

INTERGOVERNMENTAL RELATIONS COMMITTEE

11-0321R

RESOLUTION ADOPTING A MODIFICATION TO THE REDEVELOPMENT PLAN/HOUSING DEVELOPMENT PLAN FOR PROJECT AREA NO. 1 AND ESTABLISHING THE FIREHOUSE REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR.

CITY PROPOSAL:

BE IT RESOLVED by the City Council (the "Council") of the City of Duluth, Minnesota (the "City"), as follows:

Section 1. Recitals.

1.01. The Board of Commissioners of the Housing and Redevelopment Authority of Duluth (the "HRA") has heretofore established Project Area No. 1 and adopted a Redevelopment Plan/Housing Development Plan therefor. It has been proposed by the HRA that the City adopt a Modification to the Redevelopment Plan/Housing Development Plan for Project Area No. 1 (the "Redevelopment Plan/Housing Development Plan Modification") and establish the Firehouse Redevelopment Tax Increment Financing District (the "District") therein and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Redevelopment Plan/Housing Development Plan Modification and the TIF Plan are referred to collectively herein as the "Plans"), said Plans on file in the office of the city clerk as Public Document No. _____; all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.001 to 469.047 and Sections 469.174 to 469.1799, all inclusive, as amended, (the "Act") all as reflected in the Plans, and presented for the Council's consideration.

1.02. The HRA has investigated the facts relating to the Plans and have caused the Plans to be prepared.

1.03. The HRA and/or City have performed all actions required by law to be performed prior to the establishment of the District and the adoption and approval of the proposed Plans, including, but not limited to, notification of St. Louis County and Independent School District No. 709 having taxing jurisdiction over the property to be included in the District, a review of and written comment on the Plans by the City Planning Commission on May 10, 2011,

approval of the Plans by the HRA on May 24, 2011, and the holding of a public hearing upon published notice as required by law.

1.04. The City is not modifying the boundaries of Project Area No. 1, but is however, modifying the Redevelopment Plan/Housing Development Plan therefor.

Section 2. Findings for the Adoption and Approval of the Redevelopment Plan/Housing Development Plan Modification.

2.01. The Council approves the Redevelopment Plan/Housing Development Plan Modification, and finds, based on information contained in the Plans, that: (a) the land on the project area would not be made available for redevelopment without the financial aid to be sought; (b) the Redevelopment Plan/Housing Development Plan, as modified, will afford maximum opportunity, consistent with the needs of the City as a whole, for the development of the areas by private enterprise; and (c) that the Redevelopment Plan/Housing Development Plan, as modified, conforms to the general plan for the development of the City as a whole.

Section 3. Findings for the Establishment of the Firehouse Redevelopment Tax Increment Financing District.

3.01. The Council hereby finds that the Firehouse Redevelopment Tax Increment Financing District is in the public interest and is a "housing district" under Minnesota Statutes, Section 469.174, Subd. 11 of the Act.

3.02. The Council further finds, based on information contained in the Plans, that the proposed development would not occur solely through private investment within the reasonably foreseeable future; that the Plans conform to the general plan for the development or redevelopment of the City as a whole; and that the Plans will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development or redevelopment of the District by private enterprise.

3.03. The Council further finds, declares and determines that the City made the above findings stated in this Section and has set forth the reasons and

supporting facts for each determination in writing set forth in Public Document No. _____.

Section 4. Public Purpose.

4.01. The adoption of the Plans conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the City which is already built up, to provide housing opportunities, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose. For the reasons described in Public Document No. _____, the City believes these benefits directly derive from the tax increment assistance provided under the TIF Plan. A private developer will receive only the assistance needed to make this development financially feasible. As such, any private benefits received by a developer are incidental and do not outweigh the primary public benefits.

Section 5. Approval and Adoption of the Plans.

5.01. The Plans, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted and shall be placed on file in the office of the Executive Director of the HRA.

5.02. The staff of the City, the City's advisors and legal counsel are authorized and directed to proceed with the implementation of the Plans and to negotiate, draft, prepare and present to this Council for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

5.03 The Auditor of St. Louis County is requested to certify the original net tax capacity of the District, as described in the Plans, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased; and the Housing and Redevelopment Authority of Duluth is authorized to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the District, for which building permits have been issued during the 18 months immediately preceding the adoption of this resolution.

5.04. The Executive Director of the HRA is further authorized to file a copy of the Plans with the Commissioner of the Minnesota Department of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes 469.175, Subd. 4a.

Approved:


Department Director

Approved for presentation to council:


Chief Administrative Officer

Approved as to form:

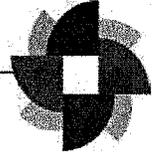
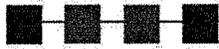

Attorney

Approved:


Auditor Sys. Adm
Finance

CD JMC:jle 6/7/2011

STATEMENT OF PURPOSE: This resolution approves the Modification to the Redevelopment Plan/Housing Plan for Project Area No. 1 and establishes the Firehouse Redevelopment Tax Increment Financing District, as required by the TIF Act. The TIF District is a housing district and will provide housing, in part, for low and moderate income persons.



*As of June 8, 2011
Draft for Public Hearing*

**Modification to the Redevelopment Plan/Housing Development
Plan
for Project Area No. 1**

and the

Tax Increment Financing Plan

for the establishment of the

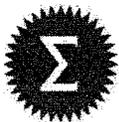
**Firehouse Redevelopment Tax Increment Financing District
(a housing district)**

within

Project Area No. 1

Housing and Redevelopment Authority of Duluth
City of Duluth
St. Louis County
State of Minnesota

Public Hearing: June 13, 2011
Adopted:



EHLERS

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(for reference purposes only)

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**Section 1 - Modification to the Redevelopment Plan/Housing Development Plan
for Project Area No. 1**

Foreword

The following text represents a Modification to the Redevelopment Plan/Housing Development Plan for Project Area No. 1. This modification represents a continuation of the goals and objectives set forth in the Redevelopment Plan/Housing Development Plan for Project Area No. 1. Generally, the substantive changes include the establishment of Firehouse Redevelopment Tax Increment Financing District.

For further information, a review of the Redevelopment Plan for Project Area No. 1 is recommended. It is available from the Executive Director of the Duluth Housing and Redevelopment Authority. Other relevant information is contained in the Tax Increment Financing Plans for the Tax Increment Financing Districts located within Project Area No. 1.

Section 2 - Tax Increment Financing Plan for the Firehouse Redevelopment Tax Increment Financing District

Subsection 2-1. Foreword

The Housing and Redevelopment Authority of Duluth (the "HRA"), the City of Duluth (the "City"), staff and consultants have prepared the following information to expedite the establishment of the Firehouse Redevelopment Tax Increment Financing District (the "District"), a housing tax increment financing district, located in Project Area No. 1.

Subsection 2-2. Statutory Authority

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the HRA and City have certain statutory powers pursuant to *Minnesota Statutes ("M.S."), Sections 469.001 to 469.047*, inclusive, as amended, and *M.S., Sections 469.174 to 469.1799*, 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 Redevelopment Plan/Housing Development Plan for Project Area No. 1.

