

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

12-0314R

RESOLUTION ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 25 (BLUESTONE COMMONS) APPROVING THE TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 25, AND AMENDING THE TAX INCREMENT FINANCING PLANS FOR TAX INCREMENT FINANCING DISTRICT NOS. 14, 15, 19, 20, 21, 22 AND 24 AS PROPOSED AND APPROVED BY THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY.

CITY PROPOSAL:

RESOLVED, by the city council of the city of Duluth, as follows:

Section 1. Recitals

1.01 The council has established the Duluth economic development authority (DEDA) to promote development and redevelopment of property located in the city of Duluth (the "City").

1.02 In order to promote such development, DEDA has established Development District No. 17 (the "Development District") in the City and adopted a development program (the "Development Program") therefor pursuant to Minnesota Statutes, Sections 469.124 through 469.134 (the "Act"). DEDA has prepared the Development Program in accordance with Sections 469.125 and 469.126 of the Act.

1.03 DEDA proposed and approved the establishment of Tax Increment Financing District No. 25 (the "TIF District") within the Development District, the adoption of a Tax Increment Financing Plan (the "TIF Plan") therefor pursuant to Minnesota Statutes, Sections 469.174 through 469.1799 (the "TIF Act") for the purpose of financing public improvements and encouraging investment in the Development District, and the amendment of the Tax Increment Financing Plans (the "Combined Plans") for Tax Increment Financing District Nos. 14, 15, 19, 20, 21, 22 and 24 (the "Combined Districts"). DEDA has prepared the TIF Plan and the amendment to the Combined Plans in accordance with the TIF Act.

1.04 Pursuant to Minnesota Statutes, Section 469.175, Subdivision 4(b)(1), the enlargement of the Development District is deemed to be a modification of the tax increment financing plans of all the tax increment districts located within the Development District. All of the Combined Districts are located within the Development District. Since the Development District is being enlarged, the

Combined Plans are deemed to be amended pursuant to the TIF Act. There is no other modification with respect to the Combined Plans.

1.05 DEDA has transmitted a copy of the TIF Plan and the Combined Plans to the council in a document entitled "Fifth Amendment to Development Program for Development District No. 17 and Tax Increment Financing Plan for Tax Increment Financing District No. 25 (BlueStone Commons) and Amendment to Tax Increment Financing Plans for Tax Increment Financing District Nos. 14, 15, 19, 20, 21, 22 and 24," which is now on file in the office of the city clerk as Public Document No. _____.

1.06 DEDA and the council have performed all actions required by law to be performed prior to the approval and adoption of the TIF Plan and the Combined Plans.

1.07 Pursuant to Section 469.175, Subdivision 3 of the TIF Act, the City held a public hearing on the TIF Plan and amendment to the Combined Plans which hearing was held this day at which the views of all interested parties were heard.

1.08 Certain written reports (the reports) relating to the TIF Plan and to the activities contemplated therein have been prepared and submitted to the council and/or made a part of the City files and proceedings on the TIF Plan including an inspection of the buildings and site by Short Elliott Hendrickson, Inc. (SEH) resulting in a TIF Eligibility Assessment Report dated March 2, 2012, on file in the DEDA office.

1.09 After investigation of the facts, the council is of the opinion that:

(a) it is necessary for the sound and orderly development of the Development District and of the City as a whole and for the protection and preservation of the public health, safety and general welfare, that the powers authorized by the Act and the TIF Act be exercised by the City to provide public financial assistance to the Development District;

(b) proper development of the Development District and implementation of the Development Program in accordance with the City's

long range plans is essential to (i) the economic viability of the Development District, (ii) the economic well-being of the City and its residents, (iii) the orderly development of the City, and (iv) the orderly and beneficial development of the Development District to ensure the construction of and provide moneys for the payment of the cost of certain public improvements within the Development District, including site improvements, in order to provide and finance development of suitable and necessary sites for development;

(c) there is a need for new development within the Development District (i) to provide employment opportunities for residents of the City, the surrounding communities and the state of Minnesota (the "State"), (ii) to improve the tax base of the City and the State, (iii) to improve the general economy of the City and the State, and (iv) to provide other facilities identified in the Development Program and TIF Plan;

(d) creation of the TIF District and amendment to the Combined Plans is in the public interest and will result in increased employment in the City and in the preservation and enhancement of the tax base of the City; and

(e) the TIF District is intended and, in the judgment of City, its effect will be to promote the public purposes and accomplish the objectives specified in the Development Program, which are all consistent with the efforts already made for the development of the Development District.

1.10 The council has fully reviewed the contents of the TIF Plan.

Section 2. Statutory Findings

2.01 There is a need for new development in the Development District, in order to provide employment opportunities, to improve the tax base, and to improve the general economy of the State.

2.02 DEDA hereby reaffirms the findings required for the establishment of the Combined Districts. The Combined Plans for the Combined Districts require

an amendment to provide for the enlargement of the Development District. DEDA is not modifying the boundaries or extending the terms of the Combined Districts.

2.03 Establishment of the TIF District will provide impetus for residential and commercial development; increase employment; enhance and diversify the City's tax base, and provide off-street parking to serve residents and employees of the Development District and the TIF District.

2.04 The actions required to assist the implementation of the Development Program are a public purpose and the execution and financing of the Development Program are a public purpose.

2.05 It is the opinion of the council, based on discussions with the developer of the project proposed to be constructed in the TIF District and information contained in the Development Program and the TIF Plan that:

(a) development and redevelopment within the TIF District would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future;

(b) the increased market value of the site to be included in the TIF District that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from development in the TIF District after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan; and

(c) the use of tax increment financing is necessary.

2.06 Based on information contained in the Development Program, the TIF Plan and the amendment to the Combined Plans, the TIF Plan and the amendment to the Combined Plans conforms to the general plan for the development and redevelopment of the City as a whole.

2.07 Based on information contained in the Development Program, the TIF Plan and the amendment to the Combined Plans, the TIF Plan and the amendment on the Combined Plans will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development and redevelopment of the

Development District by private enterprise.

2.08 The council further finds, declares and determinates 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, which findings are on file in the office of the city clerk as Public Document No. _____.

Section 3. Approval

3.01 The TIF District is established and TIF Plan is approved.

3.02 The amendment to the Combined Plans is approved.

3.03 The geographic boundaries of the Development District and TIF District are as described in the Development Program and TIF Plan, which documents are incorporated herein by reference and which, together with this resolution, contain the requirements set forth in Section 469.175 of the TIF Act.

Section 4. Designation of TIF District

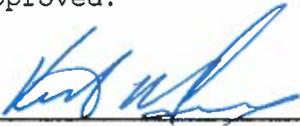
4.01 The proposed TIF District is a "redevelopment district" as defined in Section 469.174, Subdivision 10 of the TIF Act because it consists of a portion of the Development District within which the following conditions, reasonably distributed throughout the TIF District, exist:

parcels consisting of 70 percent of the area of the TIF District are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

4.02 The reasons and supporting facts for the determination that the TIF District meets the criteria set forth in Section 4.01 hereof will be retained and made available to the public by DEDA until the TIF District has been terminated.

