

DRAFT
REDEVELOPMENT PLAN FOR
REDEVELOPMENT PLAN / HOUSING DEVELOPMENT PLAN
PROJECT AREA NO. 1
AND
TAX INCREMENT FINANCING PLAN FOR
TAX INCREMENT FINANCING (HOUSING) DISTRICT
ORCHARDS OF MORGAN PARK
WITHIN PROJECT AREA NO. 1

PROPOSED TO BE ADOPTED BY:

DULUTH HOUSING AND REDEVELOPMENT AUTHORITY
AND
CITY OF DULUTH, ST. LOUIS COUNTY, MINNESOTA

PLAN CONSIDERED BY DULUTH HRA DATE: FEBRUARY 24, 2026

PUBLIC HEARING DATE: APRIL 13, 2026

PLAN CONSIDERED BY CITY COUNCIL DATE: _____, 2026

PLAN CERTIFICATION REQUEST DATE: _____, 2026

PLAN CERTIFIED DATE: _____, 2026



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ARTICLE I – INTRODUCTION AND DEFINITIONS

SECTION 1.01 INTRODUCTION

This Redevelopment Plan/Housing Development Plan for Project Area No. 1 of the Duluth Housing and Redevelopment Authority of the City of Duluth is intended to supersede and restate the activities described in the Redevelopment Plan / Housing Development Plan for Project Area No. 1 as originally adopted on May 12, 2003 and last modified on July 30, 2024.

The existing Tax Increment Financing Districts within Project Area No. 1 and the Tax Increment Financing Plans relating thereto, within the Project Area No. 1, remain in full force and effect and are not modified.

The City of Duluth and the Duluth Housing and Redevelopment Authority propose to provide tax increment financing assistance through the establishment of Tax Increment Financing (Housing) District - Orchards of Morgan Park, within Project Area No. 1 (the “TIF District”) to assist with the financing of certain project costs for the construction of approximately 12 new single-family housing units to be owner-occupied. The tax increment revenue from the TIF District will provide financial assistance to support the sale of the units as affordable housing.

Project Area No. 1 serves as the “project area” for tax increment financing districts established within its boundaries. The Redevelopment Plan / Housing Development Plan describes the objectives for the development of the area within Project Area No. 1 and the use of tax increment financing within Project Area No. 1. This document contains the Redevelopment/Housing Development Plan for achieving the objectives of Project Area No. 1 though the establishment of Tax Increment Financing Districts within its boundaries.

SECTION 1.02 DEFINITIONS

For the purposes of this document, the terms below have the meanings given in this section, unless the context in which they are used indicates a different meaning:

1. “Authority” means the Duluth Housing and Redevelopment Authority of the City.
2. “City” means the City of Duluth, Minnesota.
3. “City Council” means the City Council of the City.
4. “County” means St. Louis County, Minnesota.
5. “Developer” means the party undertaking construction within the TIF District, which is anticipated to be the HRA, its successors or assigns.
6. “Development” means the construction by the Developer of approximately 12 new single-family housing units to be owner-occupied.
7. “Enabling Act” means Minnesota Statutes, Sections 469.001 through 469.047, as amended and supplemented from time to time.
8. “HRA” means the Duluth Housing and Redevelopment Authority of the City of Duluth.
9. “Land Use Regulations” means all federal, state and local laws, rules, regulations, ordinances, and plans relating to or governing the use of development of land in the City, including but not limited to environmental, zoning and building code laws and regulations.
10. “OSA” means the Office of the State Auditor.
11. “Public Development Costs” means the cost of the development activities that will or are expected to occur within the Project Area or the TIF District.

12. "Public Improvements" means the public improvements described in the Redevelopment Plan and any future plans for Tax Increment Financing Districts within the Project Area.
13. "Project Area" means the geographic areas of the Redevelopment Project.
14. "Redevelopment Plan" means the Redevelopment Plan / Housing Plan for the Redevelopment Project, as the same may, from time to time, be amended or supplemented.
15. "Redevelopment Project" means Project Area No. 1 of the Authority, as the same may, from time to time, be amended or supplemented.
16. "School District" means Independent School District No. 709 (Duluth Public Schools).
17. "State" means the State of Minnesota.
18. "Tax Increment Bonds" means any tax increment financing bonds or notes issued by the City to finance the Public Costs as stated in the Redevelopment Plan for the Project Area and in the Tax Increment Financing plans for Tax Increment Financing Districts within the Project Area, and any obligations issued to refund such bonds.
19. "Tax Increment Financing District" means any tax increment financing district to be established in the future within the Project Area.
20. "Tax Increment Financing Plans" or "Plans" means the plans adopted by the Authority and the City for a Tax Increment Financing District.
21. "TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794, as amended, both inclusive.
22. "TIF District" means Tax Increment Financing (Housing) District - Orchards of Morgan Park.
23. "TIF Plan" means the tax increment financing plan for the TIF District (this document).

SECTION 1.03 PLAN PREPARATION

This document was prepared for the City and the Authority by Northland Securities, Inc.

ARTICLE II – STATEMENT OF PUBLIC PURPOSE AND AUTHORITY

SECTION 2.01 ENABLING ACT; STATUTORY AUTHORITY

The Enabling Act authorizes the Authority, upon certain public purpose findings by the Authority and the City, to establish and designate redevelopment projects within the city and to establish, develop and the administer redevelopment plans therefor to meet the needs and accomplish the public purposes specified in Statement and Finding of Public Purpose.

In accordance with the purposes set forth in the Enabling Act, the Authority and the City have established the Redevelopment Project comprised of the parcels within the municipal boundaries of the City as shown in Exhibit V and have adopted the Redevelopment Plan therefor.

The Enabling Act and the approval of the Redevelopment Plan by the Authority and the City authorizes the Authority to undertake redevelopment activities within the Project Area, and subject to City approval, to establish and designate Tax Increment Financing Districts within the Redevelopment Project and to adopt and implement Tax Increment Financing Plans to accomplish the objective of the Redevelopment Plan.

