building Code Deficiencies	No. of Buildings Exceeding 15% Criteria	No. of buildings determined substandard
A	010-3830-00170	319 E Superior St	Improved	Interior/Exterior	4,007	4,007	100.0%	4,007	1	$443,160	$66,474	$115,890	1	1
B	010-3830-00180	321 E Superior St	Improved	Exterior	3,367	1,010	30.0%	3,367						
C	010-3830-00190	323 E Superior St	Improved	Interior/Exterior	3,501	3,501	100.0%	3,501	1	$585,866	$87,880	$220,085	1	1
D	010-3830-00200	333 E Superior St	Improved	Interior/Exterior	14,063	14,063	100.0%	14,063	1	$2,004,538	$300,681	$321,029	1	1
TOTALS					24,938			24,938	3				3	3

Total Coverage Percent: **100.0%**

Percent of buildings exceeding 15 percent code deficiency threshold: **100.0%**

Percent of buildings determined substandard: **100.0%**

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APPENDIX B

Building Code, Condition Deficiency and Context Analysis Reports

Duluth Voyageurs TIF District

Building Code, Condition Deficiency and Context Analysis Report

November 10, 2017

Parcel No and Building Name:	Parcel A Hacienda Del Sol
Address:	319 E. Superior Street, Duluth, MN 55802
Parcel ID:	010-3830-00170
Inspection Date(s) & Time(s):	October 24, 2017 3:00pm
Inspection Type:	Interior and Exterior
Summary of Deficiencies:	It is our professional opinion that this building is Substandard because: - Substantial renovation is required to correct Conditions found. - Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost:	$443,161
Estimated Cost to Correct Building Code Deficiencies:	115,890
Percentage of Replacement Cost for Building Code Deficiencies:	26.2%

Defects in Structural Elements

1. Basement foundation walls showing signs of deterioration from water penetration.
2. Basement wood walls and wood supporting structure showing signs of deterioration due to basement water and sewer backups.

Combination of Deficiencies

1. Essential Utilities and Facilities
    a. Entrance doors lack code-compliant entrance door hardware to meet ADA code.
    b. Second floor is not ADA accessible- lacks an elevator or lift.
    c. Basement restroom does not meet current building codes.
    d. Door thresholds are too high and do not meet ADA access codes.
    e. Stairs leading to basement need to be replaced to meet code for tread, rise and headroom.
    f. Second story exterior balcony railings do not meet the 4" minimum spacing per required code.

2. Light and Ventilation
    a. The interior lighting does not comply with current code for minimum light levels.
    b. The building HVAC system does not comply with current mechanical and building codes.

3. Fire Protection/Adequate Egress
    a. The emergency notification system, fire and CO detectors need to be replaced to meet current code.
    b. There are numerous open electrical boxes, holes in walls and ceilings and pipe penetrations are not fire-sealed to meet fire code requirements.

4. Layout and Condition of Interior Partitions/Materials
    a. Interior acoustic ceiling tiles are missing or damaged in various areas.
    b. Interior walls are in need of painting.
    c. Commercial kitchen equipment has been removed leaving equipment wiring, plumbing and other infrastructure exposed.
    d. Various areas of the building ceilings show water damage from roof leaks.

5. Exterior Construction
    a. Trees and shrubs in rear of building are over-grown and too close to building walls.
    b. It is evident from visible roof leaks that the entire roof system has failed and needs replacement to prevent water intrusion.

Description of Code Deficiencies

1. Replace code-deficient entrance door hardware to meet ADA code.
2. Install elevator/lift to meet second floor accessibility.
3. Replace code-deficient restroom in basement.
4. Stone foundation walls showing deterioration, efflorescence, loose mortar.
5. Repair/replace wood-framed walls in basement due to flooding- structural supports showing signs of deterioration.
6. Modify existing entrance threshold to provide ADA access.
7. Modify/replace code-deficient basement stairs for proper tread and rise.
8. Modify basement stair headroom to meet code.
9. Install code compliant emergency notification system.
10. Install code compliant fire alarm system and detectors.
11. Patch, seal and fire-seal all open wall and pipe penetrations to meet code.
12. Modify existing balcony railing to meet the 4" minimum spacing.
13. Replace entire roof to eliminate water penetrations.
14. Correct various open electrical boxes.
15. Install code compliant interior lighting.
16. Replace code-deficient hot water boiler system.
17. Replace code-deficient commercial kitchen exhaust/make-up air system.
18. Replace HVAC controls and T-Stat with code compliant units.
19. Replace code-deficient domestic water and plumbing system.

Overview of Deficiencies

This building was constructed in 1910 and has been used as a restaurant for many years but is currently vacant. All commercial restaurant kitchen equipment has been removed. At some point in history, a small side entrance addition was added along with a second story exterior balcony for patron seating. The exterior of the building is in fair condition, but evidence of water damage in the second story interior ceiling indicates the roof is in poor condition and needs replacement. There is no off-street parking for this building which requires patrons to park on city streets. The rear of the building has a ground-level outdoor seating area this has been overgrown with trees and shrubs, which are interfering with the building façade. The basement has a very low ceiling height and has evidence of prior water seepage and sanitary sewer backups. Accessibility to the second-floor seating area is limited by stairs and does not have ADA accessibility.

Duluth Voyageurs TIF District

Building Code, Condition Deficiency and Context Analysis Report

November 10, 2017

Parcel No. and Building Name:	Parcel C Tattoo Shop
Address:	323 E. Superior Street, Duluth, MN 55802
Parcel ID:	010-3830-00190
Inspection Date(s) & Time(s):	October 24, 2017 3:30pm
Inspection Type:	Interior and Exterior
Summary of Deficiencies:	It is our professional opinion that this building is Substandard because: - Substantial renovation is required to correct Conditions found. - Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost:	$585,866
Estimated Cost to Correct Building Code Deficiencies:	$220,085
Percentage of Replacement Cost for Building Code Deficiencies:	37.6%

Defects in Structural Elements

1. Several areas of the second-floor ceiling show extensive water damage from a leaking roof damaging the roof structure along with exterior walls.
2. The stone foundation walls are showing deterioration due to water leakage.
3. Several floor joists supporting the first floor have been cut and notched, resulting in weakened structural integrity.

Combination of Deficiencies

1. Essential Utilities and Facilities
    a. The building water system has been disconnected from city services.
    b. Basement level has non-code compliant electrical wiring.
    c. The building does not have an operational HVAC system.

2. Light and Ventilation
    a. The interior lighting does not comply with current code for minimum light levels.

3. Fire Protection/Adequate Egress
    a. The building lacks code-compliant emergency notification system, fire or CO detection systems.
    b. The hallways in the upper levels are narrow and do not meet egress codes.
    c. All building entrance doors lack proper ADA access due to non-compliant door hardware and threshold heights.

d. Stairs leading to all floors do not meet current building codes due to improper tread/riser sizes, widths, handrails and landings.
e. There are numerous open electrical boxes, holes in walls and open pipe penetrations that need to be sealed or covered as per fire code.
f. There is no code required emergency egress lighting in building.
g. There is no code required building sprinkler system.

4. Layout and Condition of Interior Partitions/Materials
    a. Second floor hallways do not meet egress code due to locations and width.
    b. Numerous areas of water damage have caused plaster and wall board to fall off.
    c. Roof skylights have failed and caused water intrusion.
    d. Building roof has completely failed and caused extensive structural damage in various areas.
    e. Flooring in most areas is buckled, uneven and deteriorated and needs complete replacement.
    f. Wall coverings are in poor condition and need to be replaced/repaired.
    g. Several interior room doors are missing and/or loose from hinges.
    h. Various second level rooms have large amounts of debris on floor.
    i. Basement heating pipes shows large amount of suspect asbestos containing insulation material on pipes.

5. Exterior Construction
    a. Exposed exterior side and back of building need extensive brick repair/coverings.
    b. Abandoned chimney is failing and loosing bricks, causing structural deficiencies.
    c. Trees and shrubs growing close to exterior of building is starting to cause wall damage.
    d. Exterior landscaping does not shed water away from building.
    e. Rear exterior windows have been broken to gain access to building.
    f. Evidence that entire roof has failed allowing water intrusion throughout interior of building.