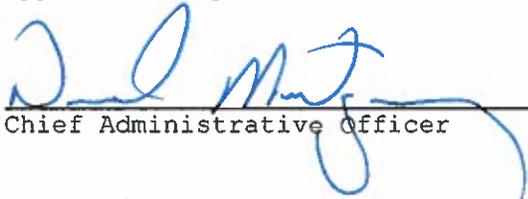
4.03 At least 90 percent of the revenues derived from tax increments from the TIF District will be used to finance the cost of correcting conditions that allowed designation of the TIF District under Section 469.174 of the TIF Act.

Approved:



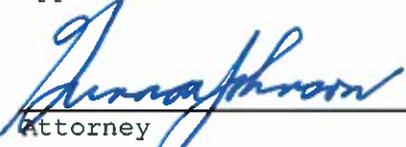
Department Director

Approved for presentation to council:



Chief Administrative Officer

Approved as to form:



Attorney

Approved:



Auditor

DEDA/ATTY JMC:dma 06/14/2012

STATEMENT OF PURPOSE: The purpose of this resolution is to establish TIF District No. 25 (BlueStone Commons), approve the TIF Plan for TIF District No. 25 proposed to be established by DEDA, approve the amendment to the Combined Plans, and to make the findings required by the TIF Act.

FINDINGS

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan (TIF Plan) for Tax Increment Financing District 25 known as "BlueStone Commons" (District), as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 25 is a redevelopment district as defined in M.S., Section 469.174, Subd. 10(a)(1).*

The District consists of 15 parcels, with plans to redevelop the area for residential, retail and potentially educational/instructional purposes. Parcels consisting of at least 70 percent of the area in the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures and more than 50 percent of the buildings in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance as determined in that TIF Eligibility Assessment prepared by Short Elliott Hendrickson, Inc. (SEH) dated March 2, 2012, on file in the DEDA office.

2. *Finding that the proposed development or redevelopment, in the opinion of the Council, 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 necessary.*

Constraints at the site include redevelopment and reuse of the circa 1958 Woodland School Building, a number of structurally substandard single family ("college rental") homes, exposed and extensive subsurface bedrock, significant topography issues across the site, a lack of proper traffic control along Woodland Avenue, a comp plan requirement for a preservation area which limits development on approximately 3 acres of land, and the need to buffer a nearby single family neighborhood.

TIF assistance is needed in order to finance the development costs required for the redevelopment of the site. These costs include site preparation due to rock blasting and removal; the installation of public utilities including water, sewer and storm water systems; asbestos and miscellaneous environmental remediation; the installation of streets, alleyways, lighted intersections, and other traffic control measures; Woodland Avenue landscaping upgrades; and the construction of surface parking lots and a parking deck to serve new retail, housing and the reuse of the Woodland School. This project will not be economically feasible given the costs and challenges associated with the redevelopment of the site, and, but for this tax increment assistance, this redevelopment cannot proceed.

3. *Finding that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the TIF Plan:*

As stated in Finding 2 above, costs of redevelopment are extremely high in this area. The type of coordinated effort on the part of developer to assemble parcels and construct residential and retail facilities of the proposed size and scope requires public assistance for requisition site preparation, public utilities, environmental remediation, landscaping and parking. Therefore, the City reasonably determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

A comparative analysis of estimated market values both with and without establishment of the District and the use of tax increments has been performed as described above. See "But For" analysis in Exhibit I-2 of the TIF Plan.

4. *Finding that the TIF Plan for the District conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The Council has reviewed the TIF Plan and has determined that it conforms to the general redevelopment plan of the City as a whole.

5. *Finding that the TIF Plan for the District will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 25 by private enterprise.*

The project to be assisted by the District will result in the redevelopment of underutilized, blighted or obsolete land uses including rehabilitation or demolition of substandard structures, encourage the development of commercial areas in the city that result in higher quality development or redevelopment and private investment, achieve development on sites which would not be developed without assistance, and enhance and diversify the city of Duluth's tax base.

FIFTH AMENDMENT TO DEVELOPMENT PROGRAM
for
DEVELOPMENT DISTRICT NO. 17
and
TAX INCREMENT FINANCING PLAN
for
TAX INCREMENT FINANCING DISTRICT NO. 25
(BLUESTONE COMMONS)
And
AMENDMENT TO TAX INCREMENT FINANCING PLANS FOR TAX INCREMENT
FINANCING DISTRICT NOS. 14, 15, 19, 20, 21, 22, and 24

DULUTH ECONOMIC DEVELOPMENT AUTHORITY, MINNESOTA

History:

Development Program for Development District No. 17:

Approved September 12, 1994

Amended December 18, 1995

Amended October 15, 1996

Amended December 21, 1998

Amended June 25, 2012

Tax Increment Financing Plan for Tax Increment Financing District No. 25:

Approved June 25, 2012

Amendment to Tax Increment Financing Plans for Tax Increment Financing
District Nos. 14, 15, 19, 20, 21, 22, and 24:

Approved June 25, 2012

I. DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 17.

Subsection A. Definitions.

For the purposes of the Development Program and the Tax Increment Financing Plan and amendments thereto, the following terms shall have the meanings specified below, unless the context otherwise requires:

"City" shall mean the City of Duluth, a municipal corporation and political subdivision under the laws of the State of Minnesota.

"City Development District Act" or "Act" shall mean Minnesota Statutes §§469.124 through 469.134, as amended.

"Combined Districts" shall mean all TIF Districts included within the Development District.

"Comprehensive Plan" shall mean the City's Comprehensive Plan, including the objectives, policies, standards and programs to guide public and private land use, development, redevelopment and the preservation of all lands and waters in the City.

"City Council" or "Council" shall mean the governing body of the City.

"DEDA" shall mean the Duluth Economic Development Authority, a public body corporate and politic and a political subdivision of the State as created by the Council pursuant to its Resolution 89-0323 under the authorization of Minnesota Statutes (1989) §§469.090 through 469.1081, and as the same may be from time to time amended or, where appropriate, the Board of Commissioners of the Duluth Economic Development Authority.

"Development District" shall mean Development District No. 17 which has been created and established pursuant to and in accordance with the City Development District Act.

"Project Area" shall mean the property within the Development District as described in the Development Program.

"State" shall mean the State of Minnesota.

"Tax Increment Financing Act" or "TIF Act" shall mean Minnesota Statutes §§469.174 through 469.179, as amended.

"Tax Increment Financing District" or "TIF District" shall mean any Tax Increment Financing District created and established pursuant to the TIF Act within the Development District.

"TIF Plan" shall mean any tax increment financing plan adopted by DEDA or the Council for any TIF District.

Subsection B. Purpose; Statutory Authority.

DEDA has determined that it is necessary, desirable and in the public interest to establish and administer a Development Program for the Development District pursuant to the provisions of the City Development District Act. DEDA has also determined that the funding of the necessary activities and improvements in the Development District shall be accomplished in part through tax increment financing in accordance with the TIF Act. It is DEDA's intent to create a master development district to facilitate the flow of funds and enhance its flexibility to implement projects within the Development District; however, the underlying districts are not modified and the ability to implement projects therein is unaltered and unimpaired except as specifically set forth herein.

Subsection C. Statement of Public Purpose and Objectives.