SECTION 2.02 STATEMENT AND FINDING OF PUBLIC PURPOSE

The Authority has determined that there is a need to take certain actions designed to encourage, ensure and facilitate development and redevelopment of under-utilized and unused land located within the Project Area. These actions may provide additional housing and employment opportunities for residents of the City and the surrounding area, and improve the tax base, thereby enabling better utilization of existing public facilities and provide needed public services, and improve the general economy of the City, the County, and the State.

The Authority has determined that the property within the Project Area is either under-utilized or unused due to a variety of factors, including inadequate public parking to serve the property, small parcels, non-conforming uses, vacant or under-utilized property, possible environmental conditions, obsolete building design and site layout, poor access and parking, and lack of streetscaping and visual appeal that is needed to make this a viable business district. These factors have resulted in a lack of private investment. As a result, the property within the Project Area is not providing adequate housing and employment opportunities, and is not contributing, to its full potential. Therefore, it is necessary for the Authority to exercise its authority under the Enabling Act to develop and implement a program designed to encourage, ensure and facilitate the development of housing units, commercial and mixed use development, and redevelopment of the property located in the Project Area, to further and accomplish the desired public purposes for the Project Area as specified within the Redevelopment Plan for the Project Area.

The land in the Project Area would not be developed or redeveloped solely through private investment in the foreseeable future. The welfare of the City, County, and the State requires active promotion, attraction, encouragement and development of economically sound commerce by the Authority.

SECTION 2.03 BOUNDARIES OF PROJECT AREA

The area within the Project Area is described in Exhibit V.

ARTICLE III - REDEVELOPMENT PLAN

SECTION 3.01 STATEMENT OF OBJECTIVES

The restatement of the established Project Area in the City pursuant to the Enabling Act is necessary and in the best interests of the City and its residents and is necessary to give the Authority and the City the ability to meet certain public purpose objectives that would not be obtainable in the foreseeable future without intervention by the Authority in the normal development process. The Authority intends, to the extent permitted by law, to accomplish the following objectives through the implementation of the Redevelopment Plan:

1. Promote and secure the development and redevelopment of property in the Project Area in a manner consistent with the City's planning, and with a minimal adverse impact on the environment, which property is less productive because of the lack of proper utilization and lack of investment, and thereby promoting and securing the development of other land in the City;
2. Promote and secure additional housing and employment opportunities within the Project Area and the City for residents of the City and the surrounding area, thereby improving living standards and preventing unemployment and the loss of skilled and unskilled labor and other human resources in the City;
3. Secure the increase in value of property subject to taxation by the City, School District, County, and any other taxing jurisdictions in order to better enable such entities to pay for public improvements and governmental services and programs required to be provided by them;
4. Secure the construction and providing moneys for the payment of the cost of the Public Improvements in the Project Area, which are necessary for the completion of the Redevelopment Project and the orderly and beneficial development of the Project Area.
5. Promote a compatible mix of commercial, institutional, and residential land uses.
6. Encourage the expansion and improvement of local business, and enhancing the economic vitality of existing and new businesses.
7. Eliminate blighting influences that impede development in the area.
8. Provide for adequate streets, utilities, and other public improvements and facilities to enhance the area for both new and existing development.
9. Create a desirable and unique character within the Project Area through quality land use alternatives and design quality in new buildings that create a safe environment for pedestrians, can be maintained for the long run.
10. Support the physical connection to local trails, open space, and other community institutions.
11. Enhance the integrity of residential neighborhoods within and adjacent to the Project Area.
12. Provide and secure the development of increased opportunities for families to reside in quality housing, for citizens to choose from housing options which offer a wide array of services without regard to income, and for residents looking for a wide range of multi-family units.
13. Enhance the long term viability of the Project Area by facilitating: a) land uses that complement and support existing businesses; b) new businesses that enhance the commercial market; c) visual quality of the streetscape, landscape, site plan and building types of new developments; d) mixed use housing development where appropriate; and e) safe access and convenient parking.

SECTION 3.02 DEVELOPMENT ACTIVITIES

The Authority will perform or cause to be performed, to the extent permitted by law, all project activities pursuant to the Enabling Act, the TIF Act and other applicable state laws, and in doing so anticipates that the following may, but are not required, to be undertaken by the Authority:

- a. The making of studies, planning, and other formal and informal activities relating to the Redevelopment Plan.
- b. The implementation and administration of the Redevelopment Plan.
- c. The acquisition of property, or interests in property, by purchase or condemnation, which acquisition is consistent with the objectives of the Redevelopment Plan,
- d. The preparation of property for use and development in accordance with applicable Land Use Regulations and any development agreements, including demolition of structures, clearance of sites, placement of fill and grading.
- e. The resale of property to private parties.
- f. The construction or reconstruction of improvements as described in the Tax Increment Financing Plans for the Tax Increment Financing Districts within the Project Area.
- g. The issuance of Tax Increment Bonds to finance the Public Development Costs of the Redevelopment Plan, and the use of tax increments or other funds available to the City and the Authority to pay or finance the Public Costs of the Redevelopment Plan incurred or to be incurred by it.
- h. The use of tax increments to pay debt service on the Tax Increment Bonds or otherwise pay or reimburse with interest the Public Development Costs of the Redevelopment Plan.

SECTION 3.03 PAYMENT OF PUBLIC DEVELOPMENT COSTS

It is anticipated that the Public Development Costs of the Redevelopment Plan will be paid primarily from proceeds of Tax Increment Bonds or from tax increments from the Tax Increment Financing Districts with the Project Area.

SECTION 3.04 ENVIRONMENTAL CONTROLS; LAND USE REGULATIONS

Municipal actions, public improvements and private development will be carried out in a manner consistent with existing environmental controls and all applicable Land Use Regulations.

SECTION 3.05 PARK AND OPEN SPACE TO BE CREATED

Park and open space within the Project Area, if created, will be created in accordance with the zoning and platting ordinances of the City.