Description of Code Deficiencies

1. Replace code-deficient entrance door hardware to comply with ADA codes
2. All room doors have thresholds that are too high and do not meet accessibility codes
3. Basement stone foundation walls show evidence of deterioration and water seepage through walls and foundation.
4. Several structural floor joist members have been cut/notched and are not code-compliant
5. Second story interior walls are extremely damaged from water intrusion and showing signs of failure
6. Various portions of second floor ceiling plaster has fallen in as a result of water intrusion, exposing deteriorated roof framing
7. Replace flooring on all levels to eliminate uneven walking surface and tripping hazard per building codes
8. Basement stairs do not meet code due to improper tread/riser size, headroom, width and handrails
9. Stairs leading to second floor are code-deficient due to improper tread/riser size, handrails and landings
10. Second floor hallways do not meet code for egress
11. Building lacks fire sprinkler system as required by code
12. Basement stairs are open and backside not protected with gyp board as required by code
13. Install code compliant emergency notification system
14. Install code compliant fire alarm system, detectors and CO monitors
15. Patch, seal and fire-stop all open wall and pipe penetrations as per fire code.
16. Exposed exterior side wall is missing protective water-tight material allowing water intrusion

17. Chimney in rear of building has evidence of bricks that have fallen off, causing structural weakness and allowing water intrusion
18. Exterior brick needs replacement and re-pointing to eliminate water intrusion
19. Exterior windows have been broken out and covered with plywood- replace to create water and air tight openings to meet code
20. Replace entire building roof system to eliminate water intrusion
21. Roof skylights are cracked and leaking, allowing water intrusion
22. Replace code-deficient HVAC system and controls- non-working system
23. Abate/encapsulate suspect friable asbestos containing materials on all building heating system piping
24. Replace numerous code deficient electrical wiring in basement area
25. Replace code-deficient electrical service panel and all building branch circuits
26. Provide code-required GFCI outlets throughout building
27. Install code-compliant interior lighting fixtures
28. Replace code-deficient second floor kitchen
29. Replace code-deficient domestic water system and water heater- non-working building water and plumbing system

Overview of Deficiencies

This building was constructed in 1912 and recently consisted of retail space on the lower level with residential apartments in the upper floor. The building has been vacant for several years and is showing great disrepair. Evidence shows the building has been broken into several times and used for housing of homeless. The upper level contains a lot of debris and damage. The building roof and skylights leak badly and have caused structural damage in several areas. The basement shows signs of water seepage through the stone foundation walls. This building contains various accessibility code deficiencies. The heating system was originally connected to the City of Duluth's high-pressure steam system but has since been disconnected. The building water system appears to have been disconnected from city services.

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Duluth Voyageurs TIF District

Building Code, Condition Deficiency and Context Analysis Report

November 13, 2017

Parcel No. and Building Name:	Parcel D Voyageur Lakewalk Inn
Address:	333 E. Superior Street, Duluth, MN 55802
Parcel ID:	010-3830-00200
Inspection Date(s) & Time(s):	October 24, 2017 4:00pm
Inspection Type:	Interior and Exterior
Summary of Deficiencies:	It is our professional opinion that this building is Substandard because: - Substantial renovation is required to correct Conditions found. - Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost:	$2,004, 538
Estimated Cost to Correct Building Code Deficiencies:	$321,029
Percentage of Replacement Cost for Building Code Deficiencies:	16.02%

Defects in Structural Elements

1. Exterior balcony horizontal outer beam is rusting and delaminating where plaster underside meets beam.
2. Exterior concrete pan stairs leading to second story patio are cracked, bowing and metal pans are rusting and delaminating.

Combination of Deficiencies

1. Essential Utilities and Facilities
    a. No accessible rooms in this building - two are required by code.
    b. Parking lot does not meet proper code required accessibility parking spaces.
    c. Stairs leading to lower level do not meet code standards for riser/tread size, width, handrail and headroom.
    d. Motel office is not accessible due to raised sidewalk and lacks proper door hardware.
    e. Motel office reception counter does not meet ADA codes for height.
    f. Building lacks code required room signage.
    g. Exterior stairway handrails do not meet code for 4" pass-through width.
    h. Upper level balcony and patio railings do not meet code for 4" pass-through width.
    i. Building mechanical system does not meet current code.
    j. Lower level flooring consists of damaged 9x9 suspect asbestos tile.
    k. Original steam and hot water heat pipes contain suspect asbestos insulation.
    l. Building electrical system needs to be upgraded with AFCI protection for each sleeping room.

2. Light and Ventilation
    a. Rooms do not appear to have adequate ventilation.

3. Fire Protection/Adequate Egress
    a. Building lacks code required sprinkler system.
    b. Sleeping rooms lack code required fire protection systems and detectors.
    c. There are numerous pipe and cable penetrations that are not properly fire-sealed.
    d. Stairs from upper level do not meet egress codes due to riser/tread sizes, handrails and landings.
    e. Building lacks code-required tactile room identification signage.

4. Layout and Condition of Interior Partitions/Materials
    a. Sleeping rooms are very dated and lack proper ventilation.
    b. Room carpet is dated and needs replacement.
    c. Laundry services are in the basement level in very tight rooms with all laundry carried to and from upper floors through very narrow basement stairs that do not meet code.

5. Exterior Construction
    a. Paint on wood windows is peeling allowing potential water intrusion.
    b. Paint on exposed exterior plaster and metal soffit is peeling.
    c. Various caulk joints are deteriorating and need to be re-caulked to stop water intrusion.
    d. Overhead garage door needs to be replaced/repair due to water damage causing material damage and peeling paint.

Description of Code Deficiencies

1. No accessible rooms - two required by code
2. Parking lot required to have two accessible parking stalls - one car and one van
3. Main office not accessible due to raised sidewalk
4. Main office reception counter does not meet accessibility code requirements
5. Basement stairs not code compliant due to tread/riser size, narrow width, handrail, obstructions in landings and low headroom
6. Basement and second floor is not accessible - install code required elevator/lift
7. Current room signage does not meet required code for location and type
8. Replace code deficient entrance door hardware to comply with ADA codes
9. Exterior walkway structural beams showing signs of rusting and delamination where plaster underside meets beam
10. Concrete stair pans to upper patio are cracked, uneven and metal plans rusting and delaminating
11. Exterior stairs to second floor do not meet tread/riser code requirements
12. Stairs leading to second level patio and spiral staircase have non-compliant open risers
13. Modify/replace all exterior stair, walkway and balcony railings to meet code required minimum 4" spacing
14. Numerous unsealed holes in structure - fire stop
15. Install code compliant emergency notification system
16. Install code compliant fire alarm system, detectors, strobes, and CO devices
17. Install code-required fire sprinkler system
18. Install code-required emergency generator for life-safety
19. Paint on exterior windows peeling - water intrusion
20. Sectional garage door has peeling paint and deteriorated wood panels allowing water intrusion
21. Caulk at windows, ventilation grills and control joints are in need of repair/replacement to stop water intrusion
22. Replace code deficient building heating and ventilation systems

23. Install code required AFCI circuits in all rooms
24. Exterior outlets not covered to protect from water

Overview of Deficiencies

This building was constructed in 1959 and currently serves as a working 40-unit motel. Overall, the motel is well maintained but very dated. There are no code compliant accessible rooms in this building along with the main office/lobby being non-accessible due to the raised sidewalks along the entire perimeter. The current main entrance parking lot does not contain adequate code required accessible parking spaces. This building consists of exterior stairways accessing the upper levels with exposed balconies. The stair and balcony railings are sturdy but are not code compliant due to the railing spacing being greater than 4" in most areas. The heating system is original and is connected to the City of Duluth's central steam plant. Overall room ventilation appears to be inadequate. There is on-site customer parking in the main ground level lot with additional parking in the rear of building in the adjacent parking ramp.