1. City-Wide Objectives. DEDA through the Development District, seeks to achieve the following objectives:
 - a. strengthen the economy of the area and sources of public revenue;
 - b. enhance the livability, value and image of the City through the stimulation of new investment and facilities designed to accommodate the needs and convenience of the City;
 - c. strengthen the City's position as the region's major cultural, commercial, industrial, recreational, technological and financial center;
 - d. foster economically sound development consistent with the needs of the City as a whole by stabilizing and increasing employment and encouraging retention and expansion of existing firms and businesses and attracting new activities and investment into the area;
 - e. undertake projects and activities in such a manner as to provide for more modern, functional, and efficient areas, contributing to the economic and social well-being of the City through the preservation

and expansion of appropriate land uses and the provision of sites for new and existing firms and activities;

- f. maximize the advantages of the Development District through the development of uses on a planned or regulated basis;
- g. provide an adequate and efficient system of public utilities and transportation facilities to serve existing and proposed development whenever necessary;
- h. promote the development of underutilized, strategically located parcels of land;
- i. provide the economic infusion to secure new private investments and to draw future investments to the City;
- j. create construction jobs and permanent jobs for City residents, particularly those of low and moderate income;
- k. add substantially to the City's taxing base by stimulating new development and attracting new investments with an emphasis on industrial, commercial, technology-related, transportation-related and tourism-based development;
- l. concentrate new development where most advantage can be taken of existing public facilities and utilities necessary to support development;
- m. promote development of the City's Waterfront area as a center for commerce and tourism, emphasizing its unique character but also concentrating on integrating the Waterfront area into the City's Downtown area and the City as a whole;
- n. promote the salvaging, renovation and redevelopment of historic structures throughout the Development District;
- o. promote development of the City's International Airport as a center for transportation, commerce, and industry, emphasizing its unique facilities and strategic location; and
- p. promote development of a light-industrial development park for light manufacturing, wholesaling, jobbing, warehousing, distributive and general administration uses.

2. Development District Objectives. The objectives within the Development District are to:

- a. facilitate the development of new or revitalized commercial, industrial and light-industrial activities and enterprises;
- b. encourage both stand-alone retail development and commercial mall-type development;
- c. promote the development of industrial and light-industrial uses of appropriate types at appropriate locations within the Development District;
- d. promote industrial, light-industrial and transportation-related service facilities and industries within the Development District;
- e. facilitate the development of new parks, people-oriented open space uses and recreational facilities along the City's Waterfront;
- f. foster and strengthen the growth of commercial activities;
- g. provide substantial employment for the City's residents as well as Northeastern Minnesota along with increasing the tax base in the area, strengthening the viability of the adjacent Downtown Business Community as a viable commercial area and center for technology-related businesses and strengthen the utility of the City's waterfront as a part of its tourism industry;
- h. facilitate the development of new industrial facilities at and adjacent to the City's International Airport;
- i. foster and strengthen the growth of commercial activities through the development of manufacturing facilities;
- j. promote public improvements which are beneficial to the area;
- k. provide incentives and opportunities for development of retail and tourism industries in the Development District;
- l. integrate activities of various levels of government and the private sector to the mutual benefit of all interests;
- m. construct and improve public streets, streetscape amenities, skywalks, pedestrian walkways and plazas and utilities in the

Development District to accommodate proposed and future development opportunities; and

- n. maintain a Development District whose boundaries include the Combined Districts to allow utilization of tax increment revenues generated in any TIF District to be used to the extent permissible under the TIF Act, to fund projects in any other TIF District approved pursuant to the TIF Plan for that TIF District.

Subsection D. Environmental Controls.

It is anticipated that development within the Development District will present no major environmental concerns. All DEDA actions, and all actions of the City together with public and private improvements to be undertaken with regard thereto, will be carried out in a manner which complies with the applicable environmental standards.

Subsection E. Open Space to be Created.

The TIF Plans for the projects will include the creation of a substantial amount of new open space facilities which will include new park facilities, landscaping and open space per se, boardwalks, a marina, a boat exhibition and docking facility, together with related utilities, sanitary facilities, roadways and parking facilities. All of the open space improvements will be in conformance with the Comprehensive Plan.

Subsection F. Public Facilities to be Constructed.

DEDA anticipates constructing or causing to be constructed the public facilities described in Subsection E above which will include roadways, parking facilities, sanitary sewer facilities, water and gas utilities, storm sewer facilities and other drainage improvements together with park improvements as hereinbefore described, footings and foundations and other site correction and preparation work.

Subsection G. Proposed Reuse of Property.

The area within the Development District consists of property presently used or underutilized for industrial, commercial and residential purposes, including a substantial amount of vacant land, and, in many cases, the area within the Development District suffers from inadequate or poorly designed or maintained streets and utilities, all of which restrict future development of the Development District. Contained within this area is property north of Arrowhead Road and east of Rice Lake Road which is underutilized and requires redevelopment. The property is intended to be the site for proposed light-industrial facilities. All of the above improvements will greatly enhance the livability of the community and the economic viability of the Development District.

Subsection H. Development District Financing.

Development of projects and related public improvements will be financed in part with tax increments pursuant to the TIF Plans, together with other financing sources and mechanisms as set forth in the TIF Plans for the Combined Districts.

Subsection I. Relocation.

No relocation is presently anticipated. However, DEDA accepts its responsibility for providing relocation pursuant to Minnesota Statutes §469.133 of the Act if necessary. If such relocation is necessary, provisions will be made in accordance with Minnesota Statutes §§117.50 through 117.56, inclusive.

Subsection J. Administration of the Development District.

1. Administrator. The Executive Director of DEDA shall be the Administrator of the Development District pursuant to Minnesota Statutes §469.131 and shall have all of the powers as set forth in said Section.
2. Advisory Board. DEDA has created an Advisory Board pursuant to Minnesota Statutes §469.132. DEDA has consulted the Advisory Board prior to the designation of the Development District. The Advisory Board will advise DEDA and the Administrator regarding the planning, construction and implementation of the Development Program and the maintenance and operation of the Development District. The respective powers and duties of the Advisory Board and the City Planning Commission in relation to the Development District will be as specified by resolution of DEDA.

Subsection K. Description of the Development District.

The Development District consists of those areas described in Exhibit A hereto. A map of the Development District boundaries is included as Exhibit B hereto.

II. TAX INCREMENT FINANCINGS PLAN FOR TAX INCREMENT DISTRICT NO. 25 (BLUESTONE COMMONS).

Section 1 Statement of Objectives. See Development Program for Development District No. 17, Article I, Subsection C, Statement of Public Purpose and Objectives.

Section 2 Development Program. See Development Program for Development District No. 17, Article I.

Section 3 Parcels to be Included. The boundaries of Tax Increment Financing District No. 25 (the "TIF District") are described in Exhibit C and illustrated on Exhibit D.

Section 4 Parcels in Acquisition. DEDA may write down or acquire and reconvey real property, or interests therein, within this TIF District or elsewhere within the Project Area at the time or times as DEDA may determine to be necessary or desirable to assist or implement development or redevelopment within the Project Area or the TIF District. DEDA does anticipate the acquisition of any property at this time.