Subsection 2-3. Statement of Objectives

The District currently consists of 6 parcels of land and adjacent and internal rights-of-way and alleyway. The District is being created to facilitate the redevelopment of the historic Fire Station #1 and 5 additional parcels into 40 affordable rental units in the City. Please see Appendix A for further District information. The HRA is negotiating an agreement with MetroPlains to complete the project and it is anticipated that redevelopment of the site will begin in the fall of 2011. This TIF Plan is expected to achieve many of the objectives outlined in the Redevelopment Plan/Housing Development Plan for Project Area No. 1.

The activities contemplated in the Modification to the Redevelopment Plan/Housing Development Plan 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 Project Area No. 1 and the District.

Subsection 2-4. Redevelopment Plan Overview

1. Property to be Acquired - The HRA currently owns 1 parcel of property within the District. The remaining property located within the District may be acquired by the HRA or City and is further described in this TIF Plan.
2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.
3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the HRA or City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. The HRA or City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.

Subsection 2-5. Description of Property in the District and Property To Be Acquired

The District encompasses all property and adjacent rights-of-way, alleyway and abutting roadways identified by the parcels listed in Appendix C of this TIF Plan. Please also see the map in Appendix B for further information on the location of the District.

The HRA or City may acquire any parcel within the District including interior and adjacent street rights of way. Any properties identified for acquisition will be acquired by the HRA or City only in order to accomplish one or more of the following: storm sewer improvements; provide land for needed public streets, utilities and facilities; carry out land acquisition, site improvements, clearance and/or development to accomplish the uses and objectives set forth in this plan. The HRA or City may acquire property by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs.

Subsection 2-6. Classification of the District

The HRA and City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1799*, as amended, inclusive, find that the District, to be established, is a housing district pursuant to *M.S., Section 469.174, Subd. 11* and *M.S., Section 469.1761* as defined below:

M.S., Section 469.174, Subd.11:

"Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts, and that satisfies the requirements of M.S., Section 469.1761. Housing project means a project, or portion of a project, that meets all the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

M.S., Section 469.1761:

Subd. 1. Requirement imposed.

(a) In order for a tax increment financing district to qualify as a housing district:

(1) the income limitations provided in this section must be satisfied; and

(2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses.

(b) The requirements imposed by this section apply to property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the Authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions of this section do not apply to districts located within a targeted area as defined in Section 462C.02 Subd 9, clause (e).

(c) For purposes of the requirements of paragraph (a), the authority may elect to treat an addition to an existing structure as a separate building if:

- (1) construction of the addition begins more than three years after construction of the existing structure was completed; and
- (2) for an addition that does not meet the requirements of paragraph (a), clause (2), if it is treated as a separate building, the addition was not contemplated by the tax increment financing plan which includes the existing structure.

Subd. 2. Owner occupied housing.

For owner occupied residential property, 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.

Subd. 3. Rental property.

For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The requirements of this subdivision apply for the duration of the tax increment financing district.

Subd. 4. Noncompliance; enforcement.

Failure to comply with the requirements of this section is subject to M.S., Section 469.1771.

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

- The District consists of 6 parcels
- The development will consist of 40 units of multi-family rental housing
- At least 40% of the units will be occupied by person with incomes less than 60% of median income

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 or 273.112 or Chapter 473H* for taxes payable in any of the five calendar years before the filing of the request for certification of the District.

Subsection 2-7. Duration and First Year of Tax Increment of the District

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 25 years after receipt of the first increment by the HRA (a total of 26 years of tax increment). The HRA elects to receive the first tax increment in 2013, 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 2038, or when the TIF Plan is satisfied. The HRA reserves the right to decertify the District prior to the legally required date.

Subsection 2-8. Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity Value/Increment and Notification of Prior Planned Improvements

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2011 for taxes payable 2012.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2013) the amount by which the original value has increased or decreased as a result of:

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

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

The original local tax rate for the District will be the local tax rate for taxes payable 2011, assuming the request for certification is made before June 30, 2011. 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 Project Area No. 1, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. The HRA and City request 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2013. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Estimated Tax Capacity with Inflation (PTC)	\$51,836	
Original Estimated Net Tax Capacity (ONTC)	\$2,892	
Estimated Captured Tax Capacity (CTC)	\$48,944	
Original Local Tax Rate	1.13179	Pay 2011
Estimated Annual Tax Increment (CTC x Local Tax Rate)	\$55,394	
Percent Retained by the HRA	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 two (project 100% completed) is estimated to be \$25,500.

Pursuant to *M.S., Section 469.177, Subd. 4*, the HRA 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 HRA is reviewing the area to be included in the District to determine if any building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the HRA.

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

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The HRA reserves the right to incur bonds or other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by a pay-as-you-go note. Any refunding amounts will be deemed a budgeted cost without a formal TIF Plan Modification. This provision does not obligate the HRA to incur debt. The HRA will issue bonds or incur other debt only upon the determination that such action is in the best interest of the HRA.

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

<u>SOURCES OF FUNDS</u>	<u>TOTAL</u>
Tax Increment	\$970,844
<u>Interest</u>	<u>\$50,000</u>
TOTAL	\$1,020,844

The HRA 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 \$614,084. 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 redevelopment of the historic Fire Station #1 and 5 additional parcels into 40 affordable rental units in the City. The HRA has determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described. The HRA 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 table on the following.

<u>USES OF TAX INCREMENT FUNDS</u>	<u>TOTAL</u>
Land/Building Acquisition	\$200,000
Site Improvements/Preparation	\$167,000
Public Utilities	\$75,000
Public Parking Facilities	\$0
Streets and Sidewalks	\$75,000
<u>Administrative Costs (up to 10%)</u>	<u>\$97,084</u>
PROJECT COST TOTAL	\$614,084
<u>Interest</u>	<u>\$406,760</u>
PROJECT AND INTEREST COSTS TOTAL	\$1,020,844

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. The HRA may expend funds for qualified housing activities outside of the District boundaries.

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; and
- (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.

Since the tax increment assistance being provided is for the development of housing, the HRA is exempt from complying with *M.S., Sections 116J.993 to 116J.995*.

Subsection 2-12. County Road Costs

Pursuant to *M.S., Section 469.175, Subd. 1a*, the county board may require the HRA 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 the HRA within forty-five days of receipt of this TIF Plan. In the opinion of the HRA 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. The HRA is 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, the HRA 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

	2010/Pay 2011 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC)	Percent of CTC to Entity Total
St. Louis County	179,759,359	48,944	0.0272%
City of Duluth	63,725,699	48,944	0.0768%
Duluth ISD No. 709	71,685,023	48,944	0.0683%

IMPACT ON TAX RATES

	Pay 2011 Extension Rates	Percent of Total	CTC	Potential Taxes
St. Louis County	0.559940	49.47%	48,944	27,406
City of Duluth	0.279560	24.70%	48,944	13,683
Duluth ISD No. 709	0.234000	20.68%	48,944	11,453
Other	<u>0.058290</u>	<u>5.15%</u>	<u>48,944</u>	<u>2,853</u>
Total	1.131790	100.00%		55,394

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 two (project 100% completed) is estimated to be \$25,500.