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APPENDIX C

Building Replacement Cost Reports
Code Deficiency Cost Reports
Photographs

Duluth Voyageurs TIF District

Replacement Cost Report

RSMeans data from GORDIAN

Square Foot Cost Estimate Report Date: **11/15/2017**

Estimate Name:	**Duluth Hcienda TIF- Del Sol** City of Duluth 319 E. Superior Street , Duluth , Minnesota , 55802
Building Type:	**Restaurant with Brick Veneer / Wood Frame**
Location:	**DULUTH, MN**
Story Count:	**2**
Story Height (L.F.):	**12**
Floor Area (S.F.):	**1200**
Labor Type:	**OPN**
Basement Included:	**Yes**
Data Release:	**Year 2017 Quarter 3**
Cost Per Square Foot:	**$369.30**
Building Cost:	**$443,160.64**

Costs are derived from a building model with basic components.

Scope differences and market conditions can cause costs to vary significantly.

** Area, Stories entered is outside the range recommended by RSMeans.

		% of Total	Cost Per S.F.	Cost
A Substructure		**19.51%**	**65.5**	**78,603.67**
A1010	**Standard Foundations**		**14.95**	**17,944.75**
	KSF, 12" deep x 24" wide		7.51	9,014.59
	4' - 6" square x 15" deep		7.44	8,930.16
A1030	**Slab on Grade**		**2.68**	**3,217.19**
	Slab on grade, 4" thick, non industrial, reinforced		2.68	3,217.19
A2010	**Basement Excavation**		**1.83**	**2,197.08**
	site storage		1.83	2,197.08
A2020	**Basement Walls**		**46.04**	**55,244.65**
	thick		46.04	55,244.65
B Shell		**44.47%**	**149.3**	**179,162.39**
B1010	**Floor Construction**		**24.02**	**28,818.95**
	height, 142 lbs/LF, 4000PSI		17.1	20,518.44
	160 PSF total allowable load		0.2	238.04
	15'x15' bay, 75 PSF superimposed load, 153 PSF total load		6.72	8,062.47
B1020	**Roof Construction**		**2.27**	**2,724.31**
	Wood roof, flat rafter, 2" x 12", 16" O.C.		2.27	2,724.31
B2010	**Exterior Walls**		**82.41**	**98,888.88**
	Brick veneer wall, standard face, 2x6 studs @ 16" back-up, running bond		81.65	97,977.09
	Insulation, fiberglass batts, 6" thick, R19		0.76	911.79
B2020	**Exterior Windows**		**25.79**	**30,952.46**
	intermediate horizontals		6.18	7,420.84
	Glazing panel, plate glass, 1/4" thick, tempered		19.61	23,531.62
B2030	**Exterior Doors**		**5.41**	**6,495.31**
	hardware, 6'-0" x 7'-0" opening		3.68	4,410.47
	hardware, 6'-0" x 10'-0" opening		1.35	1,621.76

	0" opening		0.39	463.08
B3010	**Roof Coverings**		**8.41**	**10,089.10**
	Roofing, single ply membrane, EPDM, 60 mils, loosely laid, stone ballast		0.79	953.82
	strength, 4" thick, R20		1.45	1,743.26
	Roof edges, aluminum, duranodic, .050" thick, 6" face		5.19	6,225.58
	Gutters, box, aluminum, .027" thick, 5", enameled finish		0.8	963.61
	thick		0.17	202.83
B3020	**Roof Openings**		**0.99**	**1,193.38**
	steel, 165 lbs		0.45	537.75
	operator		0.55	655.63
C Interiors		**7.40%**	**24.85**	**29,816.03**
C1010	**Partitions**		**6.79**	**8,144.04**
	OC framing,same opposite face, 0 insul		1.47	1,760.00
	16" OC framing, same opposite face, no insulation		0.38	455.33
	Gypsum board, 1 face only, exterior sheathing, fire resistant, 5/8"		3.04	3,645.07
	Add for the following: taping and finishing		1.9	2,283.64
C1020	**Interior Doors**		**2.14**	**2,565.80**
	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, hollow core		2.14	2,565.80
C1030	**Fittings**		**0.86**	**1,031.66**
	Toilet partitions, cubicles, ceiling hung, plastic laminate		0.86	1,031.66
C3010	**Wall Finishes**		**4.31**	**5,177.92**
	primer & 2 coats		0.52	620.64
	primer & 2 coats		2.62	3,149.73
	Ceramic tile, thin set, 4-1/4" x 4-1/4"		1.17	1,407.55
C3020	**Floor Finishes**		**8.59**	**10,304.48**
	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 35 oz		3.57	4,278.33
	Tile, quarry tile, mud set, minimum		2.3	2,758.44
	Tile, quarry tile, mud set, maximum		2.72	3,267.71
C3030	**Ceiling Finishes**		**2.16**	**2,592.13**
	textured finish,1" x 3" wood, 16" OC furring, wood support		2.16	2,592.13
D Services		**28.62%**	**96.08**	**115,291.22**
D2010	**Plumbing Fixtures**		**8.49**	**10,184.76**
	Water closet, vitreous china, bowl only with flush valve, wall hung		3.17	3,802.36
	Urinal, vitreous china, wall hung		0.52	618.37
	Lavatory w/trim, vanity top, PE on CI, 20" x 18"		1.22	1,464.19
	Kitchen sink w/trim, countertop, stainless steel, 44" x 22" triple bowl		2.46	2,957.29
	Service sink w/trim, PE on CI,wall hung w/rim guard, 24" x 20"		0.66	793.1
	Water cooler, electric, wall hung, dual height, 14.3 GPH		0.46	549.45
D2020	**Domestic Water Distribution**		**6.09**	**7,304.44**
	Gas fired water heater, commercial, 100< F rise, 500 MBH input, 480 GPH		6.09	7,304.44
D3050	**Terminal & Package Units**		**37.32**	**44,788.68**
	Rooftop, multizone, air conditioner, restaurants, 3,000 SF, 15.00 ton		30.78	36,937.78
	Commercial kitchen exhaust/make-up air system, rooftop, gas, 2000 CFM		6.54	7,850.90
D4010	**Sprinklers**		**8.74**	**10,491.97**
	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 2000 SF		6.89	8,271.00
	Wet pipe sprinkler systems, steel, ordinary hazard, 1 floor, 1000 SF		1.85	2,220.97
D4020	**Standpipes**		**2.2**	**2,634.91**

	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor		2.2	2,634.91
D5010	**Electrical Service/Distribution**		**19.96**	**23,954.32**
	wire, 3 phase, 4 wire, 120/208 V, 400 A		4.88	5,857.15
	Feeder installation 600 V, including RGS conduit and XHHW wire, 400 A		4.63	5,555.97
	120/208 V, 3 phase, 400 A		10.45	12,541.20
D5020	**Lighting and Branch Wiring**		**9.56**	**11,471.14**
	Receptacles incl plate, box, conduit, wire, 10 per 1000 SF, 1.2 watts per SF		2.9	3,484.84
	Miscellaneous power, 1.8 watts		0.46	551.28
	Central air conditioning power, 6 watts		0.92	1,100.99
	fixtures @32watt per 1000 SF		5.28	6,334.03
D5030	**Communications and Security**		**3.72**	**4,461.00**
	detectors, includes outlets, boxes, conduit and wire		2.42	2,898.74
	conduit		1.3	1,562.26
E Equipment & Furnishings		**0%**	**0**	**0**
E1090	**Other Equipment**		**0**	**0**
F Special Construction		**0%**	**0**	**0**
G Building Sitework		**0%**	**0**	**0**

SubTotal	**100%**	**$335.73**	**$402,873.31**
Contractor Fees (General Conditions,Overhead,Profit)	**10.00%**	**$33.57**	**$40,287.33**
Architectural Fees	**0.00%**	**$0.00**	**$0.00**
User Fees	**0.00%**	**$0.00**	**$0.00**
Total Building Cost		**$369.30**	**$443,160.64**