Section 5 Development Activity for which Contracts have been Signed. As of the date of adoption of the TIF Plan, DEDA contemplates entering into a signed contract with BlueStone Commons, LLC for the activities discussed below.

Section 6 Specific Development Expected to Occur. The expected improvements are described on Exhibit E attached.

Section 7 Prior Planned Improvements. DEDA shall, after due and diligent search, accompany its request to the County Auditor for the certification of the TIF District with a listing of all properties within the TIF District for which building permits have been issued during the eighteen (18) months immediately preceding approval of the TIF Plan by DEDA.

The County Auditor shall increase the original tax capacity of the TIF District by the tax capacity of each improvement for which a building permit was issued. If said listing does not accompany the aforementioned request or notice, the absence of such listing shall indicate to the County Auditor that no building permits were issued in the eighteen (18) months prior to the DEDA's approval of the TIF Plan.

Section 8 Estimated Project Costs. The estimated costs associated with the TIF District are described in the Budget on Exhibit F.

Section 9 Estimated Amount of Indebtedness. It is anticipated that approximately \$13,000,000 of indebtedness may be incurred with respect to the TIF District.

Section 10 Sources of Revenue. The anticipated revenue sources to finance the costs associated with the Project Area are outlined in Development Program for Development District No. 17, Article 1, Subsection H and in the Budget attached as Exhibit F.

Section 11 Estimated Original and Captured Tax Capacity. The tax capacity of all taxable property in the TIF District, on January 2, 2012, is estimated to be \$82,310 (assumes adjustment of tax exempt property becoming taxable).

The estimated captured tax capacity of the TIF District upon completion of the initial proposed improvements on January 2, 2016, is estimated to be \$369,820. Upon completion of all phases of the project which is estimated to be January 2, 2026, the estimated captured tax capacity is estimated to be \$943,610. DEDA intends to utilize 100% of the captured tax capacity, for the duration of the TIF District, for purposes of determining tax increment revenues.

Section 12 Tax Capacity Rate. The pay 2012 tax capacity rate is 1.27623.

Section 13 Tax Increment. Upon completion of the first three initial phases, the annual initial tax increment has been calculated at approximately \$471,975 assuming a static tax capacity rate and a valuation increase of five percent (5.0%) compounded annually. Upon completion of all of the phases, the annual tax increment has been calculated at approximately \$1,204,263 assuming a static tax capacity rate and a valuation increase of five percent (5.0%) compounded annually. A financial analysis is provided on Exhibit G. Revenue has also been projected for the duration of the TIF District and is shown on Exhibit F.

Section 14 Type of TIF District. The TIF District is, pursuant to Minnesota Statutes Section 469.174, Subdivision 10, a redevelopment district.

Section 15 Duration of TIF District. The duration of the TIF District is expected to be twenty-six (26) years from receipt of the first tax increment. The date of receipt of the first tax increment is estimated to be July, 2015. Thus, it is estimated that the TIF District, including any modifications for subsequent phases or other changes, would terminate in the year 2040.

Section 16 Estimated Impact on Taxing Jurisdictions. The estimated impact on other taxing jurisdictions assumes construction would have occurred without the creation of the TIF District. If the construction is a result of tax increment financing, the impact is \$0 to other entities. Notwithstanding the fact that the fiscal impact on the other

taxing jurisdictions is \$0 due to the fact that the financing would not have occurred without the assistance of DEDA, Exhibit H reflects the estimated impact of the TIF District if the "but for" test were not met.

At this time the Authority anticipates there will be minimal impact on City services due to the creation of the TIF District. Even this minimal impact should be offset by the currently tax exempt property becoming taxable. The new added tax capacity upon which the local taxing jurisdictions may then levy is estimated to be \$80,000 which generates additional taxes in excess of \$100,000. Additionally, since the City has no current plans to issue general obligation debt for project costs, it further anticipates that there will be no impact on its borrowing costs due to the creation of the TIF District.

Section 17 "But For" Analysis. Attached as Exhibit I is the "but for" analysis.

III. AMENDMENT TO TAX INCREMENT FINANCING PLANS FOR TAX INCREMENT FINANCING DISTRICT NOS. 14, 15, 19, 20, 21, 22 and 24.

Section 1 Pursuant to Minnesota Statutes, Section 469.175 Subd. 4(b)(1), the enlargement of Development District No. 17 is deemed to be a modification of the Tax Increment Financing Plans for Tax Increment Financing District Nos. 14, 15, 19, 20, 21, 22 and 24.

Section 2 The Tax Increment Financing Plans for Tax Increment Financing District Nos. 14, 15, 19, 20, 21, 22 and 24 are amended to provide for the enlargement of Development District No. 17 as described on Exhibit A hereto and shown on Exhibit B hereto.

EXHIBIT A
LEGAL DESCRIPTION OF DEVELOPMENT DISTRICT NO. 17

Those properties in St. Louis County, Minnesota, described as follows:

Commencing at the centerline of the right-of-way for Interstate Hwy. No. 35 and 59th Avenue west; thence northerly along the center line of 59th Avenue west to the Intersection of Cody Street; thence easterly along the center line of Cody Street to the centerline of Grand Avenue; thence northeasterly along the center line of Grand Avenue to its intersection with the easterly line of the DM&IR railroad right-of-way serving the DM&IR Ore Dock, thence northwesterly and westerly along said railroad right-of-way to its intersection with the west line of the recorded plat of Bryant addition to Duluth, third division; thence northerly, along said westerly line, to the intersection with the centerline of Vernon Street; thence easterly along the centerline of Vernon Street to its intersection with the centerline of west Third Street; thence northeasterly along the center line of west Third Street to its intersection with the centerline of U.S. Hwy. No. 53; thence westerly and northwesterly along the centerline of U.S. Hwy. No. 53 to its intersection with the centerline of Anderson Road; thence westerly along the centerline of Anderson Road to its intersection with the centerline of Haines Road; thence northerly along the centerline of Haines Road to its intersection with the southeasterly corner of Section 1 Township 50 North Range 15 West St. Louis County, Minnesota; thence westerly along the southerly line of said Section 1 and of Section 2 of said Township to the southwesterly corner of the East One-half (E1/2) of said Section 2; thence northerly along the west line of said East one-half (E1/2) of Section 2 to the north line of said Section 2; thence easterly along the northerly line of said Section 2 and of said Section 1 to the northeast corner of said Section 1; thence southerly along the east line of said Section 1 to the north right-of-way line of Airport Road; thence easterly along the north right-of-way line of Airport Road to the centerline of Rice Lake Road; thence southerly along the centerline of Rice Lake Road and of Arlington Road to the centerline of Minnesota Hwy. No. 194; thence easterly and southeasterly along the center line of Minnesota Hwy. No. 194 to the centerline of Sixth Avenue East; thence southeasterly along the center line of Sixth Avenue East to the centerline of East First Street; thence easterly along the centerline of East First Street to 14th Avenue East; thence southerly along the centerline of 14th Avenue East and as said centerline is extended to the shoreline of Lake Superior; thence southerly along the shoreline of Lake Superior to the centerline of the Duluth Ship Canal; thence southwesterly along the centerline of the Duluth Ship Canal to the intersection with the centerline of Lake Avenue extension; thence westerly to the intersection of southeasterly extension of the centerline of 12th Avenue west with Northern Pacific docks numbers one and two and said dock line being 225 feet southeasterly and parallel with the southeasterly line of blocks 20 and 21, Bayfront Division; thence northwesterly along said extended centerline of 12th Avenue West to its intersection with the centerline of Interstate Hwy. No 35; thence generally westerly and southwesterly along the centerline of said Interstate Hwy. No. 35 to the point of beginning; and