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the actual Pay 2011 rate. The total net capacity for the entities listed above are based on actual Pay 2011 figures. The District will be certified under the actual Pay 2012 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 \$1,020,844;
- (2) Probable impact of the District on City provided services and ability to issue debt. An impact of the District on police protection is expected to be minimal. With any addition of new residents, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or police personnel.

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

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

The probable impact of any District general obligation tax increment bonds on the ability to issue debt for general fund purposes is expected to be minimal. It is not anticipated that there will be any general obligation debt issued in relation to this project, therefore there will be no impact on the HRA's or 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 \$211,110;
- (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 \$505,011;
- (5) Additional information requested by the county or school district. The HRA 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 findings are required in the resolution approving the District. Following is a list of reports and studies on file at the HRA and City that support the HRA and City's findings:

1. 2000 At Home in Duluth Initiative
2. 2005 Knight Foundation/Miami University Charrette Plan
3. 2007 Central Hillside Neighborhood Revitalization Plan

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 the HRA or City;
5. Increase in the estimate of the cost of the District, including administrative expenses, that will be paid or financed with tax increment from the District; or
6. Designation of additional property to be acquired by the HRA or City,

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

Pursuant to *M.S. Section 469.175 Subd. 4(f)*, the geographic area of the District may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor. If a housing 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. 11* must be documented. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcel(s) from the District and (2) (A) the current net tax capacity of the parcel(s) eliminated from the District equals or exceeds the net tax capacity of those parcel(s) in the District's original net tax capacity or (B) the HRA agrees that, notwithstanding *M.S., Section 469.177, Subd. 1*, the original net tax capacity will be reduced by no more than the current net tax capacity of the parcel(s) eliminated from the District.

The HRA 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 the HRA, *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; or
4. Amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to *M.S., Section 469.178*; or
5. Amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clauses (1) to (3).

For districts for which the request for certification were made before August 1, 1979, or after June 30, 1982, and before August 1, 2001, administrative expenses also include amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants. Pursuant to *M.S., Section 469.176, Subd. 3*, tax increment may be used to pay any **authorized and documented** administrative

expenses for the District up to but not to exceed 10 percent of the total estimated tax increment expenditures authorized by the TIF Plan or the total tax increments, as defined by *M.S., Section 469.174, Subd. 25, clause (1)*, from the District, whichever is less.

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

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

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

Subsection 2-18. 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.

The HRA or City or a property owner must improve parcels within the District by approximately June 2015 and report such actions to the County Auditor.

Subsection 2-19. Use of Tax Increment

The HRA 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 public redevelopment costs of the Project Area No. 1 pursuant to *M.S., Sections 469.001 to 469.047*;
3. To pay for project costs as identified in the budget set forth in the TIF Plan;
4. To finance, or otherwise pay for other purposes as provided in *M.S., Section 469.176, Subd. 4*;
5. To pay principal and interest on any loans, advances or other payments made to or on behalf of the HRA or for the benefit of Project Area No. 1 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*.

Revenues derived from tax increment from a housing district must be used solely to finance the cost of housing projects as defined in *M.S., Sections 469.174, Subd. 11 and 469.1761*. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the HRA may be included in the cost of a housing project.

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

Tax increments generated in the District will be paid by St. Louis County to the HRA for the Tax Increment Fund of said District. The HRA 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 HRA 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.

The HRA must spend or return the excess increments under paragraph (c) within nine months after the end of the year. In addition, the HRA may, subject to the limitations set forth herein, choose to modify the TIF Plan in order to finance additional public costs in Project Area No. 1 or the District.

Subsection 2-21. Requirements for Agreements with the Developer

The HRA will review any proposal for private development to determine its conformance with the Redevelopment Plan and with applicable municipal ordinances and codes. To facilitate this effort, the following documents may be requested for review and approval: site plan, construction, mechanical, and electrical system drawings, landscaping plan, grading and storm drainage plan, signage system plan, and any other drawings or narrative deemed necessary by the HRA to demonstrate the conformance of the development with City plans and ordinances. The HRA 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 10 percent, by acreage, of the property to be acquired in the District as set forth in the TIF Plan shall at any time be owned by the HRA 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 10 percent of the acreage, the HRA concluded an agreement for the development of the property acquired and which provides recourse for the HRA should the development not be completed.

Subsection 2-22. Assessment Agreements

Pursuant to *M.S., Section 469.177, Subd. 8*, the HRA 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.

It is anticipated that the developer, Metro Plains, will be entering into a Minimum Assessment Agreement (MAA) for the project and the MAA will be recorded as required.

Subsection 2-23. Administration of the District

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

Subsection 2-24. Annual Disclosure Requirements

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

If the City fails to make a disclosure or submit a report containing the information required by *M.S., Section 469.175 Subd. 5 and Subd. 6*, the OSA 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. In making said determination, reliance has been placed upon written representation made by the developer to such effects and upon HRA and City staff awareness of the feasibility of developing the project site(s) within the District.

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 public redevelopment costs of the Project Area No. 1 pursuant to *M.S., Sections 469.001 to 469.047*. 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. Housing District Exceptions to Restriction on Pooling; Five Year Limit. Pursuant to *M.S., Section 469.1763, (1)* At least 80% of the tax increment derived from the District must be expended on Public Costs incurred within said district, and up to 20% of said tax increments may be spent on Public Costs incurred outside of the District but within Project Area No. 1; provided that in the case of a housing district, a housing project, as defined in *M.S., Section 469.174, Subd. 11*, is deemed to be an activity in the District, even if the expenditure occurred after five years.

Subsection 2-27. Summary

The Housing and Redevelopment Authority of Duluth is establishing the District to provide an impetus for residential development and provide safe and decent life cycle housing in the City. The TIF Plan for the District was prepared by Ehlers, 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, telephone (651) 697-8500.