** Indicates Assemblies or Components have been customized.

Duluth Voyageurs TIF District

Code Deficiency Cost Report

319 E. Superior Street, Duluth, MN 55802 - Parcel 010-3830-00170

Code	Related Cost Items	Unit Cost	Unit Quantity	Units	Total
Accessibility Items					
	Door Hardware:				
	Replace code-deficient entrance door hardware to meet ADA code	$ 250.00	EA	2	$ 500.00
	Elevator:				
	Install elevator/lift to meet second floor accessibility	$ 16,500.00	Lump	1	$ 16,500.00
					$ -
Structural Elements					
	Foundation Walls:				
	Stone foundation walls showing deterioration, efflorescence, loose mortar	$ 3.75	SF	1000	$ 3,750.00
	Basement Wall Framing:				
	Repair/replace wood-framed walls in basement due to flooding-structural supports showing signs of deterioration	$ 2.80	SF	950	$ 2,660.00
					$ -
Exiting					
	Building Accessibility:				
	Modify existing entrance threshold to provide ADA access	$ 450.00	Lump	1	$ 450.00
	Modify/replace code-deficient basement stairs for proper tread and rise	$ 3,800.00	Lump	1	$ 3,800.00
	Modify basement stair headroom to meet code	$ 4,700.00	Lump	1	$ 4,700.00
					$ -
Fire Protection					
	Emergency Notification System:				$ -
	Install code compliant emergency notification system	$ 1.30	SF	1200	$ 1,560.00
	Install code compliant fire alarm system and detectors	$ 2.42	SF	1200	$ 2,904.00
	Wall Penetrations:				
	Patch, seal and fire-seal all open wall and pipe penetrations to meet code	$ 1,600.00	Lump	1	$ 1,600.00
Exterior Construction					
	Balcony Railings:				
	Modify existing balcony railing to meet the 4" minimum spacing	$ 4,800.00	Lump	1	$ 4,800.00
					$ -
Roof Construction					
	Replace entire roof to eliminate water intrusion	$ 8.41	SF	1200	$ 10,092.00
					$ -

Code	Related Cost Items	Unit Cost	Unit Quantity	Units	Total
Mechanical- Electrical					
	Electrical:				
	Correct various open electrical box code violations	$ 850.00	Lump	1	$ 850.00
	Install code compliant interior lighting to meet minimum code-required light levels	$ 5.28	SF	1000	$ 5,280.00
	Mechanical:				$ -
	Replace code-deficient hot water boiler system	$ 30.78	SF	1200	$ 36,936.00
	Replace code-deficient commercial kitchen exhaust/make-up air system	$ 6.54	SF	1200	$ 7,848.00
	Replace HVAC controls and T-Stat with code compliant units	$ 175.00	EA	2	$ 350.00
	Plumbing:				
	Replace code-deficient domestic water and plumbing system	$ 8.50	SF	1200	$ 10,200.00
	Restroom:				
	Replace code-deficient restroom in basement	$ 3.17	SF	350	$ 1,109.50
		Total Code Improvements			**$ 115,890**

Duluth Voyageurs TIF District

Photos: Parcel A - Hacienda Del Sol - 319 East Superior Street

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Duluth Voyageurs TIF District

Photos: Parcel A - Hacienda Del Sol - 319 East Superior Street

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Duluth Voyageurs TIF District

Photos: Parcel A - Hacienda Del Sol - 319 East Superior Street

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Duluth Voyageurs TIF District

Photos: Parcel A - Hacienda Del Sol - 319 East Superior Street

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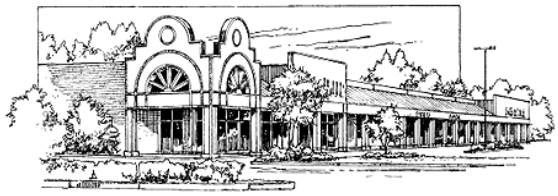
Duluth Voyageurs TIF District

Code Deficiency Cost Report

RSMeans data from GORDIAN **Square Foot Cost Estimate Report** Date: **11/15/2017**

Estimate Name:	**Duluth Hacienda TIF- Tattoo Shop** City of Duluth 323 E. Superior Street , Duluth , Minnesota , 55802
Building Type:	**Store, Retail with Brick Veneer / Reinforced Concrete**
Location:	**DULUTH, MN**
Story Count:	**2**
Story Height (L.F.):	**12**
Floor Area (S.F.):	**1600**
Labor Type:	**OPN**
Basement Included:	**Yes**
Data Release:	**Year 2017 Quarter 3**
Cost Per Square Foot:	**$366.17**
Building Cost:	**$585,866.15**



Costs are derived from a building model with basic components.

Scope differences and market conditions can cause costs to vary significantly.

** Area, Stories entered is outside the range recommended by RSMeans.

		% of Total	Cost Per S.F.	Cost
A Substructure		**16.89%**	**56.22**	**89,945.13**
A1010	**Standard Foundations**		**13.01**	**20,813.99**
	KSF, 12" deep x 24" wide		6.31	10,102.56
	4' - 6" square x 15" deep		6.69	10,711.43
A1030	**Slab on Grade**		**2.68**	**4,289.59**
	Slab on grade, 4" thick, non industrial, reinforced		2.68	4,289.59
A2010	**Basement Excavation**		**1.83**	**2,929.44**
	site storage		1.83	2,929.44
A2020	**Basement Walls**		**38.7**	**61,912.11**
	thick		38.7	61,912.11
B Shell		**57.82%**	**192.46**	**307,940.11**
B1010	**Floor Construction**		**32.62**	**52,193.29**
	height, 142 lbs/LF, 4000PSI		15.38	24,611.19
	150K load, 10'-14' story height, 135 lbs/LF, 4000PSI		10.52	16,832.14
	15'x15' bay, 75 PSF superimposed load, 153 PSF total load		6.72	10,749.96
B1020	**Roof Construction**		**7.66**	**12,255.40**
	20" deep beam, 9" slab, 152 PSF total load		7.66	12,255.40
B2010	**Exterior Walls**		**127.99**	**204,789.30**
	perlite core fill, 3" XPS		127.99	204,789.30
B2020	**Exterior Windows**		**13.77**	**22,031.32**
	intermediate horizontals		1.04	1,663.29
	Glazing panel, insulating, 1/2" thick, 2 lites 1/8" float glass, clear		12.73	20,368.03
B2030	**Exterior Doors**		**1.22**	**1,955.63**
	7'-0" opening		0.98	1,569.73
	0" opening		0.24	385.9
B3010	**Roof Coverings**		**8.5**	**13,594.85**

	Roofing, single ply membrane, EPDM, 60 mils, loosely laid, stone ballast		0.79	1,271.76
	strength, 4" thick, R20		1.45	2,324.35
	Roof edges, aluminum, duranodic, .050" thick, 6" face		4.36	6,976.94
	Gravel stop, aluminum, extruded, 4", mill finish, .050" thick		1.89	3,021.80
B3020	**Roof Openings**		**0.7**	**1,120.32**
	steel, 165 lbs		0.7	1,120.32
C Interiors		**6.17%**	**20.55**	**32,881.50**
C1010	**Partitions**		**5.72**	**9,152.37**
	OC framing, same opposite face, no insulation		0.68	1,084.35
	Gypsum board, 1 face only, exterior sheathing, fire resistant, 5/8"		3.1	4,960.35
	Add for the following: taping and finishing		1.94	3,107.67
C1020	**Interior Doors**		**1.95**	**3,125.92**
	3'-0" x 7'-0" x 1-3/8"		1.95	3,125.92
C1030	**Fittings**		**0.19**	**302.68**
	Toilet partitions, cubicles, ceiling hung, stainless steel		0.19	302.68
C3010	**Wall Finishes**		**3.17**	**5,065.16**
	primer & 2 coats		0.24	387.9
	primer & 2 coats		2.68	4,286.27
	Ceramic tile, thin set, 4-1/4" x 4-1/4"		0.24	390.99
C3020	**Floor Finishes**		**2.66**	**4,260.78**
	Vinyl, composition tile, maximum		2.66	4,260.78
C3030	**Ceiling Finishes**		**6.86**	**10,974.59**
	channel grid, suspended support		6.86	10,974.59
D Services		**19.12%**	**63.65**	**101,838.85**
D2010	**Plumbing Fixtures**		**2.57**	**4,117.56**
	Water closet, vitreous china, tank type, 2 piece close coupled		0.35	561.52
	Urinal, vitreous china, wall hung		0.81	1,288.27
	Lavatory w/trim, vanity top, PE on CI, 20" x 18"		0.31	488.06
	Service sink w/trim, PE on CI,wall hung w/rim guard, 24" x 20"		0.83	1,321.84
	Water cooler, electric, wall hung, dual height, 14.3 GPH		0.29	457.87
D2020	**Domestic Water Distribution**		**19.02**	**30,435.18**
	Gas fired water heater, commercial, 100< F rise, 500 MBH input, 480 GPH		19.02	30,435.18
D2040	**Rain Water Drainage**		**1.48**	**2,362.19**
	Roof drain, CI, soil,single hub, 4" diam, 10' high		1.33	2,123.35
	Roof drain, CI, soil,single hub, 4" diam, for each additional foot add		0.15	238.84
D3050	**Terminal & Package Units**		**8.28**	**13,255.86**
	ton		8.28	13,255.86
D4010	**Sprinklers**		**4.47**	**7,153.28**
	Wet pipe sprinkler systems, steel, ordinary hazard, 1 floor, 10,000 SF		4.47	7,153.28
D4020	**Standpipes**		**1.14**	**1,829.80**
	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor		1.14	1,829.80
D5010	**Electrical Service/Distribution**		**14.39**	**23,028.33**
	wire, 3 phase, 4 wire, 120/208 V, 400 A		3.66	5,857.15
	Feeder installation 600 V, including RGS conduit and XHHW wire, 400 A		2.89	4,629.98
	120/208 V, 3 phase, 400 A		7.84	12,541.20
D5020	**Lighting and Branch Wiring**		**10.52**	**16,831.06**
	Receptacles incl plate, box, conduit, wire, 8 per 1000 SF, .9 watts per SF		2.72	4,350.82