SECTION 3.06 PROPOSED REUSE OF PROPERTY

The Authority may acquire property and reconvey the same to another entity. Prior to formal consideration of the acquisition of any property, the Authority will require the execution of a binding development agreement with respect thereto and evidence that tax increments or other funds will be available to repay the Public Development Costs associated with the acquisition.

It is the intent of the Authority to negotiate the acquisition of property whenever possible. Appropriate restrictions regarding the reuse and redevelopment of property shall be incorporated into any development agreement to which the Authority is a party.

SECTION 3.07 ADMINISTRATION AND MAINTENANCE OF PROJECT AREA

Maintenance and operation of the Project Area will be the responsibility of the Director of the Authority, who shall serve as administrator of the Project Area. Each year the administrator of the Project Area will submit to the Authority the maintenance and operation budget for the following year. The administrator will administer the Project Area pursuant to the Enabling Act; provided, however, that such powers may only be exercised at the direction of the Authority. No action taken by the administrator pursuant to the above-mentioned powers shall be effective without authorization by the Authority.

SECTION 3.08 RELOCATION

Any person or business that is displaced as a result of the Redevelopment Plan will be relocated in accordance with Minnesota Statutes, Section 117.50 to 117.56. The Authority accepts its responsibility for providing for relocation assistance pursuant to the Enabling Act.

SECTION 3.09 AMENDMENTS

The Authority reserves the right to alter and amend the Redevelopment Plan, subject to the provisions of state law regulating such action. The Authority specifically reserves the right to enlarge or reduce the size of the Project Area.

SECTION 3.10 FINDINGS AND DECLARATION

The Authority makes the following findings:

- a. The land in the Project Area would not be made available for redevelopment without the financial aid sought.
- b. The Redevelopment Plan for the Project Area in the City will afford maximum opportunity consistent with the needs of the locality as a whole, for the redevelopment of the area by private enterprise.
- c. The Redevelopment Plan conforms to the general plan for development of the City as a whole.
- d. The Project Area is inclusive of all immediate adjacent roadways, rights-of-way and other areas wherein will be installed or upgraded the various public improvements necessary for and part of the overall project.
- e. The Project Area, together with the objectives which the Authority and the City seek to accomplish or encourage with respect to such property, constitutes a "Redevelopment Project" and a "Redevelopment Plan" within the meaning of Minnesota Statutes, Section 469.002, Subdivisions 14 and 16.

ARTICLE IV - TAX INCREMENT FINANCING PLAN

SECTION 4.01 STATUTORY AUTHORITY

The TIF District and the TIF Plan are established under the authority of the TIF Act.

SECTION 4.02 PLANNED DEVELOPMENT

4.02.1 Development Description

The Developer proposes to construct approximately 12 new single-family housing units to be owner-occupied.

4.02.2 City Plans and Development Program

In addition to achieving the objectives of the Redevelopment Plan, the Development is consistent with and works to achieve the development objectives of the Authority and the City. The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City as a whole. The proposed development plan for the project in the TIF District has been reviewed by the Planning Commission and the City Council.

4.02.3 Land Acquisition

The Authority or the City may acquire land within the TIF District.

4.02.4 Development Activities

As of the date of approval of the TIF Plan there are no development activities proposed in this TIF Plan that are subject to contracts.

4.02.5 Need for Tax Increment Financing

In various materials the Developer has demonstrated that the proposed use of tax increment financing is needed to offset the high construction costs of high-quality low- to moderate-income housing and associated infrastructure required to support the housing. Without the proposed assistance, these initial up-front costs would make it infeasible for the Developer to be able to sell the housing units at a price required for low-to moderate-income residents. Thus, it is the opinion of the City and the Authority that the Development would not reasonably be expected to occur solely through private investment within the 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 Development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above and is shown in Exhibit I. This analysis, while not required by the TIF Act for approval of a housing district, indicates that the increase in estimated market value of the Development (less the present value of the projected tax increments for the maximum duration permitted by the TIF Plan) exceeds the estimated market value of the site prior to the establishment of the TIF District.

The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Development District by private enterprise.

SECTION 4.03 TAX INCREMENT FINANCING DISTRICT

4.03.1 Designation

The TIF District is designated Tax Increment Financing (Housing) District - Orchards at Morgan.

4.03.2 Boundaries of TIF District

The boundaries of the TIF District are depicted in Exhibit V. The TIF District includes the following seventeen parcels listed below and the adjacent roads and right-of-way to these parcels. Description of the parcels listed below is provided in Exhibit VI.

1. 010330001460
2. 010330001470
3. 010330001480
4. 010330001490
5. 010330001500
6. 010330001510

7. 010330001520
8. 010330001530
9. 010330001540
10. 010330001550
11. 010330001560
12. 010330001570
13. 010330001580
14. 010330001590
15. 010330001600
16. 010330001610
17. 010330001620

4.03.3 Type of District

The TIF District is designated as a “housing” district pursuant to Section 469.174, subd. 11 of the TIF Act. For the designation, of a tax increment financing housing district, the Developer of the Project must commit to the following:

1. Satisfy the requirements imposed pursuant to Section 469.1761 in the TIF Act for owner-occupied housing.
2. Ninety-five (95%) percent of the housing units must be initially purchased and occupied by individuals whose family income is less than or equal to the income requirements for qualified mortgage bond projects under section 143(f) of the Internal Revenue Code.
3. The initial occupants of the housing units must have incomes of 100% or less of statewide median income or county median income for families of two or less (whichever is greater), and 115% of statewide median income or county median income for families of three or more (whichever is greater). These income thresholds may change over the life of the TIF District. Owner-occupied income limits apply to each housing unit but only to the first purchaser of the housing unit.
4. Provide that no more than 20% of the square footage of building to receive assistance from tax increments consist of commercial, retail, or other nonresidential uses. Revenue derived from tax increment from a housing district must be used solely to finance the cost of housing projects as defined in Section 469.174, subd. 11 of the TIF Act. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the Authority may be included in the cost of a housing project.

