

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

12-0193R

REPLACEMENT

RESOLUTION ADOPTING AN AMENDMENT TO THE TAX INCREMENT
FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO.
7 (COUNTY NO. 32).

CITY PROPOSAL:

BE IT RESOLVED by the city council ("council") of the city of Duluth, Minnesota ("city"), as follows:

Section 1. Recitals

1.01. The board of commissioners ("board") of the Duluth Economic Development Authority ("DEDA") has heretofore established a redevelopment plan/municipal development district (the "project area") and adopted a development program therefor. It has been proposed by DEDA and the city that the city adopt an amendment to the tax increment financing plan (the "TIF plan") for tax increment financing district No. 7 (the "TIF district") which is referred to herein as the "amendment", pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.090 to 469.1082 and Sections 469.174 to 469.1799, all inclusive, as amended, (the "act") all as reflected in the amendment, and presented for the council's consideration.

1.02. DEDA and city have investigated the facts relating to the amendment and have caused the amendment to be prepared.

1.03. DEDA and city have performed all actions required by law to be performed prior to the adoption and approval of the proposed amendment, including, but not limited to, notification of St. Louis County and Independent School District No. 709, having taxing jurisdiction over the property in the TIF district, approval of the amendment by DEDA on March 28, 2012, notification of each county commissioner who represents part of the area included in the TIF district, and the holding of a public hearing upon published notice as required by law.

Section 2. Findings for the amendment to the TIF plan.

2.01 The council hereby reaffirms the original findings for the TIF district, namely that when it was established, it was established as a

"redevelopment district."

2.02 The amendment to the TIF plan is being completed to clarify the budget of the TIF district and to give budgetary and legal authority to DEDA to acquire additional parcels within the project area. DEDA is not modifying the boundaries or extending the term of the TIF district.

2.03 The modifications to the TIF plan conform to the general plan for development or redevelopment of the city as a whole. The fact supporting this finding is that the amendment to the TIF plan will generally complement and serve to implement policies adopted in the city's comprehensive plan.

2.04 The modifications to 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 project area by private enterprise. The facts supporting this finding are that the amendment to the TIF plan will continue the redevelopment that has been stimulated under the original plan for the TIF district.

2.05 The council further finds the future redevelopment, in the opinion of the city, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

Section 3. Public purpose.

3.01. The adoption of the amendment conforms in all respects to the requirements of the act and will help fulfill a need to redevelop an area of the state which is already built up, to provide employment opportunities, to provide housing opportunities, to improve the tax base and to improve the general economy of the state and thereby serves a public purpose.

Section 4. Approval and adoption of the modifications.

4.01. The amendment, as presented to the council on this date, is hereby approved, ratified, adopted and shall be placed on file in the office of the executive director of DEDA ("director"), 402 city hall, 411 west first street, Duluth, MN 55802.

4.02. The staff, the city's advisors and legal counsel are authorized and directed to proceed with the implementation of the amendment and for this purpose to negotiate, draft, prepare and present to this council for its consideration all further amendments, resolutions, documents and contracts necessary for this purpose. Approval of the amendment does not constitute approval of any project or a development agreement with any developer.

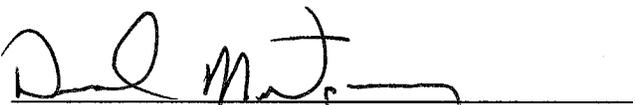
4.03. The director is authorized and directed to forward a copy of the amendment to the commissioner of the Minnesota department of revenue, the office of the state auditor pursuant to M.S., Section 469.175, Subd. 4a.

4.04. The director is further authorized and directed to file a copy of the amendment with St. Louis county auditor.

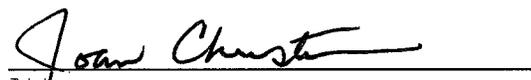
Approved:


Department Director

Approved for presentation to council:


Chief Administrative Officer

Approved as to form:


Attorney

Approved:


Auditor

ATTY/BD JC/BH:bel 04/25/2012

STATEMENT OF PURPOSE: The purpose of this resolution is to approve an amendment to the TIF Plan for TIF District #7 which amends the budget to increase the amount of land acquisition revenue and expenditures in the plan. TIF District #7 is a scattered site redevelopment district for the purpose of removing blight and redeveloping housing. The district is known as the West Duluth Housing District. The revenue is being used to acquire and demolish housing that is condemned for demolition. Currently there are 34 houses on the Condemned for Demolition list and 106 units on the Condemned for Human Habitation list. The goal is to increase the City's tax base by redeveloping these sites with new housing; some sites are unbuildable and are sold to adjacent property owners. The HRA, acting as DEDA's agent, has acquired 27 units during three years of this contract which has led to 10 units being redeveloped.