	Miscellaneous power, 1.5 watts		0.4	635.63
	Central air conditioning power, 4 watts		0.8	1,287.89
	fixtures @32watt per 1000 SF		6.6	10,556.72
D5030	**Communications and Security**		**1.77**	**2,825.59**
	detectors, includes outlets, boxes, conduit and wire		0.95	1,523.70
	conduit		0.81	1,301.89
E Equipment & Furnishings		**0%**	**0**	**0**
E1090	**Other Equipment**		**0**	**0**
F Special Construction		**0%**	**0**	**0**
G Building Sitework		**0%**	**0**	**0**

SubTotal	**100%**	**$332.88**	**$532,605.59**
Contractor Fees (General Conditions,Overhead,Profit)	**10.00%**	**$33.29**	**$53,260.56**
Architectural Fees	**0.00%**	**$0.00**	**$0.00**
User Fees	**0.00%**	**$0.00**	**$0.00**
Total Building Cost		**$366.17**	**$585,866.15**

** Indicates Assemblies or Components have been customized.

Duluth Voyageurs TIF District

Code Deficiency Cost Report

323 E. Superior Street, Duluth, MN 55802 - Parcel 010-3830-0090

Code	Related Cost Items	Unit Cost	Unit Quantity	Units	Total
Accessibility Items					
	Doors:				
	Replace code-deficient entrance door hardware to comply with ADA codes	$ 250.00	EA	3	$ 750.00
	All room doors have thresholds that are too high and do not meet accessibility codes	$ 125.00	EA	6	$ 750.00
Structural Elements					
	Foundation Walls:				
	Basement stone foundation walls show evidence of deterioration and water seepage through walls and foundation.	3.75	Sf	3200	$ 12,000.00
	Floor structure:				
	Several structural floor joist members have been cut/notched and are not code-compliant	$ 4,200.00	Lump	1	$ 4,200.00
	Walls:				
	Second story interior walls are extremely damaged from water intrusion and showing signs of failure	$ 12,224.00	Lump	1	$ 12,224.00
	Ceiling Structure:				
	Various portions of second floor ceiling plaster has fallen in as a result of water intrusion, exposing deteriorated roof framing	$ 12,450.00	Lump	1	$ 12,450.00
Exiting					
	Flooring:				
	Replace flooring on all levels to eliminate uneven walking surface and tripping hazard per building codes	$ 6.37	SF	1300	$ 8,281.00
	Stairs:				
	Basement stairs do not meet code due to improper tread/riser size, headroom, width and handrails	$ 1,600.00	Lump	1	$ 1,600.00
	Stairs leading to second floor are code-deficient due to improper tread/riser size, handrails and landings	$ 3,800.00	Lump	2	$ 7,600.00
	Hallways:				$ -
	Second floor hallways do not meet code for egress	$ 11,050.00	Lump	1	$ 11,050.00
Fire Protection					
	Fire Sprinkler System:				
	Building lacks fire sprinkler system as required by code	$ 4.47	SF	1600	$ 7,152.00
	Stairs:				
	Basement stairs are open and backside not protected with gyp board as required by code	$ 325.00	Lump	1	$ 325.00
	Emergency Notification System:				

Code	Related Cost Items	Unit Cost	Unit Quantity	Units	Total
	Install code compliant emergency notification system	$ 1.30	SF	1600	$ 2,080.00
	Install code compliant fire alarm system, detectors and CO monitors	$ 2.42	SF	1600	$ 3,872.00
	Wall Penetrations:				
	Patch, seal and fire-stop all open wall and pipe penetrations as per fire code.	$ 1,400.00	Lump	1	$ 1,400.00
	Exterior Construction				
	Exterior Masonry:				
	Exposed exterior side wall is missing protective water-tight material allowing water intrusion	$ 5.93	SF	2200	$ 13,046.00
	Chimney in rear of building has evidence of bricks that have fallen off, causing structural weakness and allowing water intrusion	$ 18.50	SF	124	$ 2,294.00
	Exterior brick needs replacement and re-pointing to eliminate water intrusion	$ 23.50	SF	450	$ 10,575.00
	Windows:				
	Exterior windows have been broken out and covered with plywood- replace to create water and air tight openings to meet code	$ 430.00	EA	4	$ 1,720.00
	Roof Construction				
	Roof:				
	Replace entire building roof system to eliminate water intrusion	$ 8.50	SF	1600	$ 13,600.00
	Roof skylights are cracked and leaking, allowing water intrusion	$ 875.00	EA	3	$ 2,625.00
	Mechanical- Electrical				
	Mechanical:				
	Replace code-deficient HVAC system and controls- non working system	$ 8.28	SF	1600	$ 13,248.00
	Abate/encapsulate suspect friable asbestos containing materials on all building heating system piping	$ 32.00	LF	124	$ 3,968.00
	Electrical:				
	Replace numerous code deficient electrical wiring in basement area	$ 825.00	Lump	1	$ 825.00
	Replace code-deficient electrical service panel and all building branch circuits	$ 16.20	SF	1600	$ 25,920.00
	Provide code-required GFCI outlets throughout building	$ 250.00	EA	12	$ 3,000.00
	Install code-compliant interior lighting fixtures	$ 5.28	SF	1600	$ 8,448.00
	Plumbing:				
	Replace code-deficient second floor kitchen	$ 4,650.00	Lump	1	$ 4,650.00
	Replace code-deficient domestic water system and water heater- non working building water and plumbing system	$ 19.02	SF	1600	$ 30,432.00
				Total Code Improvements	**$ 220,085**

Duluth Voyageurs TIF District

Photos: Parcel C - Tattoo Shop - 323 East Superior Street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Duluth Voyageurs TIF District

Photos: Parcel C - Tattoo Shop - 323 East Superior Street

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Duluth Voyageurs TIF District

Photos: Parcel C - Tattoo Shop - 323 East Superior Street


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Duluth Voyageurs TIF District

Photos: Parcel C - Tattoo Shop - 323 East Superior Street


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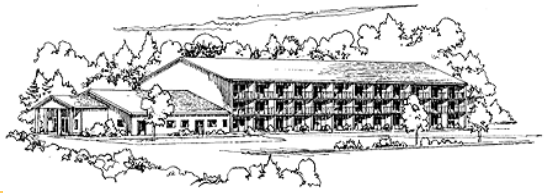
Duluth Voyageurs TIF District

Replacement Cost Report

RSMeans data from GORDIAN

Square Foot Cost Estimate Report Date: **11/15/2017**

Estimate Name:	**Duluth Hacienda TIF- Voyageur Lakewalk Inn** City of Duluth 333 E. Superior Street , Duluth , Minnesota , 55802
Building Type:	**Motel, 2-3 Story with Brick Veneer / Wood Frame**
Location:	**DULUTH, MN**
Story Count:	**3**
Story Height (L.F.):	**9**
Floor Area (S.F.):	**7000**
Labor Type:	**OPN**
Basement Included:	**Yes**
Data Release:	**Year 2017 Quarter 3**
Cost Per Square Foot:	**$286.36**
Building Cost:	**$2,004,538.13**



Costs are derived from a building model with basic components.

