

PLANNING AND ECONOMIC DEV COMMITTEE

14-0190R

RESOLUTION APPROVING A TAX INCREMENT FINANCING PLAN FOR THE LINCOLN PARK TAX INCREMENT FINANCING DISTRICT AS PROPOSED BY THE HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA.

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 therefor. The HRA has established the Lincoln Park Tax Increment Financing District (the "District") within Project Area No. 1 and adopted a tax increment financing plan (the "TIF Plan") therefor; all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.001 to 469.047 and Sections 469.174 to 469.1794, all inclusive, as amended (the "act"), all as reflected in the TIF Plan prepared by the HRA in accordance with the act and presented for the council's consideration.

1.02. The HRA has performed all actions required by law to be performed prior to the establishment of the District and the adoption and approval of the proposed TIF Plan, including, but not limited to, notification to St. Louis County and Independent School District No. 709 having taxing jurisdiction over the property to be included in the District, notification to each county commissioner who represents part of the area proposed to be included in the district, a review of and written comment on the TIF Plan by the city planning commission, approval of the TIF Plan by the HRA on February 25, 2014.

1.03 Pursuant to Section 469.175, Subdivision 3 of the TIF act, the HRA has requested the city to hold a public hearing on the TIF Plan and approve the TIF Plan, which hearing was held this day, at which the views of all interested parties were heard.

1.04. Certain written reports (the "reports") relating to the TIF Plan and

to the activities contemplated therein have heretofore been prepared by staff and consultants and submitted to the council and/or made a part of the city files and proceedings on the TIF Plan. The reports include data, information and/or substantiation constituting or relating to the basis for the other findings and determinations made in this resolution. The council hereby adopts the reports, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

Section 2. Findings for the establishment of Lincoln Park Tax Increment Financing District.

2.01. The council hereby finds, based on information contained in the TIF Plan, that the Lincoln Park Tax Increment Financing District is a "housing district" under Minnesota Statutes, Section 469.174, Subd. 11 of the act.

2.02. The council further finds, based on discussions with representatives of the HRA and on the information contained in the TIF Plan, that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, that the TIF Plan conforms to the general plan for the development or redevelopment of the city as a whole; and that 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 District by private enterprise.

2.03. The reasons and supporting facts for the above findings have been set forth in writing in Appendix F of the TIF Plan.

Section 3. Public Purpose.

3.01. The adoption of the TIF Plan 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 Appendix F of the TIF Plan, 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 4. Approval and adoption of the TIF Plan; designation of the District.

4.01. The TIF Plan, as presented to the council on this date, including without limitation the findings and statements of objectives contained therein, is hereby approved and shall be placed on file in the office of the HRA executive director.

4.02. The geographic boundaries of the District are as described in the TIF Plan, which is incorporated herein by reference.

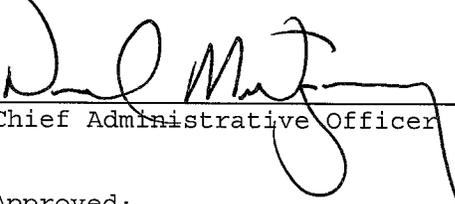
4.03 The District is designated a housing district as defined in Section 469.174, Subdivision 11 of the act.

Approved:



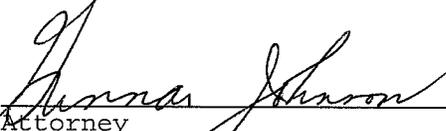
Department Director

Approved for presentation to council:



Chief Administrative Officer

Approved as to form:



Attorney

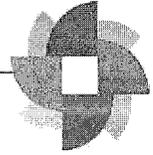
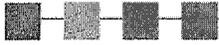
Approved:



Auditor

PLAN/ATTY JMC:de 04/07/2014

STATEMENT OF PURPOSE: This resolution approves the Tax Increment Financing Plan for the Lincoln Park 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 March 17, 2014
Draft for Public Hearing*

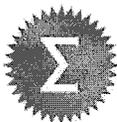
Tax Increment Financing Plan
for the establishment of
the Lincoln Park Tax Increment Financing District
(a housing district)

within

Project Area No. 1

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

Public Hearing: March 24, 2014
Adopted:



EHLERS

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Table of Contents
(for reference purposes only)