AMENDMENT TO TAX INCREMENT FINANCING PLAN FOR

TAX INCREMENT FINANCING DISTRICT NO. 7

Tax Increment Financing Plan for Tax Increment Financing District No. 7 established pursuant to DEDA Resolution 89-0448 adopted May 15, 1989 and City Council Resolution 89-0448 adopted May 25, 1989, as amended by Amendment to Tax Increment Financing Plan for Tax Increment Financing Districts 3, 4, 7, 10, 11, 13, 14, 15, 16, 17, 18, 19, 20 and 21 pursuant to DEDA Resolution 02D-26 adopted May 21, 2002 (the original plan and amendment thereto hereinafter referred to as the "TIF Plan") is hereby further amended as follows:

1. Paragraph 2 of Section F, Parcels in Acquisition, is amended to delete the reference to Appendix F and replace it with Appendix F-1.

2. Appendix F is deleted in its entirety and replaced with Appendix F-1 attached hereto.

3. Section G, Estimate of Costs, and Section H, Estimated Amount of Indebtedness, are amended to delete the reference to Appendix D and replace it with Appendix D-1.

4. Appendix D is deleted in its entirety and replaced with Appendix D-1 attached hereto.

5. The last sentence in Section K, Estimated Captured Tax Capacity, is amended as follows:

This amount may be captured in phases (See Appendix "E") for up to twenty-six years or until the debt is retired.

6. The last sentence in Section L, Duration of the District, is hereby amended as follows:

The duration of the tax increment financing district will be 25 years from the date or receipt of the first tax increment (or 26 years of collection) including any modifications to the tax increment financing plan for subsequent phases or other changes.

7. Section M, Estimated Impact on Other Taxing Jurisdictions, is hereby amended in its entirety as follows:

Estimated Impact on Other Taxing Jurisdictions:

The impact of the loss of tax dollars represented as tax increments is estimated below for each taxing jurisdiction. This estimate is based on the amended sources and uses of revenues for Tax Increment Financing District No. 7 and does not include the possible tax increments derived from any other future development, tax capacity changes or inflation factors.

Tests:

The estimated impact on the other taxing jurisdictions assumes construction would have occurred without the creation of Tax Increment Financing District No. 7. If the construction is a result of tax increment financing, the impact is \$0.00 to other entities.

Notwithstanding the fact that the fiscal impact on the other taxing jurisdictions is \$0.00 due to the fact that the financing would not have occurred without the assistance of the Duluth EDA, the estimated impact of Tax Increment Financing District No. 7 would be as follows if Test No. 1 (the “but for” test) was not met. (See Appendix “B” – “But For” test).

	<u>Tax Capacities</u>
Total Tax Capacity on 01-02-2012	569,748
Less: Original Tax Capacity	<u>76,251</u>
Captured Tax Capacity on 01-02-2012	493,497

Latest Tax Capacity of Unique Taxing Jurisdictions

	2011/Pay 2012		
	<u>Total Net Tax Capacity</u>	<u>Estimated Captured Tax Capacity (CTC)</u>	<u>Percent of CTC to Entity Total</u>
St. Louis County	166,172,173	493,497	0.2970%
IDS #709	68,530,887	493,497	0.7201%
City of Duluth	61,367,739	493,497	0.8042%

Considering all the districts, it can be seen from the above that the school and county districts will have over 99% of each respective district available

for normal growth of tax capacity. Applying the percentage of the total tax capacity estimate in 2012 levied by each taxing jurisdiction to the projected tax capacity rate and the estimated tax increment received reveals the annual loss of tax dollars by each taxing jurisdiction as listed in the table below ASSUMING DEVELOPMENT WOULD OCCUR WITHOUT PUBLIC ASSISTANCE. (See Appendix "B" – "But For" test)

Based on the estimated 2012 tax extension rates, the estimated taxes received would be as follows for the jurisdictions:

<u>Entity</u>	<u>Estimated Pay 2012 Tax Extension Rates</u>	<u>Percent of Total</u>	<u>CTC</u>	<u>Potential Taxes</u>
St. Louis County	.6265486	45.40%	493,497	309,200
ISD #709	.3790265	27.47%	493,497	187,048
City of Duluth	.3163716	22.93%	493,497	156,128
Other	<u>.0580100</u>	<u>4.20%</u>	493,497	<u>28,628</u>
Total	1.3799567	100.00%		\$681,004

8. Except as provided in this Amendment to Tax Increment Financing Plan for Tax Increment Financing District No. 7, the Tax Increment Financing Plan for Tax Increment Financing District No. 7 remains unchanged.