Failure to comply with these requirements is subject to the enforcement provisions of Section 469.1771 of the TIF Act.

4.03.4 Fiscal Disparities Election

Property within the TIF District, which will be housing, is not subject to Fiscal Disparities. No contribution of tax capacity from the TIF District is included in the Plan.

SECTION 4.04 PLAN FOR USE OF TAX INCREMENT

4.04.1 Estimated Tax Increment

The original net tax capacity of value of the TIF District will be set by the County Auditor upon request for certification. For the purposes of the TIF Plan, the estimated original net tax capacity for the TIF District is \$242 for the parcels within the TIF District, with a combined total estimated taxable market value of \$40,300.

The estimated net tax capacity of the Development after completion (estimated for taxes payable in 2029) is \$30,179. This amount is based on a total combined estimated market value of \$3,178,728 for residential homestead property within the TIF District. The difference between the net tax capacity and the original net tax capacity is estimated at \$29,938 (for taxes payable in 2029), which is the estimated captured tax capacity for the creation of tax increment.

The estimated tax capacity rate for the TIF District is 122.44%. This rate is based on the tax payable year 2025 data from the County. The TIF Plan assumes for planning purpose that this rate will be set as the original local tax rate for the TIF District. At the time of the certification of the original net tax capacity for the TIF District, the County Auditor will certify the original local tax rate that will apply to the TIF District. The original local tax rate is the sum of all the local tax rates, excluding that portion of the school rate attributable to the general education levy under Minnesota Statutes Section 126C.13, that apply to a property in the TIF District. The local tax rate to be certified is the rate in effect for the same taxes payable year applicable to the tax capacity values certified as the TIF District's original tax capacity. The resulting tax capacity rate is the original local tax rate for the life of the TIF District.

Under these assumptions, the estimated annual tax increment is \$36,523 after completion of the Development (for taxes payable 2029). This amount is after deducting for the OSA fees (0.36% of the tax increment). The actual tax increment will vary according to the certified original net tax capacity and original tax rate, the actual property value produced by the Development and the changes in property value and property tax laws of the State over the life of the TIF District, among other factors.

The Authority will retain 100% of the captured tax capacity value for the duration of the TIF District. Exhibit II contains the projected tax increment over the life of the TIF District, including the estimated present value of the future tax increments.

4.04.2 Public Development Costs

The Authority will use tax increment to pay Public Development Costs. The Authority anticipates the use of tax increment to pay administrative expenses for the TIF District and to finance the cost of constructing the affordable housing units.

The Authority may use tax increments to pay financing costs. The definition of Tax Increment Bonds includes tax increment financing revenue notes. In addition to tax increment financing, the Authority may use other available revenues to finance or pay for Public Development Costs associated with the Development.

The City and the Authority may modify the TIF Plan to provide authority to expend tax increment from the TIF District on other housing projects that meet the criteria for establishing a housing TIF district. Section 469.174, subd. 11 of the TIF Act defines a housing district as consisting of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income. The requirements for the establishment of a housing TIF district are contained in Section 469.1761 of the TIF Act.

4.04.3 Estimated Sources and Uses of Funds

The estimated sources of revenue, along with the estimated Public Development Costs of the TIF District, are itemized in Figure 4.1. The Authority may administratively adjust the amount of any of the line items within the Estimated Tax Increment Project Costs listed in Figure 4.1 on page 10, so long as the total Estimated Tax Increment Project costs amount, not including financing costs, is not increased.

TAX INCREMENT FINANCING (HOUSING) DISTRICT - ORCHARDS OF MORGAN PARK

Figure 4.1
Duluth HRA
Tax Increment Financing (Housing) District (Orchards of Morgan Park)
Projected Tax Increment
Orchards of Morgan Park (Owner Occupied Project)

	Total
Estimated Tax Increment Revenues (from tax increment generated by the district)	
Tax increment revenues distributed from the county	\$1,272,776
Interest and investment earnings	\$25,000
Sales/lease proceeds	\$0
Market value homestead credit	\$0
Total Estimated Tax Increment Revenues	\$1,297,776
Estimated Project/Financing Costs (to be paid or financed with tax increment)	
Project costs	
Land/building acquisition	\$0
Site improvements/preparation costs	\$0
Utilities	\$0
Other qualifying improvements	\$0
Construction of affordable housing	\$849,706
Administrative costs	\$127,278
Estimated Tax Increment Project Costs	\$976,983
Estimated financing costs	
Interest expense	\$320,793
Total Estimated Project/Financing Costs to be Paid from Tax Increment	\$1,297,776
Estimated Financing	
Total amount of bonds to be issued	\$976,983

4.04.4 Administrative Expense

The Authority plans for use up to ten percent (10%) of annual tax increment revenues distributed from the County, net of any required fees paid to the State and County, to pay administrative costs of the Authority. The Authority will use these monies to pay for and reimburse the Authority for costs of administering the TIF District as allowed by the TIF Act.

The estimated amount of tax increment revenue to pay administrative expense is shown in Figure 4.1 above. Anticipated administrative expenses of the TIF District include annual audit of the fund for TIF District, preparation of annual reporting, legal publication of annual report, and administration of the development agreement, among other eligible administrative costs that may be incurred by the Authority.

4.04.5 County Road Costs

The Development will not substantially increase the use of county roads and necessitate the need to use tax increments to pay for county road improvements.

4.04.6 Bonded Indebtedness

The total estimated amount of Tax Increment Bonds is shown in Figure 4.1 above. The Authority intends to use tax increment financing to reimburse the Developer on a pay-as-you-go basis for certain Public Development Costs.

The City or the Authority may advance or loan money to finance expenditures under Section 469.176, subd. 4 of the TIF Act, from the general funds of the City or the Authority or any other funds under which there is legal authority to do so, subject to the following provisions:

- (a) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized by resolution of the City or of the Authority, whichever has jurisdiction over the fund from which the advance or loan is authorized.