Section 1 - Tax Increment Financing Plan	
for the Lincoln Park Tax Increment Financing District	1-1
Subsection 1-1. Foreword	1-1
Subsection 1-2. Statutory Authority	1-1
Subsection 1-3. Statement of Objectives	1-1
Subsection 1-4. Redevelopment Plan Overview	1-1
Subsection 1-5. Description of Property in the District and Property To Be Acquired ..	1-1
Subsection 1-6. Classification of the District	1-2
Subsection 1-7. Duration and First Year of Tax Increment of the District	1-3
Subsection 1-8. Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity	
Value/Increment and Notification of Prior Planned Improvements	1-3
Subsection 1-9. Sources of Revenue/Bonds to be Issued	1-5
Subsection 1-10. Uses of Funds	1-5
Subsection 1-11. Business Subsidies	1-6
Subsection 1-12. County Road Costs	1-7
Subsection 1-13. Estimated Impact on Other Taxing Jurisdictions	1-7
Subsection 1-14. Supporting Documentation	1-9
Subsection 1-15. Definition of Tax Increment Revenues	1-9
Subsection 1-16. Modifications to the District	1-9
Subsection 1-17. Administrative Expenses	1-10
Subsection 1-18. Limitation of Increment	1-10
Subsection 1-19. Use of Tax Increment	1-11
Subsection 1-20. Excess Increments	1-12
Subsection 1-21. Requirements for Agreements with the Developer	1-12
Subsection 1-22. Assessment Agreements	1-12
Subsection 1-23. Administration of the District	1-13
Subsection 1-24. Annual Disclosure Requirements	1-13
Subsection 1-25. Reasonable Expectations	1-13
Subsection 1-26. Other Limitations on the Use of Tax Increment	1-13
Subsection 1-27. Summary	1-13
Appendix A	
Project Description	A-1
Appendix B	
Map(s) of Project Area No. 1 and the District	B-1
Appendix C	
Description of Property to be Included in the District	C-1
Appendix D	
Estimated Cash Flow for the District	D-1
Appendix E	
Housing Qualifications for the District	E-1
Appendix F	
Findings for the District	F-1

**Section 1 - Tax Increment Financing Plan
for the Lincoln Park Tax Increment Financing District**

Subsection 1-1. 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 Lincoln Park Tax Increment Financing District (the "District"), a housing tax increment financing district, located in Project Area No. 1.

Subsection 1-2. 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 469.1794*, inclusive, as amended (the "Tax Increment Financing Act" or "TIF Act"), to assist in financing public costs related to this project.

This section contains the Tax Increment Financing Plan (the "TIF Plan") for the District. Other relevant information is contained in the Modification to the Redevelopment Plan for Project Area No. 1.

Subsection 1-3. Statement of Objectives

The District currently consists of nine parcels of land and adjacent and internal rights-of-way. The District is being created to facilitate the construction of fifty rental units and approximately 45,100 square feet of commercial property in the City. Please see Appendix A for further District information. The HRA will enter into an agreement with Sherman Associates as the developer for construction commencement in 2014. This TIF Plan is expected to achieve many of the objectives outlined in the Redevelopment Plan for Project Area No. 1.

The activities contemplated in the Modification to the Redevelopment 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 1-4. Redevelopment Plan Overview

1. Property to be Acquired - Selected 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 1-5. Description of Property in the District and Property To Be Acquired

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

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 1-6. 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 nine parcels.
- The development will consist of 50 units of multi-family rental housing
- 40% of the units will be occupied by person with incomes less than 60% of median income
- The provisions of *M.S., Section 469.176, Subd. 1a(2)* do not apply, as this district is located in a targeted area as defined in *Section 462C.02, Subd. 9, clause (e)*.

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 1-7. 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 or City (a total of 26 years of tax increment). The HRA or City elects to receive the first tax increment in 2016, 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 2041, or when the TIF Plan is satisfied. The HRA or City reserves the right to decertify the District prior to the legally required date.

Subsection 1-8. 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 2013 for taxes payable 2014.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2016) 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 2014, assuming the request for certification is made before June 30, 2014. 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 2016. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Estimated Tax Capacity upon Completion (PTC)	\$77,042	
Original Estimated Net Tax Capacity (ONTC)	\$5,885	
Estimated Captured Tax Capacity (CTC)	\$71,157	
Original Local Tax Rate	1.36214	Pay 2013
Estimated Annual Tax Increment (CTC x Local Tax Rate)	\$96,926	
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 one is estimated to be \$36,796.