The Northwest Quarter (NW $\frac{1}{4}$) of the Southwest Quarter (SW $\frac{1}{4}$) of Section Nine (9), Township Fifty (50) North, Range Fourteen (14) West; and

Block 28, Clinton Heights Second Division; and

That part of the Southeast Quarter (SE $\frac{1}{4}$) of Section Eight (8), Township Fifty (50) North, Range Fourteen (14) West, described as follows:

Commencing at the Southeast corner of Section Eight (8), Township Fifty (50) North, Range Fourteen (14) West; thence North along the East line of said Section 8 on an assumed bearing of North 0° 0' 0" East, 1021.73 feet to the point of beginning. Thence from said point of beginning South 55° 34' 47" West, 191.55 feet to a point on the Northerly right-of-way line of CSAH #4; then in a Northwesterly direction along said right-of-way line of CSAH #4, which is along a curve to the left with a radius of 1220.92 feet, a distance of 315.29 feet to a point; thence North 50° 47' 00" West, 284.71 feet to a point on the North right-of-way line of CSAH #4; thence North 39° 13' 00" East, 842.95 feet to a point; thence South 89° 42' 48" East, 61.61 feet to a point on the East line of said Section 8; thence South 0° 00' 00" East, 953.01 feet along the East line of said Section 8 to the point of beginning; and

That part of the Southeast Quarter (SE $\frac{1}{4}$) of Section Eight (8), Township Fifty (50) North, Range Fourteen (14) West, lying northerly and easterly of CSAH #4 and southerly of the following described line:

Commencing at the Southeast corner of Section Eight (8), Township Fifty (50) North, Range Fourteen (14) West; thence North along the East line of said Section Eight (8) on an assumed bearing of North 0° 0' 0" East, 1021.73 feet to the point of beginning; thence from said point of beginning, South 55° 34' 47" West, 191.55 feet to a point on the northerly right-of-way line of CSAH #4 and there terminating; and

That part of CSAH #4 lying northerly and westerly of the centerline of Arrowhead Road and southerly and easterly of the following described line:

Commencing at the Southeast corner of Section Eight (8), Township Fifty (50) North, Range Fourteen (14) West; thence North along the East line of said Section 8 on an assumed bearing of North 0° 0' 0" East, 1021.73 feet to a point; thence South 55° 34' 47" West, 191.55 feet to a point on the Northerly right-of-way line of CSAH #4; then in a Northwesterly direction along said right-of-way line of CSAH #4, which is along a curve to the left with a radius of 1220.92 feet, a distance of 315.29 feet to a point; thence North 50° 47' 00" West, 284.71 feet to a point on the North right-of-way line of CSAH #4, said point being the point of beginning of the line to be described; thence South 39° 13' 00" West to a point on the Westerly right-of-way line of CSAH #4, and there terminating; and

Commencing at the centerline of the rights-of-way of North Arlington Avenue and West Arrowhead Road; thence easterly along the centerline of West Arrowhead Road to its intersection with the centerline of Wallace Avenue; thence southerly along the centerline of Wallace Avenue to its intersection with East 4th Street; thence westerly along the centerline of East 4th Street to its intersection with 21st Avenue East; thence southerly along the centerline of 21st Avenue East and as said centerline is extended to the shoreline of Lake Superior; thence southwesterly along the shoreline of Lake Superior to the extension of the centerline of 14th Avenue East; thence northerly along the centerline of said extension and 14th Avenue East to its intersection with East First Street; thence westerly along the centerline of East First Street to its intersection with 6th Avenue East; thence northwesterly along the centerline of 6th Avenue East to its intersection with Minnesota Hwy. No. 194; thence northwesterly and westerly along the centerline of Minnesota Hwy. No. 194 to its intersection with Arlington Avenue; thence northerly along the centerline of Arlington Avenue to its intersection with West Arrowhead Road and the point of beginning.

EXHIBIT C
PARCELS TO BE INCLUDED IN
TAX INCREMENT FINANCING DISTRICT NO. 25

010-3360-03430	010-0590-00210	010-0590-00220
010-0590-00430	010-0590-00170	010-0590-00730
010-0590-00570	010-0590-01210	010-0590-01280
010-0590-01200	010-0590-01180	010-0590-01160
010-0590-01150	010-0590-01130	010-0590-01120

including adjacent streets and rights-of-way

EXHIBIT D
Map

TAX INCREMENT FINANCING DISTRICT NO. 25



EXHIBIT E

The following site design narrative represents the Developer's best estimate of the ultimate site design. As this project will be constructed in multiple phases over a five to ten year period, it is likely that the Developer will be driven by future market forces to amend the plan as currently devised. The Developer will use their best efforts to remain within the scope of the plan as detailed within this document, as well as within the proposed Regulating Plan currently under Planning Review with the City of Duluth Planning Department.

The redevelopment of the Woodland Middle School will likely occur in 6 to 8 phases as described on the attached map on page C-3. Phase 1-R will involve the construction of a four story building containing approximately 99 units, for a total of 333 beds of residential housing. As part of Phase 1-R, the Developer will also construct 163 stalls of parking: 95 stalls beneath the apartment building to serve as resident parking; and 68 stalls of street parking along the exterior of the building to serve as resident and retail parking. The development plan currently calls for the construction of 146,300 square feet of housing, and 35,288 square feet of parking. Total square feet to be constructed during Phase 1-R will equal 181,588 square feet.

Phase 2-R, which is outside of the TIF District but within the Project Area, will involve the construction of a four story building containing approximately 57 units, for a total of 160 beds of residential housing. It is possible that the unit and bed count might be reduced prior to construction. As part of Phase 2-R, the Developer will also construct 66 stalls of parking: 47 stalls beneath the apartment building to serve as resident parking; and 19 stalls of street parking along the exterior of the building to serve as resident and visitor parking. The development plan currently calls for the construction of 75,600 square feet of housing, and 20,500 square feet of parking. Total square feet to be constructed during Phase 2-R will equal 96,100 square feet.

Phase 3-R will involve the construction of a five story building containing approximately 83 units, for a total of 307 beds of residential housing. It is possible that the unit and bed count might be reduced prior to construction. As part of Phase 3-R, the Developer will also construct 170 stalls of parking: 72 stalls beneath the apartment building to serve as resident parking; and 98 stalls of street parking along the exterior of the building to serve as resident and visitor parking. The development plan currently calls for the construction of 128,000 square feet of housing, and 25,600 square feet of parking. Total square feet to be constructed during Phase 3-R will equal 153,600 square feet.

Phase 1-C will involve the construction of a single story retail building along Woodland Avenue. Phase 1-C will involve the construction of approximately 8,200 square feet of retail space. This location will likely attract a restaurant or general retailer.