**Appendix D-1
District #7 - Sources & Uses of Funds**

		Original Budget	Change	Revised Budget
<u>Sources of Funds:</u>				
Tax Increment	1	6,224,128	3,575,872	9,800,000
Bond Proceeds	2	4,650,000	(4,650,000)	-
Other (not identified)	3	1,425,092	(1,425,092)	-
Total Sources of Funds		12,299,220	(2,499,220)	9,800,000
<u>Uses of Funds:</u>				
Land/Bldg Acquisition	4	-	4,200,000	4,200,000
Site Improvements/Prep Costs		400,000	-	400,000
Bond Principal Pmts	2	4,650,000	(4,650,000)	-
Bond Interest Pmts		2,999,220	(2,999,220)	-
Admin Costs (up to 10% of TIF received)		500,000	400,000	900,000
Other Qualifying Improvements		3,750,000	(2,449,220)	1,300,780
Total Project Costs		12,299,220	(5,498,440)	6,800,780
Bond Interest Pmts		-	2,999,220	2,999,220
Total Uses of Funds		12,299,220	(2,499,220)	9,800,000

BONDED INDEBTEDNESS

It is estimated that \$4,650,000 in bonds (plus capitalized interest, discount and fees) will be issued by the Duluth EDA to finance certain Phase I costs while other budget line items may be financed on a "pay-as-you-go" basis. A bond amortization schedule will be provided. A final bond issue will be sized based on the assessor's estimate of taxes.

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

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.

¹ Tax Increment has been modified to reflect the amount of increment that the Duluth EDA expects to receive through the duration of the district

² Bond proceeds and principal payments have been removed from the TIF budget and reporting forms, as required by the Office of State Auditor.

³ Other sources (not identified in the original plan) are not considered tax increment and therefore have been removed from the TIF budget and reporting forms, as required by the Office of State Auditor.

⁴ In 2009, the Duluth EDA executed a multi-year contract for land/building acquisition in the amount of \$3.3 million. This budget item is being modified to reflect actual costs and/or projected costs to be incurred through the duration of the district.

APPENDIX F-1

Parcels which may be acquired are set forth in Appendix A. Additionally, the Duluth EDA reserves the right to acquire any parcel located within the Housing Development Project Area attached as Appendix F-A and as shown on Appendix F-B.

That property located in St. Louis County, Minnesota as follows:

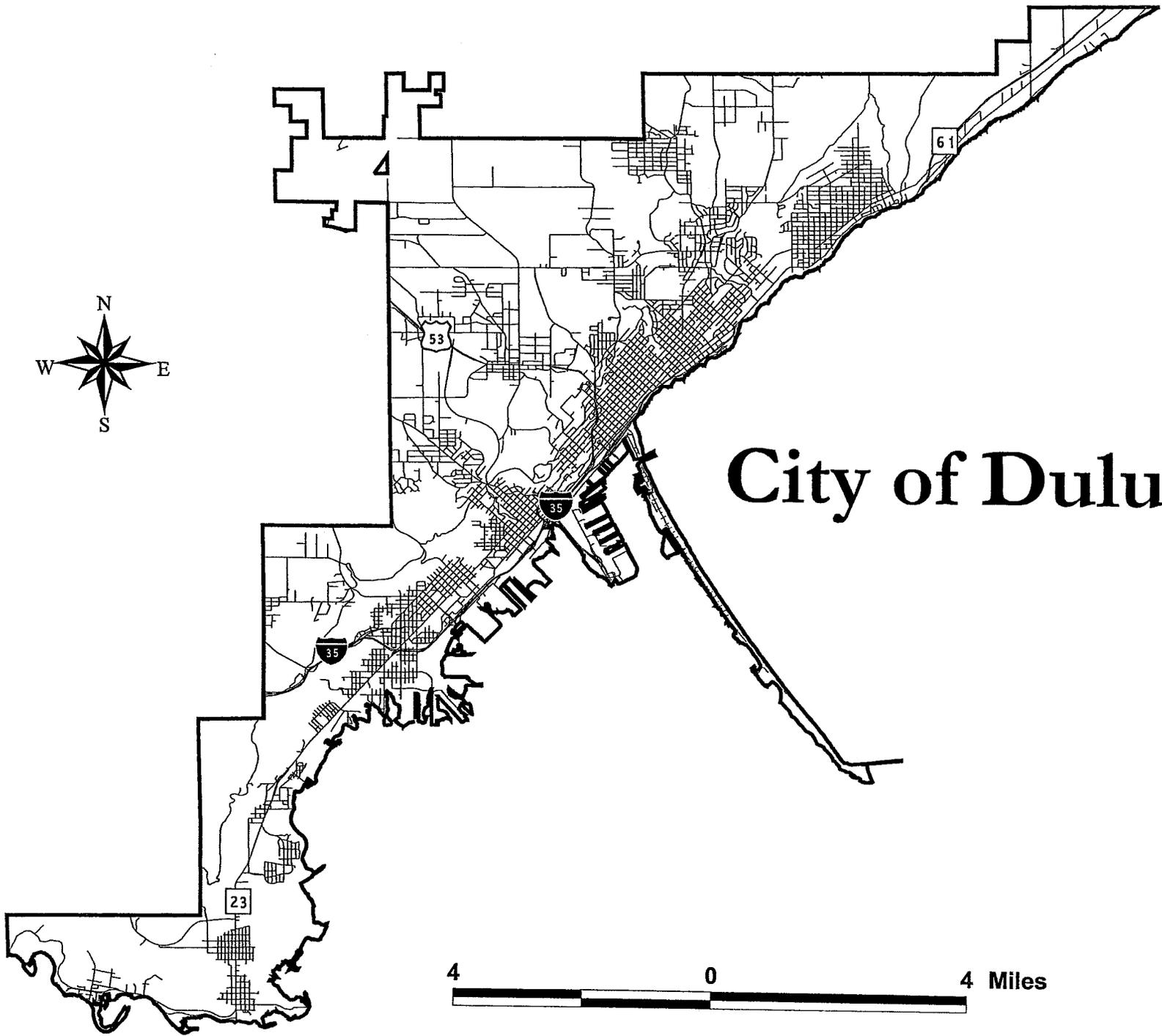
CHAPTER I. NAME AND GENERAL POWERS.