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 City has reviewed the area to be included in the District and found no parcels for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.

Subsection 1-9. 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 or City 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 and interfund loan. Any refunding amounts will be deemed a budgeted cost without a formal TIF Plan Modification. This provision does not obligate the HRA or City to incur debt. The HRA or City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

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

<u>SOURCES OF FUNDS</u>	<u>TOTAL</u>
Tax Increment	\$1,718,000
<u>Interest</u>	<u>\$171,800</u>
TOTAL	\$1,889,800

The HRA or City may issue bonds (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of \$1,180,557. 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 1-10. Uses of Funds

Currently under consideration for the District is a proposal to facilitate the construction of fifty rental units and approximately 45,100 square feet of commercial property. The HRA and City have determined that it will be necessary to provide assistance to the projects 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 following table.

<u>USES OF TAX INCREMENT FUNDS</u>	<u>TOTAL</u>
Land/Building Acquisition	\$100,000
Site Improvements/Preparation	\$150,000
Utilities	\$100,000
Other Qualifying Improvements	\$658,757
<u>Administrative Costs (up to 10%)</u>	<u>\$171,800</u>
PROJECT COST TOTAL	\$1,180,557
<u>Interest</u>	\$709,243
PROJECT AND INTEREST COSTS TOTAL	\$1,889,800

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 1-11. Business Subsidies

Pursuant to *M.S., Section 116J.993, Subd. 3*, the following forms of financial assistance are not considered a business subsidy:

- (1) A business subsidy of less than \$150,000;
- (2) Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) Public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) Redevelopment property polluted by contaminants as defined in *M.S., Section 116J.552, Subd. 3*;
- (5) Assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50% of the total cost;
- (6) Assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- (7) Assistance for housing;
- (8) Assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under *M.S., Section 469.174, Subd. 23*;
- (9) Assistance for energy conservation;
- (10) Tax reductions resulting from conformity with federal tax law;
- (11) Workers' compensation and unemployment compensation;
- (12) Benefits derived from regulation;
- (13) Indirect benefits derived from assistance to educational institutions;
- (14) Funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and

- bonds issued for the benefit of an organization described in section 501 (c) (3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- (15) Assistance for a collaboration between a Minnesota higher education institution and a business;
 - (16) Assistance for a tax increment financing soils condition district as defined under *M.S., Section 469.174, Subd. 19*;
 - (17) Redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
 - (18) General changes in tax increment financing law and other general tax law changes of a principally technical nature;
 - (19) Federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
 - (20) Funds from dock and wharf bonds issued by a seaway port authority;
 - (21) Business loans and loan guarantees of \$150,000 or less;
 - (22) Federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and
 - (23) Property tax abatements granted under *M.S., Section 469.1813* to property that is subject to valuation under Minnesota Rules, chapter 8100.

The HRA will comply with *M.S., Sections 116J.993 to 116J.995* to the extent the tax increment assistance under this TIF Plan does not fall under any of the above exemptions.

Subsection 1-12. County Road Costs

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

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

Subsection 1-13. 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 or City has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is \$0. The estimated fiscal impact of the District would be as follows if the "but for" test was not met:

IMPACT ON TAX BASE

	<u>Pay 2013 Total Net Tax Capacity</u>	<u>Estimated Captured Tax Capacity (CTC) Upon Completion</u>	<u>Percent of CTC to Entity Total</u>
St. Louis County	158,334,597	71,157	0.0449%
City of Duluth	58,518,817	71,157	0.1216%
Duluth Schools ISD No. 709	65,599,036	71,157	0.1085%

IMPACT ON TAX RATES

	<u>Pay 2013 Extension Rates</u>	<u>Percent of Total</u>	<u>CTC</u>	<u>Potential Taxes</u>
St. Louis County	0.638700	46.89%	71,157	45,448
City of Duluth	0.331980	24.37%	71,157	23,623
Duluth Schools ISD No. 709	0.329660	24.20%	71,157	23,458
Other	<u>0.061800</u>	<u>4.54%</u>	<u>71,157</u>	<u>4,398</u>
Total	1.362140	100.00%		96,926

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the actual Pay 2013 rate. The total net capacity for the entities listed above are based on actual Pay 2013 figures. The District will be certified under the actual Pay 2014 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 \$1,718,000;
- (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 or businesses, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment.