Phase 2-C will involve the construction of a single story retail building along Woodland Avenue. Phase 2-C will involve the construction of approximately 6,000 square feet of retail space. This location will likely attract a general retailer.

Phase 3-C will involve the construction of a single story retail building along Woodland Avenue. Phase 3-C will involve the construction of approximately 6,600 square feet of retail space. This location will likely attract a general retailer.

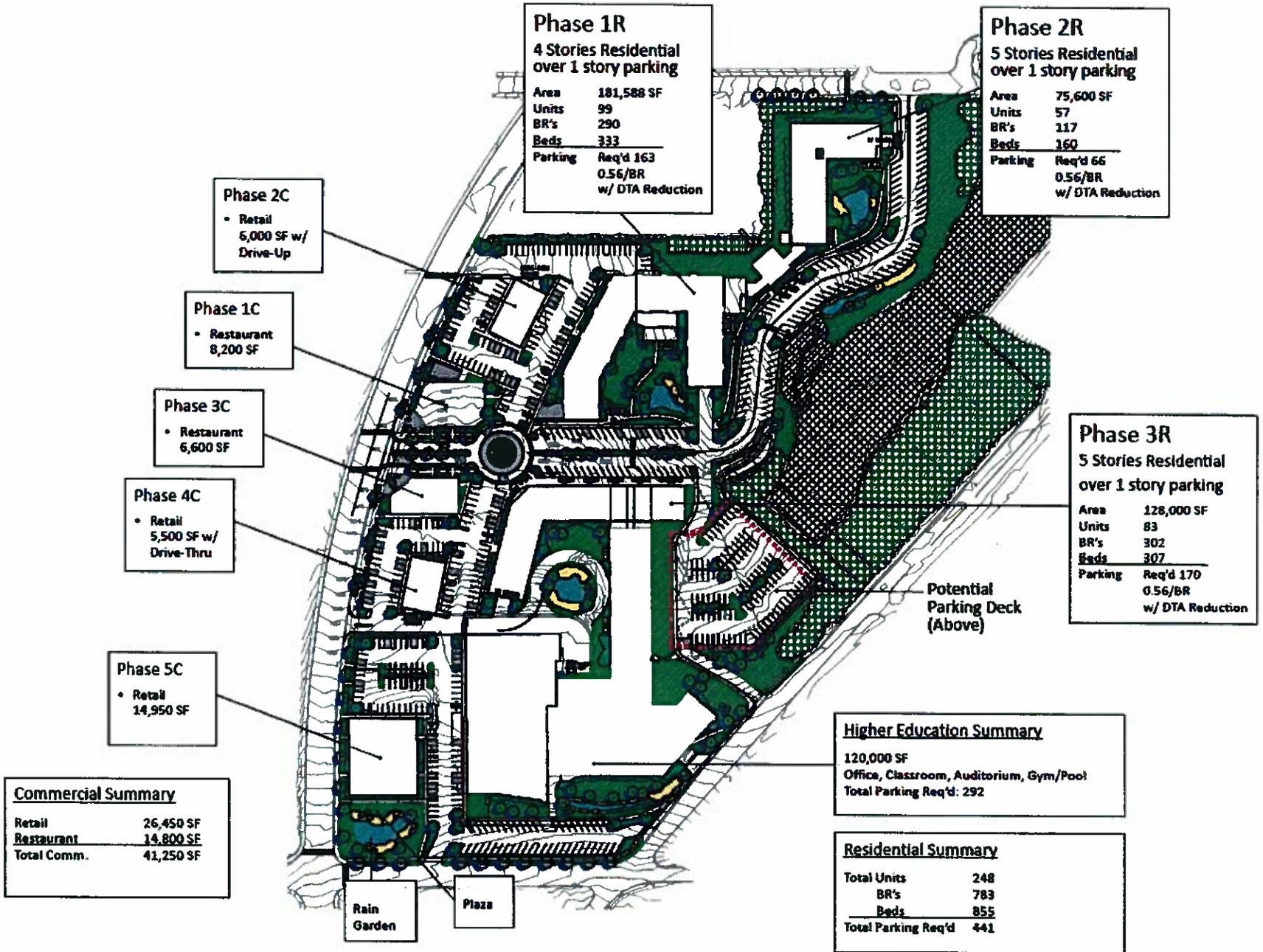
Phase 4-C will involve the construction of a single story retail building along Woodland Avenue. Phase 4-C will involve the construction of approximately 5,500 square feet of retail space. This location will likely attract a general retailer.

Phase 5-C will involve the construction of a single story retail building along Woodland Avenue. Phase 5-C will involve the construction of approximately 14,950 square feet of retail space. This location will likely attract several general retailers, a grocery store or a pharmacy.

The Higher Education Phase will likely involve the redevelopment and repurposing of the Woodland Middle School into higher education, institutional, and perhaps some retail space. One concept has up to one third of the Woodland Middle School being improved with the intent of leasing the space to a health club. The remaining area of the Woodland Middle School will be improved with the intent of leasing the space as higher educational/ institutional to the College of St. Scholastica and University of Minnesota, Duluth.

The Developer are proposing a surface parking lot to the east of the existing school to serve future tenants, but may be developed as a three story parking deck. Of note: it is suggested by the applicant that future access to the existing parking lot located on Tract R (located to the east of the Woodland Middle School) from East 8th Street be disconnected at such time as deemed appropriate by the City of Duluth Fire Marshall. In the interim, the Developer will make all efforts to mitigate the use of East 8th Street as a vehicle thoroughfare.

Also note that if no users are found for the Woodland School building in the next year or two, it is likely that the building would be torn down and additional development proposed for the vacant property.



APRIL 27, 2012



**EXHIBIT F
BUDGET**

	TIF #25 Cumulative Modified TIF Plan Budget
ESTIMATED TAX INCREMENT REVENUES (from tax increment generated by the district)	
Tax increment revenues distributed from the county	\$ 30,400,000
Interest and investment earnings	304,000
Sales/lease proceeds	0
Market value homestead credit	0
Total Estimated Tax Increment Revenues	<u>\$ 30,704,000</u>
 ESTIMATED PROJECT/FINANCING COSTS (to be paid or financed with tax increment)	
Project Costs	
Land/building acquisition (includes demolition)	\$ 3,651,000
Site improvements/preparation costs	2,100,000
Utilities	3,400,000
Other qualifying improvements	1,063,000
Construction of affordable housing	0
Small city authorized costs, if not already included above	0
Administrative costs	3,040,000
Estimated Tax Increment Project Costs	<u>\$ 13,254,000</u>
Estimated Financing Costs	
Interest expense	17,450,000
Total Estimated Project/Financing Costs to be Paid From TI	<u>\$ 30,704,000</u> 0
 ESTIMATED FINANCING	
Total amount of bonds to be issued	13,000,000