Appendix A

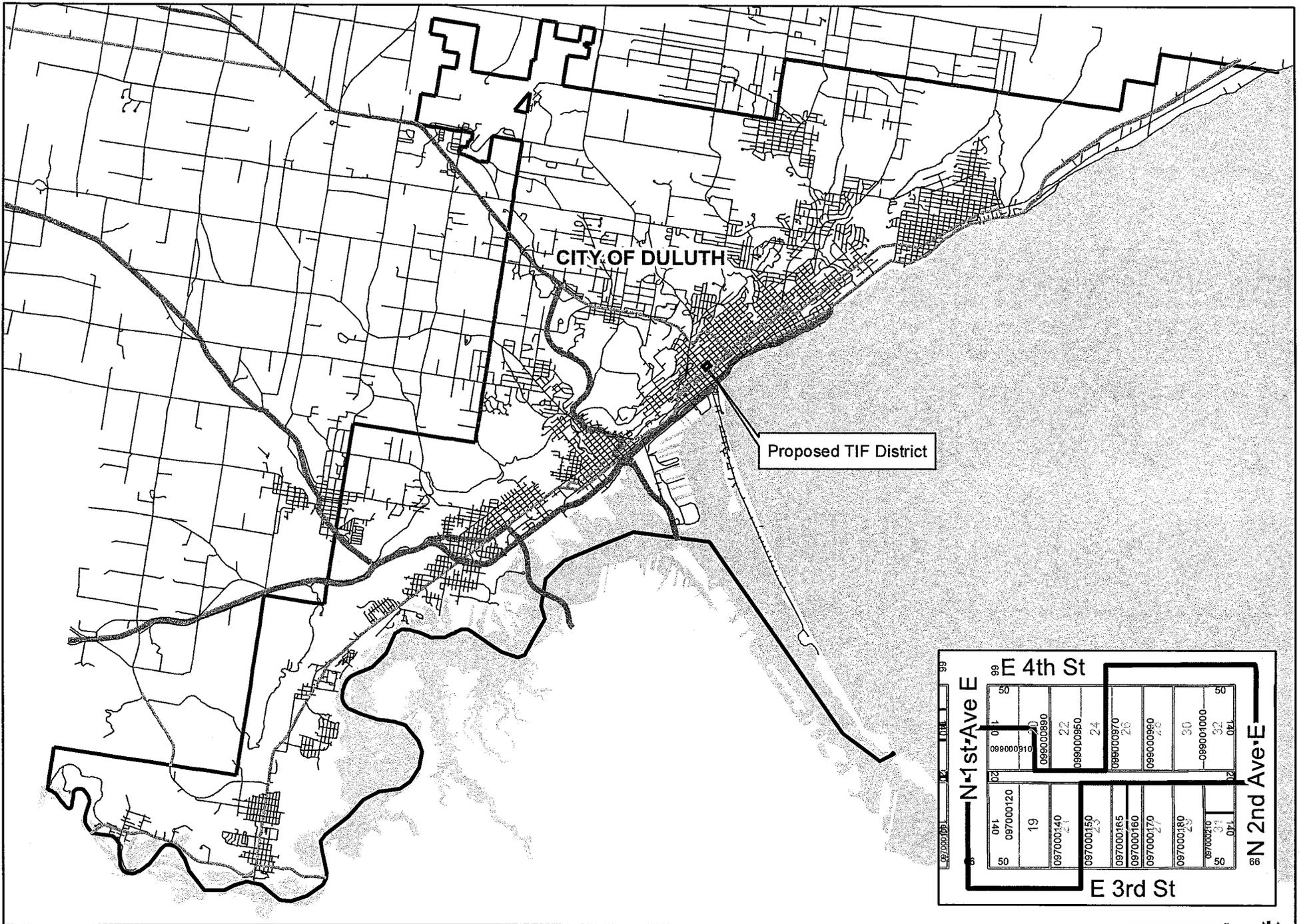
Project Description

This project is a redevelopment of the historic Fire House No.1 and five additional parcels in the Central Hillside neighborhood in Duluth. The block is bounded by East 3rd and 4th Streets, and North 1st and 2nd Avenues East. The development plan builds on planning work done by stakeholders in 2007 which envisioned a mixed use multi-family housing development on this block. In 2007, the neighborhood group, LISC, City staff, a local housing non-profit group (Neighborhood Housing Services) and LHB Architects produced the Central Hillside Community Neighborhood Revitalization Plan. The neighborhood plan followed a larger city planning process called the East Downtown, Hillside Waterfront Charrette in 2005 by the University of Miami Knight Community Building Program. This plan is also part of the At Home in Duluth Sustainable Communities Initiative, which is overseen by LISC and was a collaborative of 24 organizations, including the City of Duluth.

The plan identified this block as a key focus due to its location adjacent to the community center, and the existence of recent investments in the immediate area that would be supported. The plan states that this site, "if revitalized ... could become an anchor for various neighborhood activities and public uses." The proposed redevelopment includes the renovation of the Fire House and new construction to include 40 apartments located in five separate buildings on the site - two historic buildings, two small town home style buildings and one three story building with covered parking. There are a total of 28 two bedroom, 8 one bedroom and 4 three bedroom apartment and town homes.

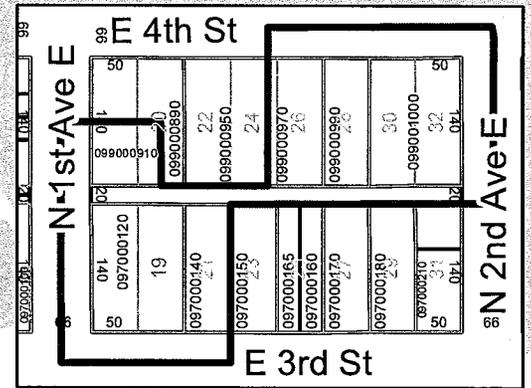
Appendix B

Map(s) of Project Area No. 1 and the District



CITY OF DULUTH

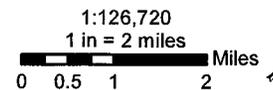
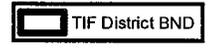
Proposed TIF District



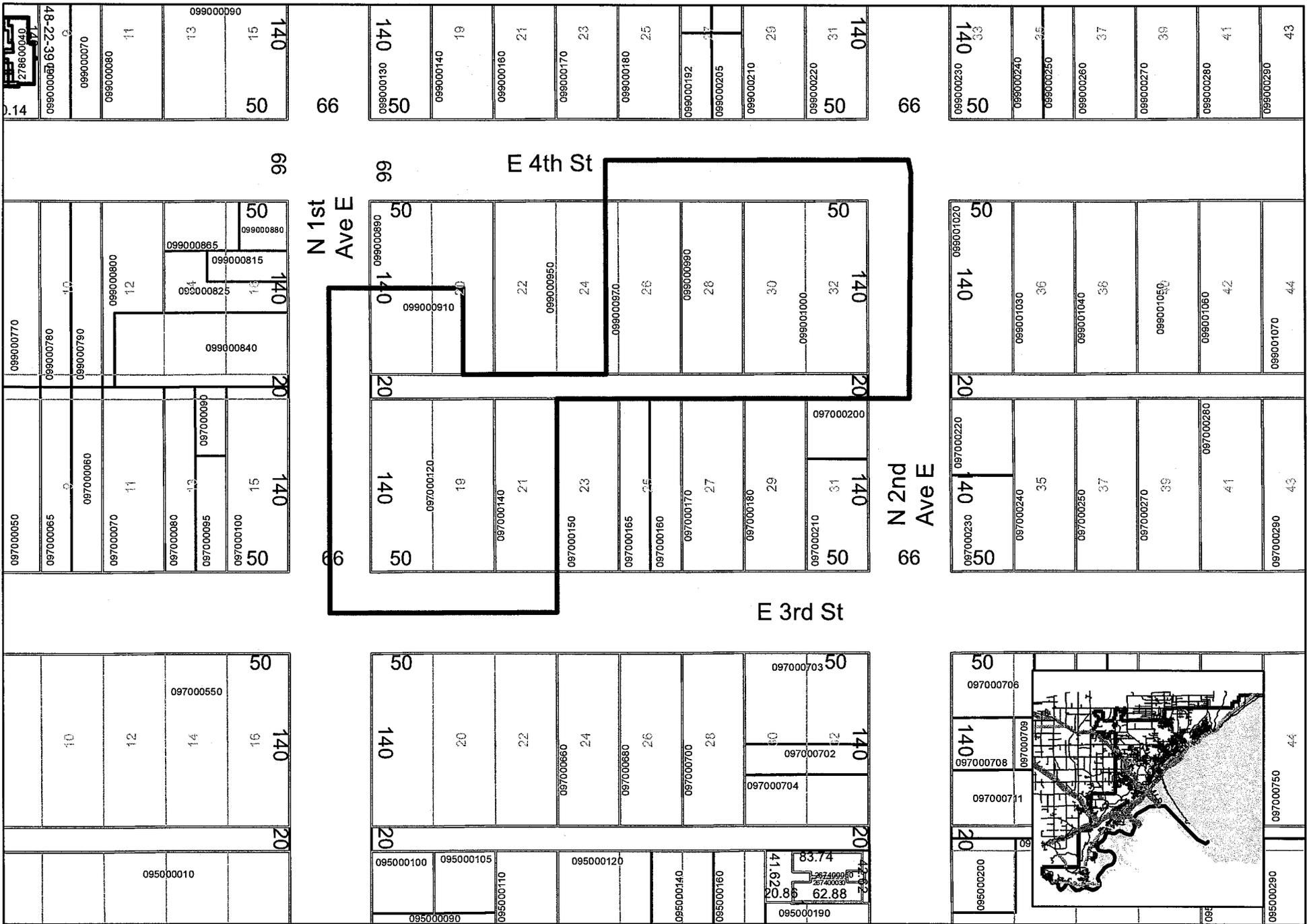
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Proposed TIF District Overview Map