The probable impact of the District on fire protection is not expected to be significant. Typically new buildings generate few calls, if any, and are of superior construction. The existing buildings, which will be eliminated by the new development, have public safety concerns that include several unprotected old buildings with issues such as access, hydrant locations, and converted structures.

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 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 \$415,756;
- (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 \$805,570;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S. Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

No requests for additional information from the county or school district regarding the proposed development for the District have been received.

Subsection 1-14. 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 City that support the HRA and City's findings:

- 2000 At Home in Duluth Initiative
- May 2012 Lincoln Park Neighborhood Revitalization Plan

Subsection 1-15. 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 1-16. 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 or City must notify the County Auditor of any modification to the District. Modifications to the District in the form of a budget modification or an expansion of the boundaries will be recorded in the TIF Plan.

Subsection 1-17. Administrative Expenses

In accordance with *M.S., Section 469.174, Subd. 14*, administrative expenses means all expenditures of the HRA or City, *other than*:

1. Amounts paid for the purchase of land;
2. Amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the District;
3. Relocation benefits paid to or services provided for persons residing or businesses located in the District; 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 or City 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 1-18. 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 2018 and report such actions to the County Auditor.

Subsection 1-19. Use of Tax Increment

The HRA or City hereby determines that it will use 100 percent of the captured net tax capacity of taxable property located in the District for the following purposes:

1. To pay the principal of and interest on bonds issued to finance a project;
2. to finance, or otherwise pay 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 City 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 or City 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 or City will pay to the developer(s) annually an amount not to exceed an amount as specified in a developer's agreement to reimburse the costs of land acquisition, public improvements, demolition and relocation, site preparation, and administration. Remaining increment funds will be used for HRA or City administration (up to 10 percent) and for the costs of public improvement activities outside the District.

Subsection 1-20. 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 or City must spend or return the excess increments under paragraph (c) within nine months after the end of the year. In addition, the HRA or City 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 1-21. Requirements for Agreements with the Developer

The HRA or City 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 or City to demonstrate the conformance of the development with City plans and ordinances. The HRA or City may also use the Agreements to address other issues related to the development.

Pursuant to *M.S., Section 469.176, Subd. 5*, no more than 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 or City as a result of acquisition with the proceeds of bonds issued pursuant to *M.S., Section 469.178* to which tax increments from property acquired is pledged, unless prior to acquisition in excess of 10 percent of the acreage, the HRA or City concluded an agreement for the development of the property acquired and which provides recourse for the HRA or City should the development not be completed.

Subsection 1-22. Assessment Agreements

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

Subsection 1-23. Administration of the District

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

Subsection 1-24. 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 1-25. 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 1-26. 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 1-27. 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 & Associates, Inc., 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, telephone (651) 697-8500.