**EXHIBIT G
FINANCIAL ANALYSIS**

SUMMIT MANAGEMENT						
Bluestone Commons - Duluth Project (TIF #25)						
ASSUMPTIONS						
		Area of Parcel		1/1/2012		
Original Market Values		(Acres)	(Sq. Feet)	Land	Building	Total
All parcels		12.71	553,648	\$ 933,600	8,963,600	\$ 7,897,200
Valuation Adjustment - School					(3,000,000)	(3,000,000)
Totals		12.71	553,648	\$ 933,600	\$ 3,963,600	\$ 4,897,200
1.69 per sq. ft.						
Original Tax Capacity		% of new ETC			Class Rate	82,310
Commercial / Retail		57.4%	2,812,661	@	2.00%	56,253
Rental		42.6%	2,084,539	@	1.25%	26,057
Owner Occupied		0.0%	0	@	1.00%	0
		100.0%	4,897,200			
			0			
Phase 1		Year	Buildout Completed			
Estimated Market Value		Built 2013	99	rental units	11,874,700	
Estimated Tax Capacity		2014	8,200	sq. ft.	157,069	
Estimated Taxes		2015			221,361	
Estimated Tax Increment					95,333	
Phase 2 (combined)						
Estimated Market Value		Built 2014	99	rental units	16,631,800	
Estimated Tax Capacity		2015	113,600	sq. ft.	262,151	
Estimated Taxes		2016			391,402	
Estimated Tax Increment					216,757	
Phase 3 (combined)						
Estimated Market Value		Built 2015	182	rental units	30,919,000	6.3
Estimated Tax Capacity		2016	134,050	sq. ft.	462,130	times increase in market value
Estimated Taxes		2017			685,671	
Estimated Tax Increment					471,975	68.6%
						of total taxes
Phase 4 (combined) - School Demolished						
Estimated Market Value		Built 2025	332	rental units	74,123,320	15.1
Estimated Tax Capacity		2026	61,250	sq. ft.	1,025,920	times increase in market value
Estimated Taxes		2027			1,497,457	
Estimated Tax Increment					1,204,263	80.4%
						of total taxes
Local Tax Rate		Pay 2012	1.27623	used for tax increment calculation		
State General Tax		Pay 2012	0.51100			
Combined Commercial rate			1.78723			
Market Value Referendum rate		Pay 2012	0.08662%	of MV		
Admin. Fees			10.00%			
State Auditor Fee (Tax Increment)			0.000%			
Inflation (after 2 yrs of full value)			5.00%			
Present Value Date and Rate		12/1/2013	6.00%			

SUMMIT MANAGEMENT

Bluestone Commons - Dubuq Project (TIF #25)

TAX INCREMENT CASH FLOW AND PRESENT VALUE ANALYSIS

(a) Date	(b) Original Tax Capacity (see assumptions)	ANNUAL		(e) Est. T.I. (d) x 1.27623 - St. Aud. Fee 0.000% (prev. year)	(f) Less: Admin Fees (e) x 10.00%	SEMI - ANNUAL		Present Value	
		(c) Estimated Tax Capacity 5.0% Inflation	(d) Captured Tax Capacity (c) - (b)			(g) Available Tax Increment (e) - (f)	(h) Cumulative Avail. Tax Increment Total of (g)	(i) Semi Annual Balance P.V. of (g) 6.00%	(j) Cumulative Balance Total of (i) 12/01/13
06/01/12	82,310	82,310		0	0	0	0	0	0
12/01/12	82,310	82,310		0	0	0	0	0	0
06/01/13	82,310	82,310	0	0	0	0	0	0	0
12/01/13	82,310	82,310	0	0	0	0	0	0	0
06/01/14	82,310	157,009	0	0	0	0	0	0	0
12/01/14	82,310	157,009	0	0	0	0	0	0	0
1 06/01/15	82,310	252,151	74,889	47,687	4,767	42,900	42,900	39,280	39,280
12/01/15	82,310	252,151	74,889	47,687	4,767	42,900	85,800	38,116	77,376
2 06/01/16	82,310	452,130	169,841	108,378	10,838	97,540	183,341	84,139	161,515
12/01/16	82,310	452,130	169,841	108,378	10,838	97,540	280,881	81,689	243,204
3 06/01/17	82,310	452,130	369,820	235,988	23,599	212,389	493,270	172,662	415,805
12/01/17	82,310	452,130	369,820	235,988	23,599	212,389	705,659	167,662	583,557
4 06/01/18	82,310	474,736	369,820	235,988	23,599	212,389	918,047	162,778	746,335
12/01/18	82,310	474,736	369,820	235,988	23,599	212,389	1,130,436	158,037	904,372
5 06/01/19	82,310	498,473	392,426	250,413	25,041	225,372	1,355,808	162,813	1,067,186
12/01/19	82,310	498,473	392,426	250,413	25,041	225,372	1,581,180	158,071	1,225,257
6 06/01/20	82,310	523,397	416,163	265,560	26,556	239,004	1,820,164	162,750	1,388,007
12/01/20	82,310	523,397	416,163	265,560	26,556	239,004	2,059,168	156,010	1,546,017
7 06/01/21	82,310	549,567	441,087	281,464	28,146	253,318	2,312,505	162,595	1,708,612
12/01/21	82,310	549,567	441,087	281,464	28,146	253,318	2,565,823	157,859	1,866,471
8 06/01/22	82,310	577,045	467,257	298,163	29,816	268,347	2,834,170	162,364	2,028,825
12/01/22	82,310	577,045	467,257	298,163	29,816	268,347	3,102,517	157,626	2,186,451
9 06/01/23	82,310	605,867	494,735	315,668	31,570	284,128	3,386,645	162,034	2,348,485
12/01/23	82,310	605,867	494,735	315,668	31,570	284,128	3,670,773	157,315	2,505,800
10 06/01/24	82,310	636,192	523,587	334,109	33,411	300,698	3,971,471	161,640	2,667,440
12/01/24	82,310	636,192	523,587	334,109	33,411	300,698	4,272,169	156,932	2,824,372
11 06/01/25	82,310	668,002	553,882	353,440	35,344	318,096	4,590,265	161,177	2,985,549
12/01/25	82,310	668,002	553,882	353,440	35,344	318,096	4,908,362	156,482	3,142,031
12 06/01/26	82,310	1,025,920	585,692	373,739	37,374	336,365	5,244,727	160,650	3,302,681
12/01/26	82,310	1,025,920	585,692	373,739	37,374	336,365	5,581,091	155,971	3,458,651
13 06/01/27	82,310	1,077,216	943,610	602,131	60,213	541,918	6,123,010	243,666	3,702,617
12/01/27	82,310	1,077,216	943,610	602,131	60,213	541,918	6,664,928	238,880	3,939,477
14 06/01/28	82,310	1,131,078	994,906	634,884	63,486	571,378	7,236,306	242,462	4,181,939
12/01/28	82,310	1,131,078	994,906	634,884	63,486	571,378	7,807,683	236,400	4,417,339
15 06/01/29	82,310	1,187,630	1,048,766	669,234	66,923	602,310	8,409,994	240,916	4,658,255
12/01/29	82,310	1,187,630	1,048,766	669,234	66,923	602,310	9,012,304	233,899	4,892,155
16 06/01/30	82,310	1,247,012	1,105,320	705,321	70,532	634,789	9,647,093	239,332	5,131,487
12/01/30	82,310	1,247,012	1,105,320	705,321	70,532	634,789	10,281,882	232,361	5,363,848
17 06/01/31	82,310	1,309,362	1,164,702	743,214	74,321	668,892	10,950,774	237,713	5,601,561
12/01/31	82,310	1,309,362	1,164,702	743,214	74,321	668,892	11,619,667	230,790	5,832,351
18 06/01/32	82,310	1,374,830	1,227,052	783,000	78,300	704,700	12,324,367	236,063	6,068,414
12/01/32	82,310	1,374,830	1,227,052	783,000	78,300	704,700	13,029,067	229,187	6,297,601
19 06/01/33	82,310	1,443,572	1,282,520	824,777	82,478	742,299	13,771,366	234,384	6,531,984
12/01/33	82,310	1,443,572	1,282,520	824,777	82,478	742,299	14,513,665	227,557	6,759,541
20 06/01/34	82,310	1,515,750	1,361,262	868,642	86,864	781,777	15,295,443	232,679	6,992,220
12/01/34	82,310	1,515,750	1,361,262	868,642	86,864	781,777	16,077,220	225,902	7,218,122
21 06/01/35	82,310	1,591,538	1,433,440	914,700	91,470	823,230	16,900,450	230,951	7,449,073
12/01/35	82,310	1,591,538	1,433,440	914,700	91,470	823,230	17,723,680	224,225	7,673,298
22 06/01/36	82,310	1,671,115	1,509,228	963,061	96,306	866,755	18,590,435	229,203	7,902,501
12/01/36	82,310	1,671,115	1,509,228	963,061	96,306	866,755	19,457,190	222,528	8,125,029
23 06/01/37	82,310	1,754,671	1,588,805	1,013,840	101,384	912,456	20,369,646	227,438	8,352,466
12/01/37	82,310	1,754,671	1,588,805	1,013,840	101,384	912,456	21,282,102	220,813	8,573,280
24 06/01/38	82,310	1,842,404	1,672,361	1,067,158	106,716	960,443	22,242,545	225,656	8,798,936
12/01/38	82,310	1,842,404	1,672,361	1,067,158	106,716	960,443	23,202,987	219,084	9,018,020
25 06/01/39	82,310	1,934,524	1,760,094	1,123,142	112,314	1,010,828	24,213,816	223,861	9,241,881
12/01/39	82,310	1,934,524	1,760,094	1,123,142	112,314	1,010,828	25,224,644	217,341	9,460,222
26 06/01/40	82,310	2,031,251	1,852,214	1,181,926	118,193	1,063,733	26,288,377	222,055	9,681,277
12/01/40	82,310	2,031,251	1,852,214	1,181,926	118,193	1,063,733	27,352,110	215,567	9,896,864
				30,391,234	3,039,123	27,352,110	27,352,110	9,896,864	9,896,864