Print Date: 5/12/2011

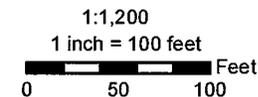


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Proposed TIF District

- TIF District BND
- Parcels
- Lots



Appendix C

Description of Property to be Included in the District

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

<u>Parcel Numbers</u>	<u>Address</u>	<u>Owner</u>
010-0970-00120	101 East 3 rd Street	Board of Education
010-0990-01000	327 North 2 nd Ave E.	Firehouse #1
010-0970-00140	109 East 3 rd Street	ISD #709
010-0990-00910		Duluth HRA
010-0990-00970		ISD #709
010-0990-00990		ISD #709

Appendix D
Estimated Cash Flow for the District



Metro Plains Fire House Redevelopment - No Inflation
Duluth HRA

40 Units of Affordable Rental - ASSESSOR PROPOSED VALUE

ASSUMPTIONS AND RATES

DistrictType:	Housing	Maximum/Frozen Local Tax Rate:	113.179%	Pay 2011
District Name/Number:		Current Local Tax Rate: (Use lesser of Current or Max.)	113.179%	Pay 2011
County District #:		State-wide Tax Rate (Comm./Ind. only used for total taxes)	49.0430%	Pay 2011
First Year Construction or Inflation on Value	2011	Market Value Tax Rate (Used for total taxes)	0.09528%	Pay 2011
Existing District - Specify No. Years Remaining		PROPERTY TAX CLASSES AND CLASS RATES:		
Inflation Rate - Every Year:	3.00%	Exempt Class Rate (Exempt)	0.00%	
Interest Rate:	4.00%	Commercial Industrial Preferred Class Rate (C/I Pref.)		
Present Value Date:	1-Aug-11	First \$150,000	1.50%	
First Period Ending	1-Feb-12	Over \$150,000	2.00%	
Tax Year District was Certified:	Pay 2011	Commercial Industrial Class Rate (C/I)	2.00%	
Cashflow Assumes First Tax Increment For District:	2013	Rental Housing Class Rate (Rental)	1.25%	
Years of Tax Increment	26	Affordable Rental Housing Class Rate (Aff. Rental)	0.75%	
Assumes Last Year of Tax Increment	2038	Non-Homestead Residential (Non-H Res.)	1.25%	
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	NA	Homestead Residential Class Rate (Hmstd. Res.)		
Incremental or Total Fiscal Disparities	Incremental	First \$500,000	1.00%	
Fiscal Disparities Contribution Ratio	N/A	Over \$500,000	1.25%	
Fiscal Disparities Metro-Wide Tax Rate	N/A	Agricultural Non-Homestead	1.00%	

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	010-0970-00120	Board of Ed.	101 E. 3rd St.	37,000	183,000	220,000	100%	220,000	Pay 2011	Exempt	-	Aff. Rental	1,650	1
2	010-0990-01000	Firehouse #1		33,500	54,300	87,800	100%	87,800	Pay 2011	C/I Pref.	1,317	Aff. Rental	659	1
3	010-0970-00140	Board of Ed.		24,200	0	24,200	100%	24,200	Pay 2011	Exempt	-	Aff. Rental	182	1
4	010-0990-00910	HRA		17,400	0	17,400	100%	17,400	Pay 2011	Exempt	-	Aff. Rental	131	1
5	010-0990-00970	ISD 709		20,200	0	20,200	100%	20,200	Pay 2011	Exempt	-	Aff. Rental	152	1
6	010-0990-00990	ISD 709		16,000	0	16,000	100%	16,000	Pay 2011	Exempt	-	Aff. Rental	120	1
				148,300	237,300	385,600		385,600			1,317		2,892	

Note:

1. Base values are based upon review of County website on 2/8/11.
2. Since some of the property is currently exempt, county may place a higher or lower value for base value purposes, which will affect the amount of TIF generated.



EHLERS
& ASSOCIATES INC

Metro Plains Fire House Redevelopment - No Inflation

Duluth HRA

40 Units of Affordable Rental - ASSESSOR PROPOSED VALUE

PROJECT INFORMATION (Project Tax Capacity)											
Area/Phase	New Use	Total Sq. Ft./Units	Market Value Sq. Ft./Units	Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2011	Percentage Completed 2012	Percentage Completed 2013	Percentage Completed 2014	First Year Full Taxes Payable
	Apartments	40	85,000	3,400,000	Aff. Rental	25,500	25%	100%	100%	100%	2014
TOTAL				3,400,000		25,500					
Subtotal Residential		40		3,400,000		25,500					
Subtotal Commercial/Ind.		0		0		0					

Note:

1. Market values are based upon Assessors proposed value under a Minimum Assessment Agreement.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Apartments	25,500	0	25,500	28,861	0	0	3,240	32,100	802.50
TOTAL	25,500	0	25,500	28,861	0	0	3,240	32,100	

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	32,100
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(3,240)
less Base Value Taxes	(3,273)
Annual Gross TIF	25,588



EHLERS
 & ASSOCIATES INC

**Metro Plains Fire House Redevelopment - No Inflation
 Duluth HRA
 40 Units of Affordable Rental - ASSESSOR PROPOSED VALUE**