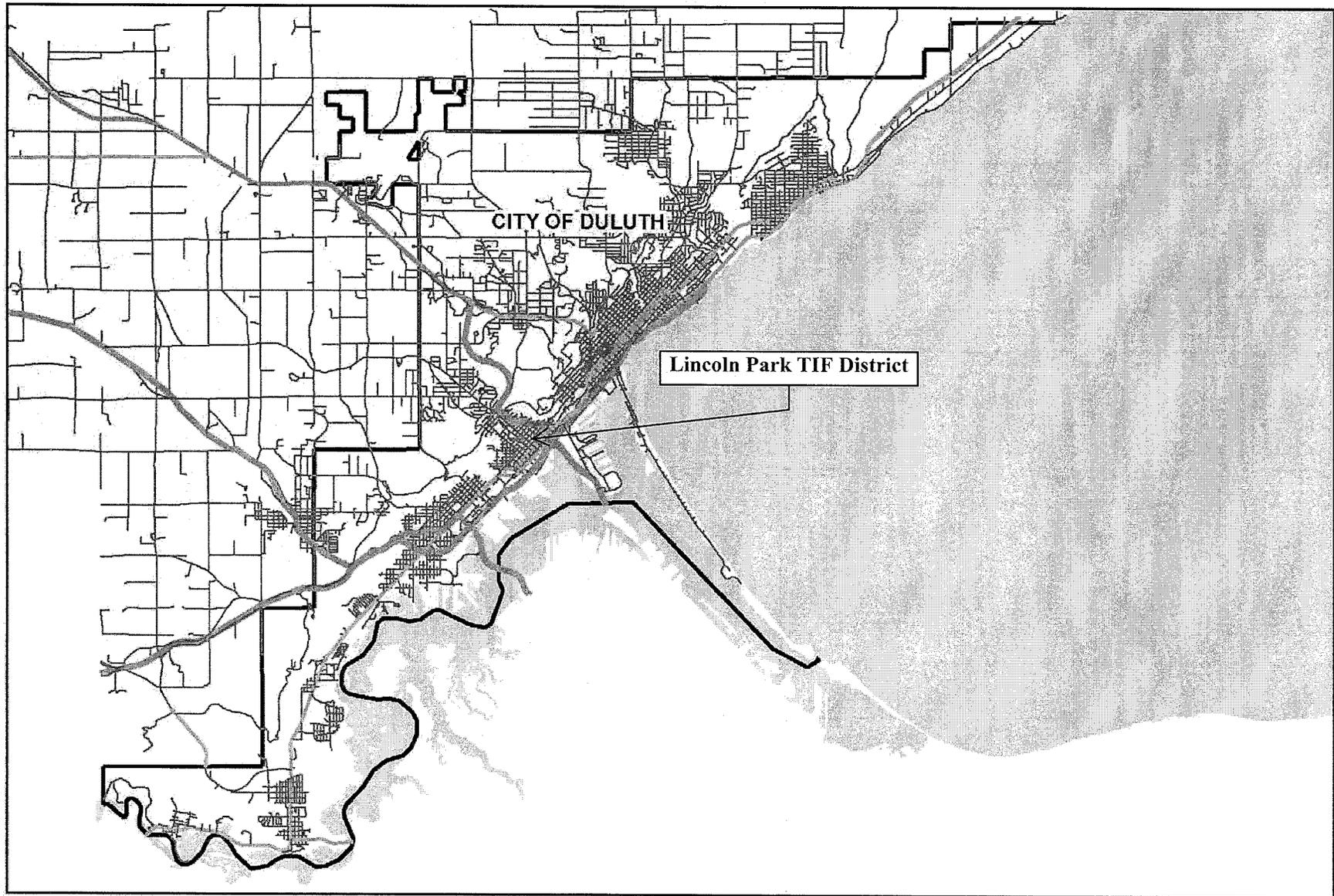
Appendix A

Project Description

Lincoln Park Apartments is the adaptive reuse of the Lincoln Park School building in West Duluth. The project will include 50 units of affordable housing for families, including 7 units designated for households experiencing long-term homelessness. 68,600 square feet of the building will be renovated into housing and the balance of the space will be operated as commercial space.

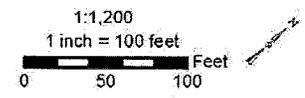
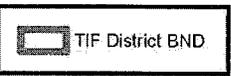
Appendix B