(b) The resolution may generally grant to the City or the Authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.

(c) The terms and conditions for repayment of the loan must be provided in writing. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the City or the Authority before the latest decertification of any tax increment financing district from which the interfund loan is to be repaid. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.

(d) The Authority shall report in the annual report submitted under Section 469.175, subd. 6 of the TIF Act:

- (1) the amount of any interfund loan or advance made in a calendar year; and
- (2) any amendment of an interfund loan or advance made in a calendar year.

4.04.7 Duration of TIF District

The duration to collect and spend tax increments on eligible purposes is set at the duration of 25 years after the date of receipt of the first tax increment for a total of 26 years of tax increment collection. The Authority elects the first year of collection to be year 2029. Based on the elected first year of collection, the estimated decertification date is 12/31/2054.

4.04.8 Estimated Impact on Other Taxing Jurisdictions

Exhibits III and IV show the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions.

The City and the Authority believe that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The City and the Authority anticipate minimal impact of the proposed development on city-provided services. A manageable increase in water and sewer usage is expected. It is anticipated that there may be a slight but manageable increase in police and fire protection duties due to the development.

4.04.9 Prior Planned Improvements

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District. The Authority will include this statement with the request for certification to the County Auditor.

ARTICLE V – ADMINISTERING THE TIF DISTRICT

SECTION 5.01 FILING AND CERTIFICATION

The filing and certification of the TIF Plan consists of the following steps:

1. Upon adoption of the TIF Plan by the City and the Authority, the Authority, or its designee, shall submit a copy of the TIF Plan and other documents that may be required to the Minnesota Department of Revenue and the OSA.
2. The Authority, or its designee, shall request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the Authority, or its designee, shall submit copies of the TIF Plan, the resolutions of the City and the Authority establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements.

SECTION 5.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN

The City and the Authority reserve the right to modify the TIF District and the TIF Plan. Under the TIF Act, the following actions can only be approved after satisfying all the necessary requirements for approval of the original TIF Plan (including notifications and public hearing):

- Reduction or enlargement in the geographic area of the Development District or the TIF District.
- Increase in the amount of bonded indebtedness to be incurred.
- Increase in the amount of capitalized interest.
- Increase in that portion of the captured net tax capacity to be retained by the Authority.
- Increase in the total estimated Project Costs, not including cost of financing.
- Designation of additional property to be acquired by the City or the Authority.

Other modifications can be made by resolution of the Authority. In addition, the original approval process does not apply if (1) the only modification is elimination of parcels from the TIF District and (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City and the Authority agree that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

Upon approval by the City, the Authority must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification of the TIF District.

SECTION 5.03 FOUR YEAR KNOCK-DOWN RULE

The Four Year Knock-Down Rule is a provision of the TIF Act that requires that if after four years from certification of the TIF District no demolition, rehabilitation, renovation or site improvement, including a qualified improvement of an adjacent street, has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The Authority must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the City, Authority, or owner of the parcel subsequently commences any of the above activities, the Authority shall certify to the County Auditor that such activity has commenced and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

SECTION 5.04 FIVE YEAR RULE

The Five-Year Rule is a provision of the TIF Act and establishes a “five-year period” whereby activity must occur before or within five years after certification of the TIF District in order to be considered “in-district” expenditures of the TIF District. As permitted under Section 469.1763, subd. 2(b) and subd. 3(a)(5) of the TIF Act, any expenditures of increment from the TIF District to pay the cost of a “housing project” as defined in Section 469.174, subd. 11 of the TIF Act will be treated as an expenditure within the TIF District for the purposes of the Five Year Rule. It is not anticipated that tax increments will be spent outside the TIF District (except allowable administrative expenses), but such expenditures are expressly authorized in the TIF Plan.

SECTION 5.05 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS

The Authority will comply with the annual reporting requirements pursuant to the TIF Act and guidelines of the OSA. Under current law, the Authority must prepare and submit a report on the TIF district on or before August 1 of each year. The Authority must also annually publish in a newspaper of general circulation in the City an annual statement for each tax increment financing district.

The reporting and disclosure requirements outlined in this section begin with the year the district was certified, and shall end in the year in which both the district has been decertified and all tax increments have been spent or returned to the county for redistribution. Failure to meet these requirements, as determined by the OSA, may result in suspension of distribution of tax increment.

SECTION 5.06 BUSINESS SUBSIDY COMPLIANCE

Revenue derived from tax increment from the TIF District shall be used solely to finance the cost of the housing project as defined in Section 469.174, subd. 11 of the TIF Act. The cost of costs directly related to the housing project and the allocated administrative expenses of the Authority may be included in the cost of the housing project.

The use of revenue to assist the housing project is exempt from the business subsidies requirements specified in Minnesota Statutes, Sections 116J.993 to 116J.995 because the assistance for the Development will be 100% for assisting the construction of the housing and tax increment will not be used to assist the commercial portion of the Development.

Exhibit I
Duluth HRA
Tax Increment Financing (Housing) District (Orchards of Morgan Park)
Present Value Analysis As Required By Section
469.175(3)(2) of the TIF Act

1 Estimated Future Market Value w/ Tax Increment Financing	5,112,785 ¹
2 Payable Pay 2026 Market Value	40,300
3 Market Value Increase (1-2)	5,072,485
4 Present Value of Future Tax Increments	944,117
5 Market Value Increase Less PV of Tax Increments	4,128,367
6 Estimated Future Market Value w/o Tax Increment Financing	66,116 ¹
7 Payable Pay 2026 Market Value	40,300
8 Market Value Increase (6-7)	25,816
9 Increase in MV From TIF	4,102,551 ²

¹ Assume 2.00% annual appreciation over 26 year life of district.

² Statutory compliance achieved if increase in market value from TIF (Line 9) is greater than or equal to zero.

³ Section 469.175(3)(2) of the TIF Act does not require this present value analysis for a housing tax increment financing district. This analysis is provided for information purposes.