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	
							-	-	-	-	-			02/01/12	
							-	-	-	-	-			08/01/12	
							-	-	-	-	-			02/01/13	
100%	6,375	(2,892)	-	3,483	113%	3,942	1,971	(7)	(196)	1,768	1,633	0.5	2013	08/01/13	
							1,971	(7)	(196)	1,768	3,234	1	2013	02/01/14	
100%	25,500	(2,892)	-	22,608	113%	25,588	12,794	(46)	(1,275)	11,473	13,421	1.5	2014	08/01/14	
							12,794	(46)	(1,275)	11,473	23,409	2	2014	02/01/15	
100%	26,265	(2,892)	-	23,373	113%	26,453	13,227	(48)	(1,318)	11,861	33,533	2.5	2015	08/01/15	
							13,227	(48)	(1,318)	11,861	43,458	3	2015	02/01/16	
100%	27,053	(2,892)	-	24,161	113%	27,345	13,673	(49)	(1,362)	12,261	53,516	3.5	2016	08/01/16	
							13,673	(49)	(1,362)	12,261	63,377	4	2016	02/01/17	
100%	27,865	(2,892)	-	24,973	113%	28,264	14,132	(51)	(1,408)	12,673	73,369	4.5	2017	08/01/17	
							14,132	(51)	(1,408)	12,673	83,166	5	2017	02/01/18	
100%	28,700	(2,892)	-	25,808	113%	29,210	14,605	(53)	(1,455)	13,097	93,092	5.5	2018	08/01/18	
							14,605	(53)	(1,455)	13,097	102,823	6	2018	02/01/19	
100%	29,561	(2,892)	-	26,669	113%	30,184	15,092	(54)	(1,504)	13,534	112,682	6.5	2019	08/01/19	
							15,092	(54)	(1,504)	13,534	122,348	7	2019	02/01/20	
100%	30,448	(2,892)	-	27,556	113%	31,188	15,594	(56)	(1,554)	13,984	132,139	7.5	2020	08/01/20	
							15,594	(56)	(1,554)	13,984	141,738	8	2020	02/01/21	
100%	31,362	(2,892)	-	28,470	113%	32,222	16,111	(58)	(1,605)	14,448	151,461	8.5	2021	08/01/21	
							16,111	(58)	(1,605)	14,448	160,993	9	2021	02/01/22	
100%	32,303	(2,892)	-	29,411	113%	33,287	16,643	(60)	(1,658)	14,925	170,647	9.5	2022	08/01/22	
							16,643	(60)	(1,658)	14,925	180,112	10	2022	02/01/23	
100%	33,272	(2,892)	-	30,380	113%	34,383	17,192	(62)	(1,713)	15,417	189,697	10.5	2023	08/01/23	
							17,192	(62)	(1,713)	15,417	199,094	11	2023	02/01/24	
100%	34,270	(2,892)	-	31,378	113%	35,513	17,757	(64)	(1,769)	15,923	208,609	11.5	2024	08/01/24	
							17,757	(64)	(1,769)	15,923	217,938	12	2024	02/01/25	
100%	35,298	(2,892)	-	32,406	113%	36,677	18,338	(66)	(1,827)	16,445	227,384	12.5	2025	08/01/25	
							18,338	(66)	(1,827)	16,445	236,644	13	2025	02/01/26	
100%	36,357	(2,892)	-	33,465	113%	37,875	18,938	(68)	(1,887)	16,983	246,020	13.5	2026	08/01/26	
							18,938	(68)	(1,887)	16,983	255,211	14	2026	02/01/27	
100%	37,448	(2,892)	-	34,556	113%	39,110	19,555	(70)	(1,948)	17,536	264,517	14.5	2027	08/01/27	
							19,555	(70)	(1,948)	17,536	273,639	15	2027	02/01/28	
100%	38,571	(2,892)	-	35,679	113%	40,381	20,191	(73)	(2,012)	18,106	282,874	15.5	2028	08/01/28	
							20,191	(73)	(2,012)	18,106	291,928	16	2028	02/01/29	
100%	39,728	(2,892)	-	36,836	113%	41,691	20,845	(75)	(2,077)	18,693	301,091	16.5	2029	08/01/29	
							20,845	(75)	(2,077)	18,693	310,076	17	2029	02/01/30	
100%	40,920	(2,892)	-	38,028	113%	43,040	21,520	(77)	(2,144)	19,298	319,169	17.5	2030	08/01/30	
							21,520	(77)	(2,144)	19,298	328,083	18	2030	02/01/31	
100%	42,148	(2,892)	-	39,256	113%	44,429	22,215	(80)	(2,213)	19,921	337,106	18.5	2031	08/01/31	
							22,215	(80)	(2,213)	19,921	345,951	19	2031	02/01/32	
100%	43,412	(2,892)	-	40,520	113%	45,860	22,930	(83)	(2,285)	20,563	354,902	19.5	2032	08/01/32	
							22,930	(83)	(2,285)	20,563	363,677	20	2032	02/01/33	
100%	44,714	(2,892)	-	41,822	113%	47,334	23,667	(85)	(2,358)	21,224	372,557	20.5	2033	08/01/33	
							23,667	(85)	(2,358)	21,224	381,263	21	2033	02/01/34	
100%	46,056	(2,892)	-	43,164	113%	48,852	24,426	(88)	(2,434)	21,904	390,072	21.5	2034	08/01/34	
							24,426	(88)	(2,434)	21,904	398,708	22	2034	02/01/35	
100%	47,438	(2,892)	-	44,546	113%	50,416	25,208	(91)	(2,512)	22,606	407,446	22.5	2035	08/01/35	
							25,208	(91)	(2,512)	22,606	416,013	23	2035	02/01/36	
100%	48,861	(2,892)	-	45,969	113%	52,027	26,013	(94)	(2,592)	23,328	424,680	23.5	2036	08/01/36	
							26,013	(94)	(2,592)	23,328	433,177	24	2036	02/01/37	
100%	50,326	(2,892)	-	47,434	113%	53,686	26,843	(97)	(2,675)	24,072	441,773	24.5	2037	08/01/37	
							26,843	(97)	(2,675)	24,072	450,200	25	2037	02/01/38	
100%	51,836	(2,892)	-	48,944	113%	55,395	27,697	(100)	(2,760)	24,838	458,726	25.5	2038	08/01/38	
							27,697	(100)	(2,760)	24,838	467,084	26	2038	02/01/39	
Total							974,351	(3,508)	(97,084)	873,759					
Present Value From 08/01/2011							520,857	(1,875)	(51,898)	467,084					
Present Value Rate 4.00%															

Appendix E

Housing Qualifications for the District

INCOME RESTRICTIONS - ADJUSTED FOR FAMILY SIZE (HOUSING DISTRICT) - ST. LOUIS COUNTY ST. LOUIS COUNTY MEDIAN INCOME: \$60,000		
No. of Persons	50% of Median Income	60% of Median Income
1-person	\$21,000	\$25,200
2-person	\$24,000	\$28,800
3-person	\$27,000	\$32,400
4-person	\$30,000	\$36,000

Source: Department of Housing and Urban Development and Minnesota Housing Finance Agency

The two options for income limits on a standard housing district are 20% of the units at 50% of median income or 40% of the units at 60% of median income. There are no rent restrictions for a housing district.

***PLEASE NOTE: THESE NUMBERS ARE ADJUSTED ANNUALLY. ALL INCOME FIGURES REPORTED ON THIS PAGE ARE FOR 2010. UPDATED NUMBERS FOR THE YEAR 2011 WILL BE AVAILABLE PRIOR TO THE PUBLIC HEARING.