Maps of Project Area No. 1 and the District



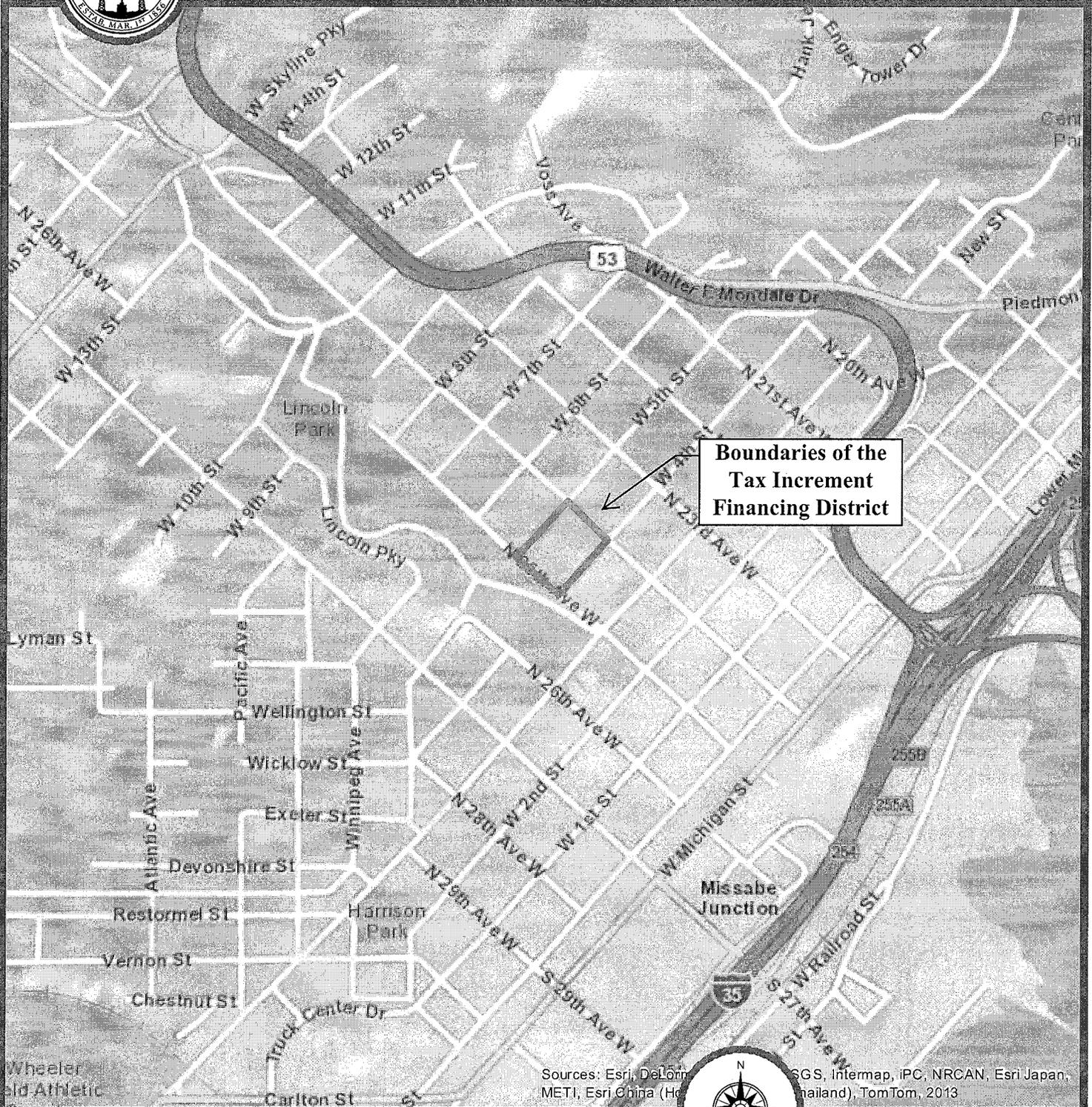
The boundaries of Project Area No. 1 are coterminous with the corporate boundaries of the City of Duluth.

Proposed TIF District Overview Map





Lincoln Park Tax Increment Financing District Project Area No. 1



**Boundaries of the
Tax Increment
Financing District**

Sources: Esri, DeLorme, Garmin, IGN, Intermap, iPC, NRCAN, Esri Japan, METI, Esri China (Hong Kong), Swisstopo, Esri Korea, Esri (Thailand), TomTom, 2013



Lincoln Park Tax Increment Financing District Project Area No. 1 City of Duluth St. Louis County, Minnesota

Appendix C

Description of Property to be Included in the District

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

<u>Parcel Numbers</u>	<u>Address</u>	<u>Owner</u>
010-1180-03510		
010-1180-03610		
010-1180-03620		
010-1180-03630		
010-1180-03430		
010-1180-03450		
010-1180-03470		
010-1180-03475		
010-1180-03490		