Scope differences and market conditions can cause costs to vary significantly.

** Area entered is outside the range recommended by RSMeans.

		% of Total	Cost Per S.F.	Cost
A Substructure		**16.36%**	**42.58**	**298,066.90**
A1010	**Standard Foundations**		**17.65**	**123,554.65**
	KSF, 12" deep x 24" wide		3.46	24,207.29
	KSF, 6' - 0" square x 20" deep		14.19	99,347.36
A1030	**Slab on Grade**		**1.79**	**12,511.31**
	Slab on grade, 4" thick, non industrial, reinforced		1.79	12,511.31
A2010	**Basement Excavation**		**1.95**	**13,650.00**
	storage		1.95	13,650.00
A2020	**Basement Walls**		**21.19**	**148,350.94**
	thick		21.19	148,350.94
B Shell		**38.26%**	**99.61**	**697,258.33**
B1010	**Floor Construction**		**23.2**	**162,387.47**
	height, 142 lbs/LF, 4000PSI		15.9	111,278.77
	15'x15' bay, 75 PSF superimposed load, 153 PSF total load		4.48	31,354.05
	Floor, wood joist, 2 x 12 @16" O.C., 1/2" CDX subfloor		2.82	19,754.65
B1020	**Roof Construction**		**2.37**	**16,576.77**
	Wood roof, truss, 4/12 slope, 24" O.C., 44' to 60' span		2.37	16,576.77
B2010	**Exterior Walls**		**51.35**	**359,416.49**
	Brick veneer wall, standard face, 2x6 studs @ 16" back-up, running bond		51.35	359,416.49
B2020	**Exterior Windows**		**13.75**	**96,228.23**
	Windows, aluminum, sliding, insulated glass, 5' x 3'		13.75	96,228.23
B2030	**Exterior Doors**		**6.67**	**46,671.23**
	hardware, 6'-0" x 10'-0" opening		0.23	1,601.45
	10'-0" opening		0.45	3,172.28
	0" opening		5.99	41,897.50
B3010	**Roof Coverings**		**2.28**	**15,978.14**

	lbs/SQ		0.72	5,072.97
	Insulation, rigid, roof deck, composite with 2" EPS, 1" perlite		0.73	5,092.74
	Flashing, aluminum, no backing sides, .019"		0.44	3,056.19
	Gutters, box, aluminum, .027" thick, 5", enameled finish		0.37	2,587.63
	thick		0.02	168.61
C Interiors		**19.94%**	**51.92**	**363,447.50**
C1010	**Partitions**		**25.77**	**180,364.31**
	2 sides		16.26	113,854.00
	1/2" fire rated gypsum board, taped & finished, painted on metal furring		9.5	66,510.31
C1020	**Interior Doors**		**7.64**	**53,454.10**
	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, hollow core		7.64	53,454.10
C2010	**Stair Construction**		**4.04**	**28,266.64**
	Stairs, steel, pan tread for conc in-fill, picket rail,16 risers w/ landing		4.04	28,266.64
C3010	**Wall Finishes**		**3.34**	**23,366.55**
	primer & 2 coats		1.66	11,636.93
	Ceramic tile, thin set, 4-1/4" x 4-1/4"		1.68	11,729.62
C3020	**Floor Finishes**		**6.81**	**47,684.50**
	Carpet, tufted, nylon, roll goods, 12' wide, 36 oz		4.22	29,545.50
	Carpet, padding, add to above, 2.7 density		0.92	6,460.99
	Tile, ceramic natural clay		1.67	11,678.01
C3030	**Ceiling Finishes**		**4.33**	**30,311.40**
	textured finish,1" x 3" wood, 16" OC furring, wood support		4.33	30,311.40
D Services		**25.18%**	**65.55**	**458,882.52**
D1010	**Elevators and Lifts**		**4.5**	**31,465.43**
	Hydraulic passenger elevator, 4000 lb., 3 floor, 9' story height, 125 FPM		4.5	31,465.43
D2010	**Plumbing Fixtures**		**22.59**	**158,158.93**
	Water closet, vitreous china, tank type, wall hung, close coupled 2 piece		8.75	61,258.95
	Urinal, vitreous china, wall hung		0.05	334.03
	Lavatory w/trim, vanity top, PE on CI, 20" x 18"		4.32	30,207.55
	Kitchen sink w/trim, countertop, PE on CI, 32" x 21" double bowl		0.11	776.93
	Service sink w/trim, PE on CI,wall hung w/rim guard, 22" x 18"		0.33	2,279.97
	Bathtub, recessed, PE on CI, mat bottom, 5' long		8.9	62,325.61
	Shower, stall, fiberglass 1 piece, three walls, 36" square		0.05	382.29
	Water cooler, electric, wall hung, dual height, 14.3 GPH		0.08	593.6
D2020	**Domestic Water Distribution**		**10.36**	**72,540.47**
	Gas fired water heater, commercial, 100< F rise, 300 MBH input, 278 GPH		10.36	72,540.47
D3050	**Terminal & Package Units**		**3.67**	**25,664.52**
	3/4 ton, thru wall, heating. & cooling units		3.67	25,664.52
D4010	**Sprinklers**		**2.76**	**19,326.61**
	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 10,000 SF		1.17	8,211.67
	10,000 SF		1.59	11,114.94
D4020	**Standpipes**		**0.26**	**1,851.75**
	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor		0.19	1,307.00
	additional floors		0.08	544.75
D5010	**Electrical Service/Distribution**		**11.05**	**77,380.47**
	wire, 3 phase, 4 wire, 120/208 V, 800 A		2.25	15,779.75
	Feeder installation 600 V, including RGS conduit and XHHW wire, 800 A		5.42	37,954.60

	120/208 V, 3 phase, 800 A		3.38	23,646.12
D5020	**Lighting and Branch Wiring**		**8.28**	**57,989.82**
	with transformer		3.57	24,967.81
	Wall switches, 5.0 per 1000 SF		1.22	8,517.60
	Miscellaneous power, to .5 watts		0.16	1,095.78
	Motor installation, three phase, 460 V, 15 HP motor size		0.73	5,075.70
	fixtures @40 watts per 1000 SF		2.62	18,332.93
D5030	**Communications and Security**		**1.93**	**13,511.54**
	detectors, includes outlets, boxes, conduit and wire		1.66	11,623.44
	Fire alarm command center, addressable with voice, excl. wire & conduit		0.27	1,888.10
D5090	**Other Electrical Systems**		**0.14**	**992.98**
	gas/gasoline operated, 3 phase, 4 wire, 277/480 V, 7.5 kW		0.14	992.98
E Equipment & Furnishings		**0.26%**	**0.66**	**4,652.14**
E1010	**Commercial Equipment**		**0.34**	**2,394.04**
	capacity, single		0.17	1,189.50
	operated, deluxe		0.17	1,204.54
E1090	**Other Equipment**		**0.32**	**2,258.10**
	1.00-Laundry equipment, washer, residential, 4 cycle, average		0.18	1,251.60
	average		0.14	1,006.50
F Special Construction		**0%**	**0**	**0**
G Building Sitework		**0%**	**0**	**0**

SubTotal	**100%**	**$260.33**	**$1,822,307.39**
Contractor Fees (General Conditions,Overhead,Profit)	**10.00%**	**$26.03**	**$182,230.74**
Architectural Fees	**0.00%**	**$0.00**	**$0.00**
User Fees	**0.00%**	**$0.00**	**$0.00**
Total Building Cost		**$286.36**	**$2,004,538.13**