Appendix F

Findings for the District

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for the Firehouse Redevelopment Tax Increment Financing District, as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding, based on information contained in the Redevelopment Plan/Housing Development Plan for Project Area No. 1 and the Tax Increment Financing Plan for the Firehouse Redevelopment Tax Increment Financing District (together the "Plans"), that the Firehouse Redevelopment Tax Increment Financing District is a housing district as defined in M.S., Section 469.174, Subd. 11.*

The Firehouse Redevelopment TIF District consists of 6 parcels. The development will consist of multi-family rental housing. All or a portion of which will receive tax increment assistance and will meet income restrictions described in *M.S. 469.1761*. At least 40 percent of the units/homes receiving assistance will have incomes at or below 60 percent of statewide median income. Appendix E of the TIF Plan contains background for the above finding.

2. *Finding in the opinion of the City Council based on information contained in the Plans, 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.*

The proposed development, in the opinion of the City, based on information contained in the Plans, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future: This finding is supported by the fact that the development proposed in this plan is a housing district that meets the City's objectives for development and redevelopment. The cost of land acquisition, site and public improvements and utilities makes this housing development infeasible without City assistance. Due to the high cost of building new affordable housing in the City, relative to the rental income, and the Minnesota Housing Finance Agency's requirement for a local match, this project is feasible only through assistance, in part, from tax increment financing. The developer was asked for and provided a letter and a proforma as justification that the developer would not have gone forward without tax increment assistance (see attachment in Appendix F of the TIF Plan).

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 TIF District permitted by the TIF Plan: This finding is justified on the grounds that the cost of land acquisition, site and public improvements and utilities add to the total development cost. Historically, site development costs in this area have made development infeasible without tax increment assistance. Planning work for this site has been in progress since 2007. The City reasonably determines that no other development of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

3. *Finding that the TIF Plan for the Firehouse Redevelopment Tax Increment Financing 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, based on information contained in the Plans, that the TIF Plan for the Firehouse Redevelopment Tax Increment Financing District will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Project Area No. 1 by private enterprise.*

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

FINDINGS

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for the Firehouse Redevelopment Tax Increment Financing District, as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding, based on information contained in the Redevelopment Plan/Housing Development Plan for Project Area No. 1 and the Tax Increment Financing Plan for the Firehall Tax Increment Financing District (together, the "Plans"), that the Firehouse Redevelopment Tax Increment Financing District is a housing district as defined in M.S., Section 469.174, Subd. 11.*

The Firehouse Redevelopment TIF District consists of 6 parcels. The development will consist of multi-family rental housing. All or a portion of which will receive tax increment assistance and will meet income restrictions described in *M.S. 469.1761*. At least 40 percent of the units/homes receiving assistance will have incomes at or below 60 percent of statewide median income. Appendix E of the TIF Plan contains background for the above finding.

2. *Finding in the opinion of the City Council based on information contained in the Plans, that the proposed development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.*

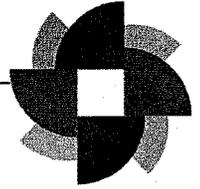
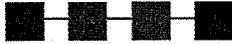
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3. *Finding that the TIF Plan for the Firehouse Redevelopment Tax Increment Financing District conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The Planning Commission reviewed the TIF Plan and found that the TIF Plan conforms to the general development plan of the City.

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



Tax Increment Financing District Overview

Duluth Housing and Redevelopment Authority & the City of Duluth Firehouse Redevelopment Tax Increment Financing District (a housing district)

The following summary contains an overview of the basic elements of the Tax Increment Financing Plan for the Firehouse Redevelopment Tax Increment Financing District. More detailed information on each of these topics can be found in the complete Tax Increment Financing Plan.

Proposed action:	<ul style="list-style-type: none">• Establishment of the Firehouse Redevelopment Tax Increment Financing District (the "District") and the adoption of a Tax Increment Financing Plan (the "TIF Plan").• Modification to the Redevelopment Plan/Housing Development Plan for Project Area No. 1 includes the establishment of the Firehouse Redevelopment Tax Increment Financing District, which represents a continuation of the goals and objectives set forth in the Redevelopment Plan/Housing Development Plan for Project Area No. 1.
Type of TIF District:	A housing district
Parcel Numbers:	010-0970-00120 010-0990-01000 010-0970-00140 010-0990-00910 010-0990-00970 010-0990-00990
Proposed Development:	The District is being created to facilitate the redevelopment of the historic Fire Station #1 and 5 additional parcels into 40 affordable rental units in the City. Please see Appendix A of the TIF Plan for a more detailed project description.
Maximum duration:	The duration of the District will be 25 years from the date of receipt of the first increment (26 years of increment). The City elects to receive the first tax increment in 2013. It is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after December 31, 2038, or when the TIF Plan is satisfied.
Estimated annual tax increment:	Up to \$55,394



Authorized uses: The TIF Plan contains a budget that authorizes the maximum amount that may be expended:

Land/Building Acquisition.....	\$200,000
Site Improvements/Preparation.....	\$167,000
Public Utilities.....	\$75,000
Streets and Sidewalks.....	\$75,000
Administrative Costs (up to 10%).....	\$97,084
PROJECT COSTS TOTAL	\$614,084
Interest.....	\$406,760
PROJECT AND INTEREST COSTS TOTAL	<u>\$1,020,844</u>

See Subsection 2-10, on pages 2-5 and 2-6 of the TIF Plan for the full budget authorization.

Form of financing: The project is proposed to be financed by a pay-as-you-go note.

Administrative fee: Up to 10% of annual increment, if costs are justified.

Interfund Loan Requirement: If the HRA wants to pay for administrative expenditures from a tax increment fund, it is recommended that a resolution authorizing a loan from another fund be passed *PRIOR* to the issuance of the check.