Sec. 1. Generally.

The city of Duluth in the County of St. Louis and State of Minnesota shall continue to be, upon the adoption of this Charter, a municipal corporation of the same name, and with the same boundaries as it now has, to-wit: Commencing at a point where the north line of section twenty-five (25) township fifty-one (51) north of range thirteen (13) west, in St. Louis County, Minnesota, intersects the shore line of Lake Superior; thence west to the northwest corner of section twenty-six (26), in said township fifty-one (51) north of range thirteen (13) west; thence south to the quarter corner post on the west line of said section twenty-six (26); thence west to the center of section twenty-seven (27) in said township fifty-one (51) north of range thirteen (13) west; thence south to the quarter corner post on the south line of said section twenty-seven (27); thence west to the northwest corner of section thirty-five (35) in township fifty-one (51) north of range fourteen (14) west; thence south to the southwest corner of said section thirty-five (35); thence west to the northwest corner of township fifty (50) north of range fourteen (14) west; thence south to the southwest corner of said township fifty (50) north of range fourteen (14) west; thence west to the northwest corner of section two (2) in township forty-nine (49) north of range fifteen (15) west; thence south to the southwest corner of section fourteen (14) in said township forty-nine (49) north of range fifteen (15) west, thence west to the northwest corner of section twenty-two (22) in said township forty-nine (49) north of range fifteen (15) west; thence south to the southwest corner of section thirty-four (34) in said township forty-nine (49) north of range fifteen (15) west; thence west on the town line between township forty-eight (48) north of range fifteen (15) west and township forty-nine (49) north of range fifteen (15) west, to the southwest corner of said township forty-nine (49) north of range fifteen (15) west; thence south on the range line between township forty-eight (48) north of range fifteen (15) west and township forty-eight (48) north of range sixteen (16) west, to the center line of the channel of the St. Louis River; thence along the center line of the channel of said river to the state boundary line between the States of Minnesota and Wisconsin; thence along said state boundary line to the mouth of the St. Louis River at the entry of the Bay of Superior between Minnesota and Wisconsin points; thence in a straight line to the place of beginning.

By and in its corporate name, it shall have perpetual succession; save as herein otherwise provided and save as prohibited by the Constitution or Statutes of the State of Minnesota, it shall have and exercise all powers, functions, rights and privileges possessed by the city of Duluth prior to the adoption of this Charter; also all powers, functions, rights and privileges now or hereafter given or granted to municipal corporations of the first class having "home rule charters" by the Constitution and laws of the State of Minnesota; also all powers, functions, rights and privileges usually exercised by, or which are incidental to, or inhere in, municipal corporations of like power and degree; also all municipal power,² functions, rights, privileges and immunities of every name and nature whatsoever; and in addition, it shall have all the powers, and be subject to the restrictions contained in this Charter. In its corporate name, it may take and hold, by purchase, condemnation, gift or devise, and lease and convey any and all such real, personal or mixed property, within or without its boundaries as its purposes may require, or as may be useful or beneficial to its inhabitants.

(A). Certain lands upon which the Duluth International Airport is located were annexed to the corporate limits of the city of Duluth by Ord. No. 7564, passed February 13, 1967, under authority of M.S.A. 414.03, Subd. 2.



City of Duluth