Appendix D

Estimated Cash Flow for the District



Lincoln Park Redevelopment

Duluth HRA

50 Rental Units and 45,091 sq/ft of Commercial

ASSUMPTIONS AND RATES

DistrictType:	Housing	Maximum/Frozen Local Tax Rate:	136.214%	Pay 2013
District Name/Number:		Current Local Tax Rate: (Use lesser of Current or Max.)	136.214%	Pay 2013
County District #:		State-wide Tax Rate (Comm./Ind. only used for total taxes)	52.5230%	Pay 2013
First Year Construction or Inflation on Value	2014	Market Value Tax Rate (Used for total taxes)	0.13527%	Pay 2013
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-14	First \$150,000	1.50%	
First Period Ending	1-Feb-15	Over \$150,000	2.00%	
Tax Year District was Certified:	Pay 2014	Commercial Industrial Class Rate (C/I)	2.00%	
Cashflow Assumes First Tax Increment For Development:	2016	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	2041	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	0.0000%	Over \$500,000	1.25%	
Fiscal Disparities Metro-Wide Tax Rate	153.4910%	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	010-1180-03510			196,200	334,600	530,800	60%	318,480	Pay 2014	Exempt	-	Aff. Rental	2,389	
2	010-1180-03610			0	0	0	100%	0	Pay 2014		-		-	
3	010-1180-03620			0	0	0	100%	0	Pay 2014		-		-	
4	010-1180-03630			0	0	0	100%	0	Pay 2014		-		-	
5	010-1180-03430			0	0	0	100%	0	Pay 2014		-		-	
6	010-1180-03450			0	0	0	100%	0	Pay 2014		-		-	
7	010-1180-03470			0	0	0	100%	0	Pay 2014		-		-	
8	010-1180-03475			0	0	0	100%	0	Pay 2014		-		-	
9	010-1180-03490			0	0	0	100%	0	Pay 2014		-		-	
1	010-1180-03510			196,200	334,600	530,800	40%	212,320	Pay 2014	Exempt	-	C/I Pref.	3,496	
2	010-1180-03610			0	0	0	100%	0	Pay 2014		-		-	
3	010-1180-03620			0	0	0	100%	0	Pay 2014		-		-	
4	010-1180-03630			0	0	0	100%	0	Pay 2014		-		-	
5	010-1180-03430			0	0	0	100%	0	Pay 2014		-		-	
6	010-1180-03450			0	0	0	100%	0	Pay 2014		-		-	
7	010-1180-03470			0	0	0	100%	0	Pay 2014		-		-	
8	010-1180-03475			0	0	0	100%	0	Pay 2014		-		-	
9	010-1180-03490			0	0	0	100%	0	Pay 2014		-		-	
				392,400	669,200	1,061,600		530,800			0		5,885	

Note:

1. Base values are based upon discussions with Assessor on 5-30-13 (since property is currently tax exempt)
2. Just placed value of all 9 parcels on 1st parcel since didn't have detailed breakdown yet from assessor.

3. 60% of building is apartment and remaining is commercial



Lincoln Park Redevelopment
 Duluth HRA
 50 Rental Units and 45,091 sq/ft of Commercial

PROJECT INFORMATION (Project Tax Capacity)													
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2014	Percentage Completed 2015	Percentage Completed 2016	Percentage Completed 2017	First Year Full Taxes Payable
	Apartments	40,000	40,000	50	2,000,000	Aff. Rental	15,000	300	100%	100%	100%	100%	2016
	Commercial	25	25	45,091	1,127,275	C/I Pref.	21,796	0	100%	100%	100%	100%	2016
TOTAL					3,127,275		36,796						
Subtotal Residential				50	2,000,000		15,000						
Subtotal Commercial/Ind.				45,091	1,127,275		21,796						

Note:

- Market values are based upon estimates from discussions with City Assessor on 5-30-13.
- 60% of building is apartment and remaining is commercial

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	15,000	0	15,000	20,432	0	0	2,705	23,138	462.75
Commercial	21,796	0	21,796	29,689	0	11,448	1,525	42,661	0.95
TOTAL	36,796	0	36,796	50,121	0	11,448	4,230	65,799	

Note:

- 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	65,799
less State-wide Taxes	(11,448)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(4,230)
less Base Value Taxes	(8,016)
Annual Gross TIF	42,104