TAX INCREMENT FINANCING (HOUSING) DISTRICT - ORCHARDS OF MORGAN PARK

**Exhibit II
City of Duluth
Tax Increment Financing (Housing) District (Orchards of Morgan Park)
Projected Tax Increment Financing (TIF) Cash Flow**

TIF District Year	Taxes Payable Year	Taxable Market Value (TMV)	Tax Capacity	Original Base Tax Capacity	Captured Tax Capacity for TIF	Original Tax Rate ²	Captured TIF	Less State Fee	Available TIF from District	PV Available TIF
1	2029	3,178,728	30,179	242	29,938	122.44%	36,655	(132)	36,523	35,215
2	2030	3,242,303	30,872	242	30,630	122.44%	37,504	(135)	37,369	70,536
3	2031	3,307,149	31,579	242	31,337	122.44%	38,369	(138)	38,231	105,959
4	2032	3,373,292	32,300	242	32,058	122.44%	39,252	(141)	39,111	141,483
5	2033	3,440,757	33,035	242	32,794	122.44%	40,152	(145)	40,007	177,106
6	2034	3,509,573	33,786	242	33,544	122.44%	41,071	(148)	40,923	212,827
7	2035	3,579,764	34,551	242	34,309	122.44%	42,007	(151)	41,856	248,641
8	2036	3,651,359	35,331	242	35,089	122.44%	42,963	(155)	42,808	284,549
9	2037	3,724,386	36,127	242	35,885	122.44%	43,937	(158)	43,779	320,547
10	2038	3,798,874	36,939	242	36,697	122.44%	44,932	(162)	44,770	356,636
11	2039	3,874,852	37,767	242	37,525	122.44%	45,946	(165)	45,781	392,811
12	2040	3,952,349	38,612	242	38,370	122.44%	46,980	(169)	46,811	429,072
13	2041	4,031,396	39,473	242	39,232	122.44%	48,035	(173)	47,862	465,416
14	2042	4,112,024	40,352	242	40,110	122.44%	49,111	(177)	48,934	501,843
15	2043	4,194,264	41,249	242	41,007	122.44%	50,208	(181)	50,027	538,349
16	2044	4,278,149	42,163	242	41,921	122.44%	51,328	(185)	51,143	574,935
17	2045	4,363,712	43,096	242	42,854	122.44%	52,470	(189)	52,281	611,597
18	2046	4,450,987	44,047	242	43,805	122.44%	53,635	(193)	53,442	648,335
19	2047	4,540,006	45,017	242	44,775	122.44%	54,823	(197)	54,626	685,147
20	2048	4,630,806	46,007	242	45,765	122.44%	56,034	(202)	55,832	722,030
21	2049	4,723,423	46,985	242	46,744	122.44%	57,232	(206)	57,026	758,960
22	2050	4,817,891	47,970	242	47,728	122.44%	58,438	(210)	58,228	795,925
23	2051	4,914,249	48,974	242	48,732	122.44%	59,667	(215)	59,452	832,924
24	2052	5,012,534	49,998	242	49,756	122.44%	60,921	(219)	60,702	869,956
25	2053	5,112,785	51,043	242	50,801	122.44%	62,200	(224)	61,976	907,021
26	2054	5,215,040	52,108	242	51,866	122.44%	63,505	(229)	63,276	944,117
TOTAL =							1,277,375	(4,599)	1,272,776	944,117

Key Assumptions for Cash Flow:

- 1 Taxable market value (TMV) annual growth assumption = 2.00%
- 2 Original Tax Capacity Rate estimated based on Taxes Payable Year Pay 2026.
- 3 Election for captured tax capacity is 100.00%.
- 4 Base Tax Capacity is calculated based on a TMV = \$40,300.
- 5 Present Value (PV) of Net Available TIF calculated based on semi-annual payments and rate of 2.0%, estimated dated date of 1/1/2028.
- 6 TMV includes value for 12 owner occupied (homestead) housing units.

Exhibit III
Duluth HRA
Tax Increment Financing (Housing) District (Orchards of Morgan Park)
Impact on Other Taxing Jurisdictions
(Taxes Payable Pay 2026)

Annual Tax Increment

Estimated Annual Captured Tax Capacity (Full Development)	\$51,866
Payable Pay 2026 Local Tax Rate	122.439%
Estimated Annual Tax Increment	\$63,505

Percent of Tax Base

	Net Tax Capacity (NTC)	Captured Tax Capacity	Percent of Total NTC
City of Duluth	120,262,212	51,866	0.04%
St. Louis County	306,031,283	51,866	0.02%
ISD # 709	135,792,430	51,866	0.04%

Dollar Impact of Affected Taxing Jurisdictions

	Net Tax Capacity (NTC)	% of Total	Tax Increment Share	Added Local Tax Rate
City of Duluth	36.783%	30.042%	19,078	0.016%
St. Louis County	56.886%	46.461%	29,505	0.010%
ISD # 709	22.563%	18.428%	11,703	0.009%
Other	6.207%	5.069%	3,219	
Totals	122.439%	100.000%	63,505	

NOTE NO. 1: Assuming that ALL of the captured tax capacity would be available to all taxing jurisdictions even if the City does not create the Tax Increment District, the creation of the District will reduce tax capacities and increase the local tax rate as illustrated in the above tables.

NOTE NO. 2: Assuming that NONE of the captured tax capacity would be available to the taxing jurisdiction if the City did not create the Tax Increment District, then the plan has virtually no initial effect on the tax capacities of the taxing jurisdictions. However, once the District is established, allowable costs paid from the increments, and the District is terminated, all taxing jurisdictions will experience an increase in their tax base.