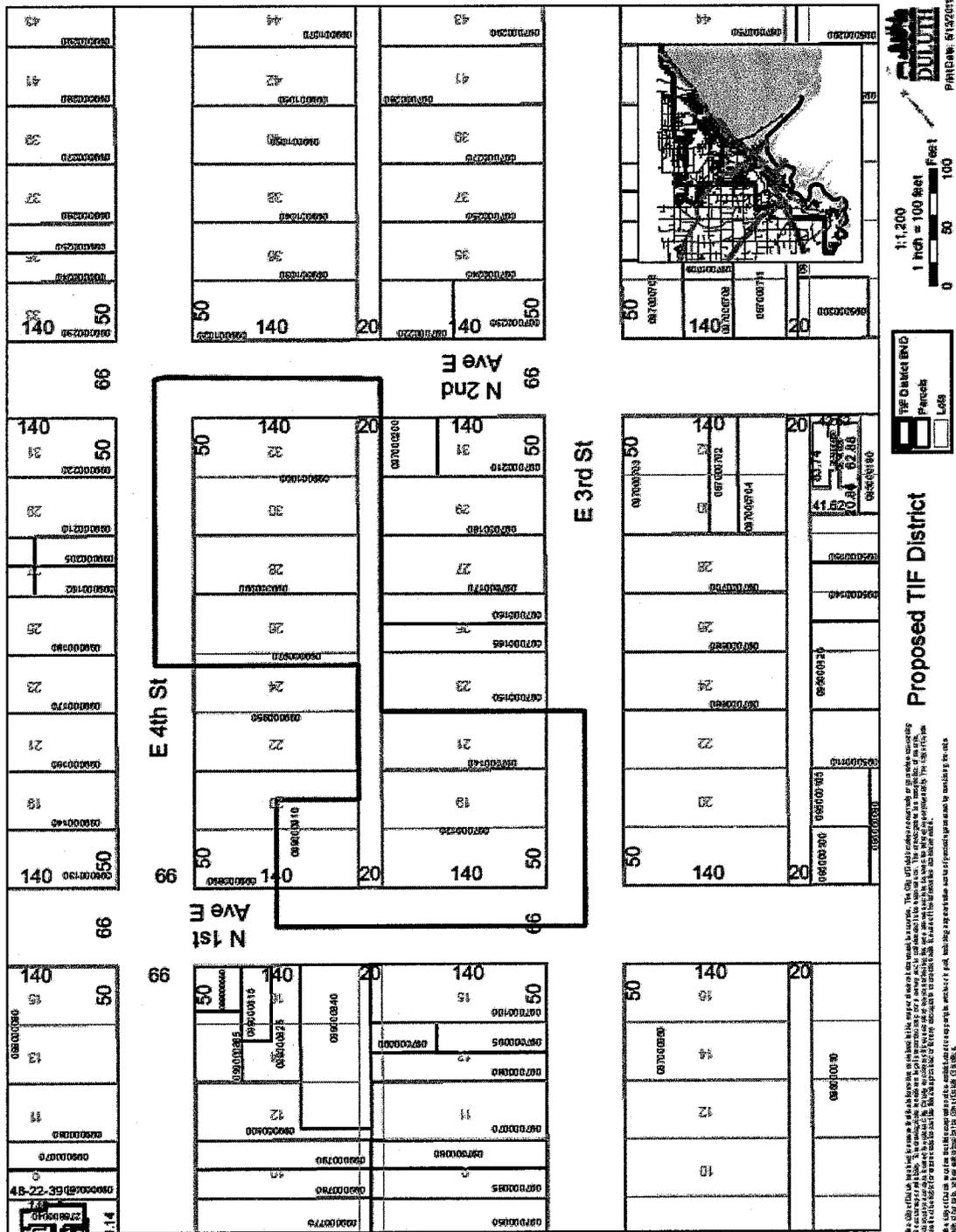
4 Year Activity Rule (§ 469.176 Subd. 6) After four years from the date of certification of the District one of the following activities must have been commenced on each parcel in the District:

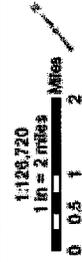
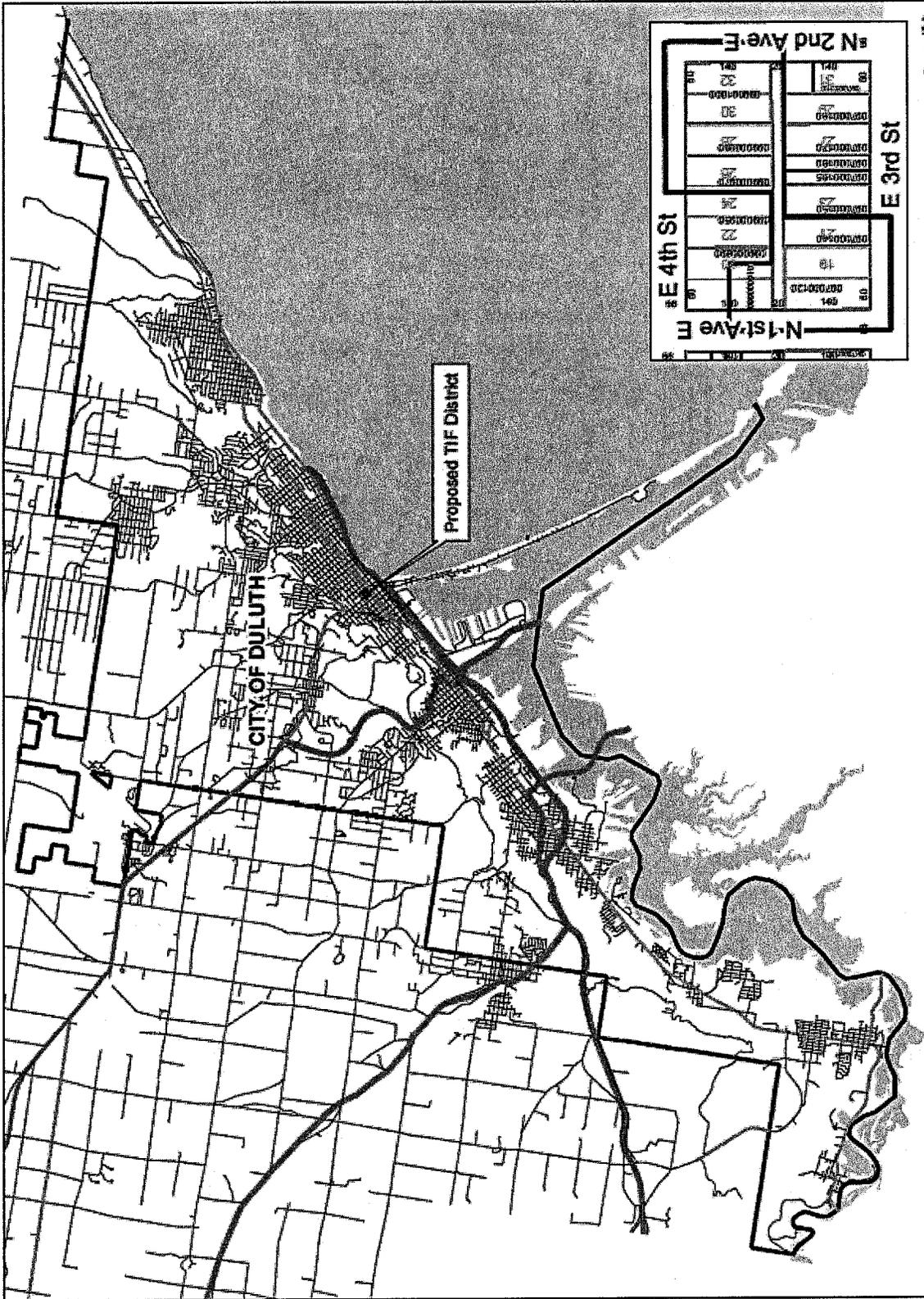
- Demolition
- Rehabilitation
- Renovation
- Other site preparation (not including utility services such as sewer and water)

If the activity has not been started by approximately June 2015, no additional tax increment may be taken from that parcel until the commencement of a qualifying activity.

The reasons and facts supporting the findings for the adoption of the TIF Plan for the District, as required pursuant to *M.S., Section 469.175, Subd. 3*, are included in Exhibit A of the City resolution.

MAPS OF PROJECT AREA NO. 1 AND THE FIREHOUSE REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT





**Proposed TIF District
Overview Map**

This map is a preliminary map and is not intended to be used for any other purpose. The City of Duluth is not responsible for any errors or omissions on this map. The City of Duluth is not responsible for any errors or omissions on this map. The City of Duluth is not responsible for any errors or omissions on this map. The City of Duluth is not responsible for any errors or omissions on this map.