EXHIBIT H
ESTIMATED IMPACT OF
TAX INCREMENT FINANCING DISTRICT NO. 25

IMPACT ON TAX BASE

ENTITY	TAX BASE	ORIGINAL TAX CAPACITY	ESTIMATED TAX CAPACITY	CAPTURED TAX CAPACITY	DISTRICT AS % OF TOTAL
City of Duluth	59,427,625	82,310	1,025,920	943,610	1.588%
County of St Louis	160,866,288	82,310	1,025,920	943,610	0.587%
ISD #709	66,635,215	82,310	1,025,920	943,610	1.416%

IMPACT ON TAX RATE *

ENTITY	TAX RATE	% OF TOTAL	TAX INCREMENT	TAX RATE INCREASE
City of Duluth	0.31597	24.76%	298,152	0.510%
County of St Louis	0.62310	48.82%	587,963	0.368%
ISD #709	0.27741	21.74%	261,767	0.398%
Other	0.05975	4.68%	56,381	
	<u>1.27623</u>	<u>100.00%</u>	<u>1,204,263</u>	

* Assumes construction would have occurred without the creation of a Tax Increment Financing District. If construction is a result of Tax Increment Financing, the impact is \$0.

EXHIBIT I "BUT FOR" ANALYSIS

Site Constraints

Constraints at the site include redevelopment and reuse of the circa 1958 Woodland School Building, a number of structurally substandard single family ("college rental") homes, exposed and extensive subsurface bedrock, significant topography changes across the site, a lack of proper traffic control along Woodland Avenue, a comp plan requirement for a preservation area which limits development on approximately 3 acres of land, and the need to buffer a nearby single family neighborhood.

Benefits of Redevelopment

The redevelopment of BlueStone will meet the Higher Education Area Plan goals of a more walkable and livable community for the current neighborhoods surrounding Woodland School, and avoid blight that might result from a vacant and unused 120,000 square foot school building.

The 6 to 8 phases of BlueStone will create an estimated 100-150 construction jobs during each phase of construction at the site. Following construction, businesses and institutions located at the site will employ an estimated 50-60 full time workers and 70-80 part time workers.

The University of Minnesota, Duluth and the College of St. Scholastica will be more integrated into the community through additional classroom facilities created by the redevelopment of the Higher Education Phase. This development could possibly spur construction of the new "Grand Entrance" into UMD allowing better circulation between the colleges and the buildings of this redevelopment.

The redevelopment of the site will provide much needed market rate housing for students and individuals in close proximity to the University of Minnesota, Duluth and College of St. Scholastica. This will ease the pressure of "student rental conversions" put on surrounding single-family neighborhoods which were not built to serve as student rental housing.

The development of the site will also preserve a large 3 acre parcel of wooded area located at the site.

Need for Assistance

TIF assistance is needed in order to finance the development costs required for the redevelopment of the site. These costs include site preparation due to rock blasting and removal; the installation of public utilities including water, sewer and storm water systems; asbestos and miscellaneous environmental remediation; the installation of

streets, alleyways, lighted intersections, and other traffic control measures; Woodland Avenue landscaping upgrades; and the construction of surface parking lots and a parking deck to serve new retail, housing and the reuse of the Woodland School. This project will not be economically feasible given the costs and challenges associated with the redevelopment of the site, and, but for this tax increment assistance, this redevelopment cannot proceed.

Shown below is a numerical "But For" in which the City finds that the increased market value of a project not receiving tax increment financing assistance would be less than the increased market value of a project receiving tax increment financing assistance after deducting the present value of the projected tax increments for the maximum duration of the Proposed District.

NUMERICAL "BUT FOR"

ESTIMATED MARKET VALUE INCREASE FOR A DEVELOPMENT PROJECT WITHOUT TIF ASSISTANCE

Without tax increment assistance it is expected that the TIF District will be developed to include a 50 to 60 units of rental housing.

Estimated Market Value.....	\$ 10,897,200
Original Market Value.....	<u>\$ 4,897,200</u>
Increased Market Value.....	\$ 6,000,000

ESTIMATED MARKET VALUE INCREASE FOR A DEVELOPMENT PROJECT WITH TIF ASSISTANCE

With tax increment assistance it is proposed that the following construction in multiple phases would occur: 61,250 square feet of retail and 332 units of rental housing.

Estimated Market Value.....	\$ 74,123,320
Original Market Value.....	<u>\$ 4,897,200</u>
Increased Market Value.....	\$ 69,226,120
Less: Present Value of the Tax Increment generated at 6.0% for the duration of the Proposed district.....	<u>\$10,996,515</u>
Net Increased Market Value	<u>\$58,229,605</u>