** Indicates Assemblies or Components have been customized.

Duluth Voyageurs TIF District

Code Deficiency Cost Report

333 E. Superior Street, Duluth, MN 55802 - Parcel 010-3830-00200

Code	Related Cost Items	Unit Cost	Unit Quantity	Units	Total
Accessibility Items					
	Accessible Room:				
	No accessible rooms- two required by code	$ 132.00	SF	950	$ 125,400.00
	Accessible Parking:				
	Parking lot required to have two accessible parking stalls- one car and one van	$ 1,325.00	Lump	1	$ 1,325.00
	Accessible Routes:				
	Main office not accessible due to raised sidewalk	$ 1,800.00	Lump	1	$ 1,800.00
	Main office reception counter does not meet accessibility code requirements	$ 2,700.00	Lump	1	$ 2,700.00
	Basement and Second Floor Accessibility:				
	Basement stairs not code compliant due to tread/riser size, narrow width, handrail, obstructions in landings and low headroom	$ 4,200.00	Lump	1	$ 4,200.00
	Basement and second floor is not accessible- install code required elevator/lift	$ 4.50	SF	7000	$ 31,500.00
	Signage:				
	Current room signage does not meet required code for location and type	$ 27.90	EA	55	$ 1,534.50
	Door Hardware:				
	Replace code deficient entrance door hardware to comply with ADA codes	$ 250.00	EA	1	$ 250.00
Structural Elements					
	Balcony and stairs:				
	Exterior walkway structural beams showing signs of rusting and delamination where plaster underside meets beam	$ 6.75	LF	625	$ 4,218.75
	Concrete stair pans to upper patio are creaked, uneven and metal plans rusting and delaminating	$ 4.04	SF	3000	$ 12,120.00
Exiting					
	Stairs and Walkways:				
	Exterior stairs to second floor do not meet tread/riser	$ 4.04	SF	3000	$ 12,120.00
	Stairs leading to second level patio and spiral staircase have non-compliant open risers	$ 2.40	SF	3000	$ 7,200.00
	Modify/replace all exterior stair, walkway and balcony railings to meet code required minimum 4" spacing	$ 18.50	SF	1080	$ 19,980.00
Fire Protection					
	Wall penetrations:				
	Numerous unsealed holes in structure- fire stop	$ 1,750.00	Lump	1	$ 1,750.00

Code	Related Cost Items	Unit Cost	Unit Quantity	Units	Total
	Emergency Notification System:				
	Install code compliant emergency notification system	$ 1.30	SF	7000	$ 9,100.00
	Install code compliant fire alarm system, detectors, strobes, and CO devices	$ 1.93	SF	7000	$ 13,510.00
	Install code-required fire sprinkler system	$ 3.02	SF	7000	$ 21,140.00
	Install code-required emergency generator for life-safety	$ 1.14	SF	7000	$ 7,980.00
Exterior Construction					
	Paint on exterior windows peeling- water intrusion	$ 2,600.00	Lump	1	$ 2,600.00
	Sectional garage door has peeling paint and deteriorated wood panels allowing water intrusion	825	Lump	1	$ 825.00
	Caulk at windows, ventilation grills and control joints are in need of repair/replacement to stop water intrusion	$ 1.44	LF	2800	$ 4,032.00
Roof Construction					
	None noted				$ -
Mechanical- Electrical					
	Mechanical:				
	Replace code deficient building heating and ventilation systems	$ 3.67	SF	7000	$ 25,690.00
	Electrical:				
	Install code required AFCI circuits in all rooms	$ 250.00	EA	40	$ 10,000.00
	Exterior outlets not covered to protect from water	$ 27.00	EA	2	$ 54.00
				Total Code Improvements	**$ 321,029**

Duluth Voyageurs TIF District

Photos: Parcel D - Voyageur Lakewalk Inn - 333 East Superior Street

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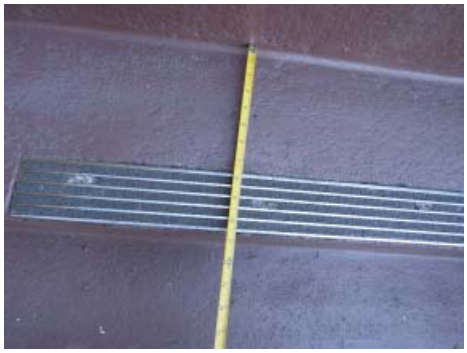
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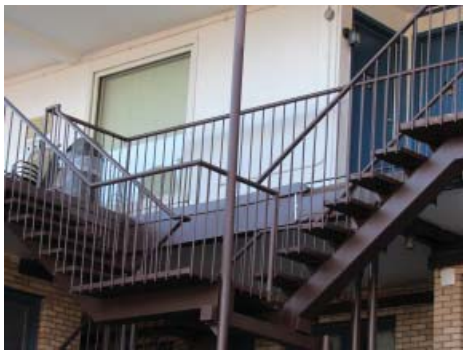
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Duluth Voyageurs TIF District

Photos: Parcel D - Voyageur Lakewalk Inn - 333 East Superior Street

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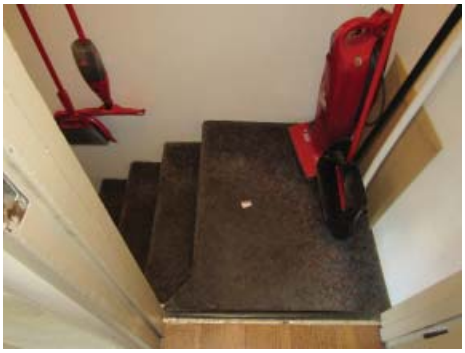

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Duluth Voyageurs TIF District

Photos: Parcel D - Voyageur Lakewalk Inn - 333 East Superior Street

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Duluth Voyageurs TIF District

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Duluth Voyageurs TIF District

Photos: Parcel D - Voyageur Lakewalk Inn - 333 East Superior Street

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Duluth Voyageurs TIF District

Photos: Parcel D - Voyageur Lakewalk Inn - 333 East Superior Street

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Duluth Voyageurs TIF District

Photos: Parcel D - Voyageur Lakewalk Inn - 333 East Superior Street

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Duluth Voyageurs TIF District

Photos: Parcel D - Voyageur Lakewalk Inn - 333 East Superior Street

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Appendix G

Findings Including But/For Qualifications

But-For Analysis	
Current Market Value	$1,902,100
New Market Value - Estimate	$26,311,300
Difference	$24,409,200
Present Value of Tax Increment	$10,897,964
Difference	$13,511,236
Value Likely to Occur Without TIF is Less Than:	**$13,511,236**

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan (TIF Plan) for Tax Increment Financing District No. 31: Voyageur Lakewalk Inn (District), as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 31 is a redevelopment district as defined in M.S., Section 469.174, Subd. 10(a)(1).*

   The District consists of 4 parcels, with plans to redevelop the area for commercial/industrial 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: Due to the high cost of redevelopment on the parcels currently occupied by substandard buildings, the high cost of land assembly, demolition costs, the provision of parking, and the cost of financing the proposed improvements, this project is feasible only through assistance, in part, from tax increment financing. The developer was asked for and provided a letter and a pro forma as justification that the developer would not have gone forward without tax increment assistance.

   The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the TIF Plan: This finding is justified on the grounds that the cost of assembling multiple parcels of land from various land owners and demolition, parking, and site improvement costs add to the total redevelopment cost. Historically, the costs in this area have made redevelopment infeasible without tax increment assistance. The City reasonably

determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

Therefore, the City concludes as follows:

a. The City's estimate of the amount by which the market value of the entire District will increase without the use of tax increment financing is $0.

b. If the proposed development occurs, the total increase in market value will be $24,409,200 (see Appendix D and G of the TIF Plan)

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 $10,897,964 (see Appendix D and G of the TIF Plan).

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 $13,511,236(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.