TAX INCREMENT FINANCING (HOUSING) DISTRICT - ORCHARDS OF MORGAN PARK

Exhibit IV
City of Duluth
Tax Increment Financing (Housing) District (Orchards of Morgan Park)
Estimated Tax Increments Over Maximum Life of District

Based on Pay Pay 2026 Tax Rate = 122.439% 36.783% 56.886% 22.563% 6.207%

TIF District Year	Taxes Payable Year	New Taxable Market Value	New Tax Capacity	Base Tax Capacity	Captured Tax Capacity	Estimated Total Tax Increments	City TIF Related Share	County TIF Related Share	School TIF Related Share	Other TIF Related Share
1	2029	3,178,728	30,179	242	29,938	36,655	11,012	17,030	6,755	1,858
2	2030	3,242,303	30,872	242	30,630	37,504	11,267	17,424	6,911	1,902
3	2031	3,307,149	31,579	242	31,337	38,369	11,527	17,827	7,071	1,944
4	2032	3,373,292	32,300	242	32,058	39,252	11,792	18,237	7,233	1,990
5	2033	3,440,757	33,035	242	32,794	40,152	12,062	18,655	7,399	2,036
6	2034	3,509,573	33,786	242	33,544	41,071	12,338	19,082	7,568	2,083
7	2035	3,579,764	34,551	242	34,309	42,007	12,620	19,517	7,741	2,129
8	2036	3,651,359	35,331	242	35,089	42,963	12,907	19,961	7,917	2,178
9	2037	3,724,386	36,127	242	35,885	43,937	13,200	20,414	8,097	2,226
10	2038	3,798,874	36,939	242	36,697	44,932	13,498	20,876	8,280	2,278
11	2039	3,874,852	37,767	242	37,525	45,946	13,803	21,347	8,467	2,329
12	2040	3,952,349	38,612	242	38,370	46,980	14,114	21,827	8,657	2,382
13	2041	4,031,396	39,473	242	39,232	48,035	14,431	22,317	8,852	2,435
14	2042	4,112,024	40,352	242	40,110	49,111	14,754	22,817	9,050	2,490
15	2043	4,194,264	41,249	242	41,007	50,208	15,084	23,327	9,252	2,545
16	2044	4,278,149	42,163	242	41,921	51,328	15,420	23,847	9,459	2,602
17	2045	4,363,712	43,096	242	42,854	52,470	15,763	24,378	9,669	2,660
18	2046	4,450,987	44,047	242	43,805	53,635	16,113	24,919	9,884	2,719
19	2047	4,540,006	45,017	242	44,775	54,823	16,470	25,471	10,103	2,779
20	2048	4,630,806	46,007	242	45,765	56,034	16,834	26,034	10,326	2,840
21	2049	4,723,423	46,985	242	46,744	57,232	17,194	26,591	10,547	2,900
22	2050	4,817,891	47,970	242	47,728	58,438	17,556	27,151	10,769	2,962
23	2051	4,914,249	48,974	242	48,732	59,667	17,925	27,722	10,995	3,025
24	2052	5,012,534	49,998	242	49,756	60,921	18,302	28,304	11,227	3,088
25	2053	5,112,785	51,043	242	50,801	62,200	18,686	28,899	11,462	3,153
26	2054	5,215,040	52,108	242	51,866	63,505	19,078	29,505	11,703	3,219
Total						1,277,375	383,750	593,479	235,394	64,752

Note: The Estimated Total Tax Increment shown above is before deducting the State Auditor's fee, which is payable at a rate of 0.36% of the Total Tax Increment collected. Exhibit II provides Estimated Total Tax Increment after deducting for the State Auditor's fee.

EXHIBIT V

Boundaries of TIF District Within Redevelopment Project Area No. 1

Proposed TIF District for
Orchards of Morgan Park



- DuluthStreets
- Proposed TIF District
- DuluthParcels

The Boundaries of the Project Area No. 1 are coterminous with the municipal boundaries of the City of Duluth. The TIF District is within Project Area No. 1.

EXHIBIT V (Continued)