Appendix H

Building Permits Issued prior to December 2018

City of Duluth

11/20/2018

Planning and Construction Services

Permit History Report

PROPERTY ADDR: 319 E SUPERIOR ST
TITLEHOLDER: HONEST ETHNIC ENTER INC
PIN: 010-3830-00170

ALT ID: 017025004
YEAR BUILT: 1910
UNITS: 0.00

SUBDIVISION: PORTLAND DIV OF DULUTH

TAXPAYER INFO:
321E LLC
1330 E SUPERIOR ST
DULUTH, MN 55805

LEGAL DESCRIPTION:

Lot 10, Block 7, INCLUDING the strip of landon the Northerly end of said Lot 10, Block 7,PORTLAND DIVISION OF DULUTH, lying within 15feet of the center line of the

Date Issued	Permit Number	Applicant Name	Job Value	Improvement Description
11/15/2013	BPLUM1311-128	RJ MEHRMAN & SONS INC.	$200	AIR TEST GAS LINE
08/13/2013	BPLUM1308-138	CARLSON BROS.INC	$500	AIR TEST GAS PIPING
12/23/2002	B-085186	THE BUILDER	$16,000	CONSTRUCT APPROXIMATE 7'10"X12' SECOND STORY ADDITION FOR
11/20/2002	H-015324	DULUTH SHEET METAL & RFG	$49,800	INSTALL ROOF TOP HTG/COOLING - TWO SYSTEMS KIT EXHAUST &
10/30/2002	E-025290	ELECTRIC CONSTRUCTORS IN	$44,000	INSTALL 600 AMP SERV WIRE 2ND FLR & EXT DECK LIGHTING
09/16/2002	B-084344	THE BUILDER	$435,814	CONSTR ENCLOSED STAIRWAY TO 2ND FLR. CONSTR 2ND FLR BALCONY
09/05/2002	P-065003	CARLSON BROS INC	$19,001	8 OPENINGS, INSIDE SEWER, OUTSIDE SEWER, INSIDE WATER
11/08/1999	B-076784	DAHL RAY CONSTR INC	$25,000	STORE FRONT RENOVATION AS PER PLANS

City of Duluth

11/20/2018

Planning and Construction Services

Permit History Report

PROPERTY ADDR:
TITLEHOLDER:
PIN: 010-3830-00180

ALT ID: 017025003
YEAR BUILT: 2018
UNITS: 0.00

SUBDIVISION: PORTLAND DIV OF DULUTH

TAXPAYER INFO:
321E LLC
1330 E SUPERIOR ST
DULUTH, MN 55805

LEGAL DESCRIPTION:
LOT 11 BLOCK 7

Date Issued	Permit Number	Applicant Name	Job Value	Improvement Description
04/20/1994	M-007655			MOVE 10' X 12' SHED OUT OF CITY LIMITS

City of Duluth

11/20/2018

Planning and Construction Services

Permit History Report

PROPERTY ADDR: 321 E SUPERIOR ST
TITLEHOLDER: NORTH SHORE BANK OF COMMERCE
PIN: 010-3830-00180

YEAR BUILT: 2018
ALT ID:
UNITS: 0.00
SUBDIVISION: PORTLAND DIV OF DULUTH

TAXPAYER INFO:
321E LLC
1330 E SUPERIOR ST
DULUTH, MN 55805

LEGAL DESCRIPTION:
LOT 11 BLOCK 7

Date Issued	Permit Number	Applicant Name	Job Value	Improvement Description
	EOBST1811-004	AMERICAN ENGINEERING TES		OBSTRUCTION PERMIT - 321 E Superior St

City of Duluth

11/20/2018

Planning and Construction Services

Permit History Report

PROPERTY ADDR: 321 E SUPERIOR ST
TITLEHOLDER: HACIENDA DEL SOL
PIN: 010-3830-00180

ALT ID: 017025003
YEAR BUILT: 2018
UNITS: 0.00

SUBDIVISION: PORTLAND DIV OF DULUTH

TAXPAYER INFO:
321E LLC
1330 E SUPERIOR ST
DULUTH, MN 55805

LEGAL DESCRIPTION:
LOT 11 BLOCK 7

Date Issued	Permit Number	Applicant Name	Job Value	Improvement Description
07/05/1995	W-008060	LEVINE AND SONS INC		WRECK 25' X 60' X 28' HIGH FRONT PORTION OF COMMERCIAL

City of Duluth

11/20/2018

Planning and Construction Services

Permit History Report

PROPERTY ADDR: 323 E SUPERIOR ST
TITLEHOLDER: DEUTSCH KEVIN
PIN: 010-3830-00190

ALT ID: 017025002
YEAR BUILT: 1912
UNITS: 0.00

SUBDIVISION: PORTLAND DIV OF DULUTH

TAXPAYER INFO:
TITANIUM PARTNERS LLC
1330 E SUPERIOR ST STE 202
DULUTH, MN 55805

LEGAL DESCRIPTION:
LOT 12 BLOCK 7

Date Issued	Permit Number	Applicant Name	Job Value	Improvement Description
06/11/2014	BBLDG1406-088	DEUTSCH KEVIN	$200	REMOVE WALLS CONSTRUCTED
08/13/2013	BPLUM1308-139	CARLSON BROS.INC	$500	AIR TEST GAS PIPING
05/21/2003	P-066061	STOUT MECHANICAL INC	$470	INSTALL MOP SINK AND HOOK UP 3 COMPARTMENT SINK
04/12/1996	P-055661	MAINTENANCE PLBG	$300	CONNECT ROOF DRAIN TO STORM SEWER
06/01/1994	B-062784	PARK-RAPLEY JOHN	$1,200	INSTALL STORAGE MEZZ. TO REAR OF BLDG. 14'-6" X 9'-10"

City of Duluth

11/20/2018

Planning and Construction Services

Permit History Report

PROPERTY ADDR: 331 E SUPERIOR ST
TITLEHOLDER: VOYAGEUR INN LLC
PIN: 010-3830-00200

ALT ID: 017025001
YEAR BUILT: 1959
UNITS: 0.00

SUBDIVISION: PORTLAND DIV OF DULUTH

TAXPAYER INFO:
VOYAGEUR INN LLC
207 MISQUAH
DULUTH, MN 55804

LEGAL DESCRIPTION:

LOTS 13 14 15 AND 16

Date Issued	Permit Number	Applicant Name	Job Value	Improvement Description
04/10/2017	BELEC1704-037	DULUTH ELECTRICAL CONTRA	$2,200	Repair failing electrical service
10/27/2011	BBLDG1110-00163	CENTIMARK	$15,000	REROOF MAIN HOTEL BLDG
10/18/2011	BBLDG1110-00127	ATK Enterprises, Inc	$10,500	RE-ROOF REAR BLDG,PARKING AREA OFF ALLEY
10/24/2006	B-095009	AMERICAN VOYAGEUR MOTEL	$20,000	CONSTRUCT 28 X 14-6 STORAGE BUILDING ON ALLEY LEVEL UNDER
10/16/2003	B-087580	SUPERIOR GLASS INC	$7,200	WINDOW REPLACEMENT IN PENTHOUSE AND OFFICE
01/14/2003	S-010176	HIGHLAND SIGN CO	$7,000	VOYAGEUR LAKEWALK INN: INSTALL A 115.5 SQ FT CANOPY WALL
04/08/1996	P-055645	RONNING P & H INC	$2,850	4 PLUMB OPG INSIDE GAS PIPING
01/30/1996	B-066505	VANGUILDER CONSTR INC.	$6,400	INSTALL 3 WINDOWS & 1 REPLACEMENT WINDOW
01/25/1996	E-011402	ELECTRO SERVICE CO	$1,750	ADD LIGHTING, POWER AND SWITCHES TO 3 ROOM
01/19/1996	E-011335	COMMERCIAL ELECTRIC CO	$1,030	VENDING AREA: WIRE FOR HEATER AND LIGHT
01/16/1996	B-066471	AMERICAN VOYAGEUR MOTEL	$500	REPLACE ONE INTERIOR WALL FOR INSTALLATION OF TWO HOT TUBS
10/26/1995	E-010983	COMMERCIAL ELECTRIC CO	$1,170	WIRE FOR REPLACEMENT SIGN
08/24/1995	S-008789	SIGNCRAFTERS	$12,000	INSTALL ONE POLE SIGN, 58 SQ FT TOTAL, ON SINGLE POLE. 24'
05/26/1995	B-064935	AMERICAN VOYAGEUR MOTEL	$3,630	CONSTR EXTERIOR OPEN DECK, 16'-5" X 11'-0" AS PER PLAN
01/27/1995	P-054690	SETTERGREN PLBG AND HTG	$1,400	INSTALL GAS PIPING