Boundaries of TIF District Within Redevelopment Project Area No. 1

Project Area No. 1

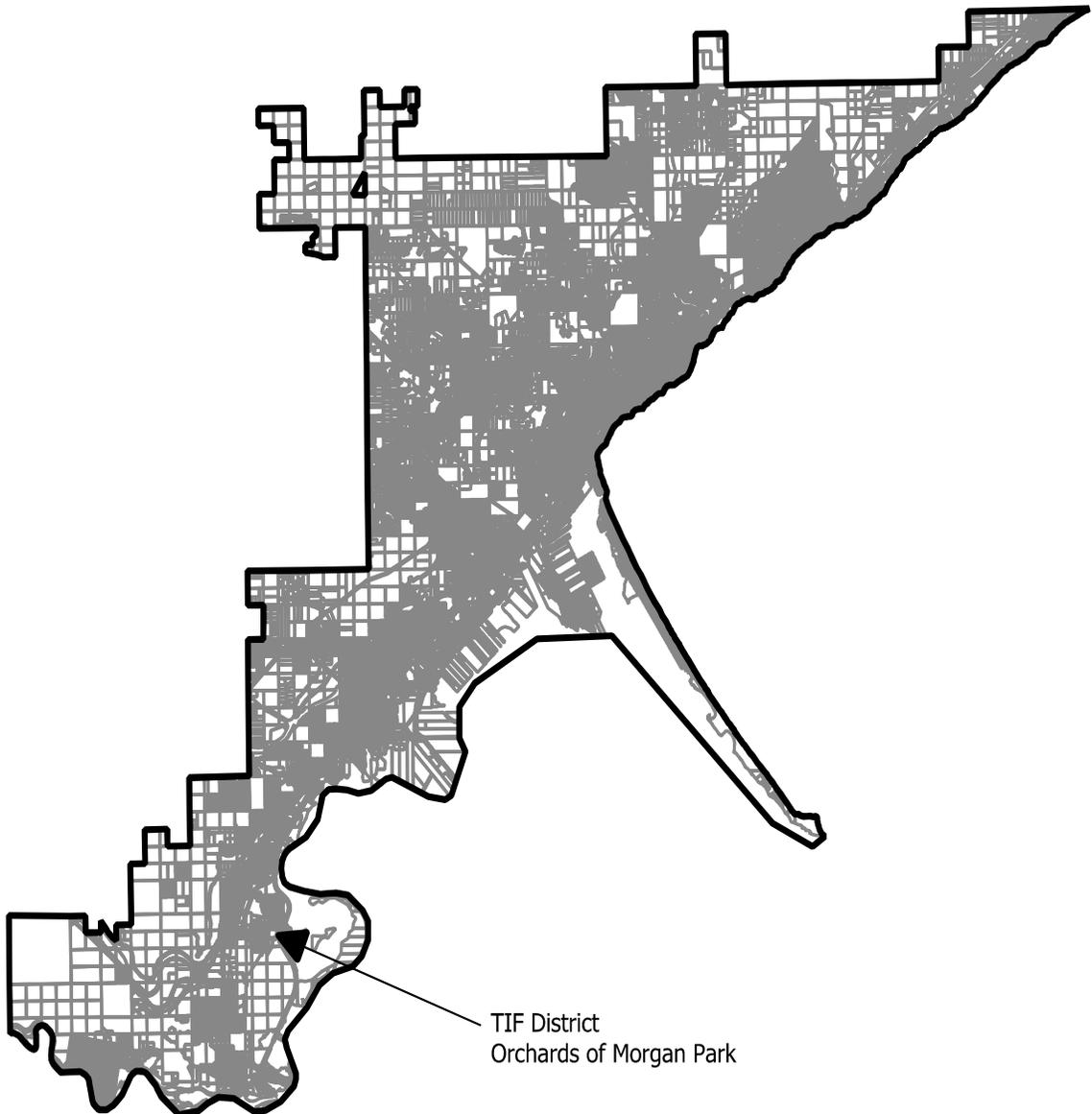


EXHIBIT VI
Legal Description of Parcels with TIF District

Office of the Registrar of Titles
St. Louis County, Minnesota
Recorded on 08/02/2017
At 8:38 AM

Document No. 988030.0

Affecting Certificate(s) of Title

219774.0, 330419.0

Mark A. Monacelli
Registrar of Titles

By R MacDonell Deputy
TFR 10037340

Document: STATE DEED
Grantor: STATE OF MN
Grantee: DULUTH HOUSING & REDEVELOPMENT AUTHORITY

Auditor

Deed Tax \$432.30

PIN(s) 010-3300-01460, 010-3300-01470, 010-3300-01480, 010-3300-01490, 010-3300-01500, 010-3300-01510, 010-3300-01520, 010-3300-01530, 010-3300-01540, 010-3300-01550, 010-3300-01560, 010-3300-01570, 010-3300-01580, 010-3300-01590, 010-3300-01600, 010-3300-01610, 010-3300-01620

Transfer Number(s) 109204

Deed Transfer
No delinquent taxes and transfer entered
This 2nd day of August, 2017
Donald Dicklich, County Auditor
By Heather Nylund Deputy

CERTIFICATE OF VALUE FILED

Recording Fee: \$66.00
Well Certificate Fee: \$0.00

This page has been added by the St. Louis County Recorder/Registrar of Titles to add the recording information to the attached document.

Notes:

EXHIBIT VI (Continued)
Legal Description of Parcels with TIF District

Conveyance of Forfeited Lands

Issued Pursuant to Minnesota Statute, Chapter 282

eCRV #686511

Deed Tax Due: \$432.30
Date: 7/5/17

Commissioner's Deed No. 0213901

WHEREAS, the real property described below has become duly forfeited to the State of Minnesota to be held in trust in favor of the taxing districts for the nonpayment of taxes or otherwise, and,

WHEREAS, pursuant to Minnesota Statutes section 282.01, subdivision 1a, paragraph (b) or subdivision 3 or subdivision 7a and related provisions, the Grantee has purchased the real property described below, and

WHEREAS, the Commissioner of Revenue has determined that the Grantee has fully complied with the conditions for said conveyance and is entitled to an appropriate conveyance of the real property, and,

NOW, THEREFORE, for valuable consideration and pursuant to said laws, the Commissioner of Revenue, acting on behalf of the State of Minnesota, a sovereign body ("Grantor"), does hereby convey and quitclaim to Duluth Housing and Redevelopment Authority ("Grantee"), real property in St Louis County, State of Minnesota legally described as follows:

LOTS 1 THRU 17, BLOCK 14, MORGAN PARK OF DULUTH
Subject to all easements of record and rights of way,

Check here if all or part of the described real property is Registered (Torrens) ()

together with all hereditaments and appurtenances belonging thereto, but excepting and reserving to the said state, in trust of the taxing districts concerned, all mineral rights, as provided by law.

Check applicable box:

- (X) The Seller certifies that the Seller does not know of any wells on the described real property.
() A well disclosure certificate accompanies this document.
() I am familiar with the property described in this instrument and I certify that the status and number of wells on the described real property have not changed since the last previously filed well disclosure certificate.

NOTE: The State of Minnesota is issuing this deed for the county and other taxing jurisdictions and in reliance on the Auditor's certification stating the above.

BY STATE OF MINNESOTA, CYNTHIA BAUERLY, Commissioner of Revenue

By: SARAH VANDERWAL, duly appointed representative of the Commissioner of Revenue.

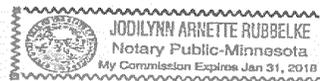
State of Minnesota
County of Ramsey

This instrument was acknowledged before me on 28th day of July, 2017, by SARAH VANDERWAL, duly appointed representative of the Commissioner of Revenue, on behalf of the State.

Jodilyn Arnette Rubbelke

THIS INSTRUMENT WAS DRAFTED BY:
Minnesota Department of Revenue
600 North Robert Street, 4th Floor
St. Paul, MN 55146

C22140222



Tax statements for the real property described in this document should be sent to:

Name:
Address: Duluth HRA
PO Box 16900
Duluth, MN 55816

Form approved by Attorney General (August 2010)