EHLERS
 LEADERS IN PUBLIC FINANCE
Lincoln Park Redevelopment
Duluth HRA

50 Rental Units and 45,091 sq/ft of Commercial

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
														02/01/15
														08/01/15
														02/01/16
100%	36,796	(5,885)	-	30,911	136.214%	42,104	21,052	(76)	(2,098)	18,879	17,441	0.5	2016	08/01/16
							21,052	(76)	(2,098)	18,879	34,540	1	2016	02/01/17
100%	37,899	(5,885)	-	32,014	136.214%	43,608	21,804	(78)	(2,173)	19,553	51,903	1.5	2017	08/01/17
							21,804	(78)	(2,173)	19,553	68,925	2	2017	02/01/18
100%	39,036	(5,885)	-	33,151	136.214%	45,157	22,578	(81)	(2,250)	20,247	86,206	2.5	2018	08/01/18
							22,578	(81)	(2,250)	20,247	103,148	3	2018	02/01/19
100%	40,207	(5,885)	-	34,322	136.214%	46,752	23,376	(84)	(2,329)	20,963	120,344	3.5	2019	08/01/19
							23,376	(84)	(2,329)	20,963	137,204	4	2019	02/01/20
100%	41,414	(5,885)	-	35,529	136.214%	48,395	24,198	(87)	(2,411)	21,699	154,314	4.5	2020	08/01/20
							24,198	(87)	(2,411)	21,699	171,088	5	2020	02/01/21
100%	42,656	(5,885)	-	36,771	136.214%	50,087	25,044	(90)	(2,495)	22,458	188,109	5.5	2021	08/01/21
							25,044	(90)	(2,495)	22,458	204,795	6	2021	02/01/22
100%	43,936	(5,885)	-	38,051	136.214%	51,830	25,915	(93)	(2,582)	23,240	221,724	6.5	2022	08/01/22
							25,915	(93)	(2,582)	23,240	238,321	7	2022	02/01/23
100%	45,254	(5,885)	-	39,369	136.214%	53,626	26,813	(97)	(2,672)	24,045	255,156	7.5	2023	08/01/23
							26,813	(97)	(2,672)	24,045	271,661	8	2023	02/01/24
100%	46,611	(5,885)	-	40,726	136.214%	55,475	27,738	(100)	(2,764)	24,874	288,401	8.5	2024	08/01/24
							27,738	(100)	(2,764)	24,874	304,812	9	2024	02/01/25
100%	48,010	(5,885)	-	42,125	136.214%	57,380	28,690	(103)	(2,859)	25,728	321,454	9.5	2025	08/01/25
							28,690	(103)	(2,859)	25,728	337,769	10	2025	02/01/26
100%	49,450	(5,885)	-	43,565	136.214%	59,342	29,671	(107)	(2,956)	26,608	354,312	10.5	2026	08/01/26
							29,671	(107)	(2,956)	26,608	370,530	11	2026	02/01/27
100%	50,934	(5,885)	-	45,049	136.214%	61,362	30,681	(110)	(3,057)	27,514	386,972	11.5	2027	08/01/27
							30,681	(110)	(3,057)	27,514	403,091	12	2027	02/01/28
100%	52,462	(5,885)	-	46,577	136.214%	63,444	31,722	(114)	(3,161)	28,447	419,430	12.5	2028	08/01/28
							31,722	(114)	(3,161)	28,447	435,449	13	2028	02/01/29
100%	54,035	(5,885)	-	48,150	136.214%	65,588	32,794	(118)	(3,268)	29,408	451,684	13.5	2029	08/01/29
							32,794	(118)	(3,268)	29,408	467,601	14	2029	02/01/30
100%	55,656	(5,885)	-	49,771	136.214%	67,796	33,898	(122)	(3,378)	30,398	483,732	14.5	2030	08/01/30
							33,898	(122)	(3,378)	30,398	499,546	15	2030	02/01/31
100%	57,326	(5,885)	-	51,441	136.214%	70,070	35,035	(126)	(3,491)	31,418	515,570	15.5	2031	08/01/31
							35,035	(126)	(3,491)	31,418	531,280	16	2031	02/01/32
100%	59,046	(5,885)	-	53,161	136.214%	72,413	36,206	(130)	(3,608)	32,468	547,197	16.5	2032	08/01/32
							36,206	(130)	(3,608)	32,468	562,801	17	2032	02/01/33
100%	60,817	(5,885)	-	54,932	136.214%	74,826	37,413	(135)	(3,728)	33,550	578,610	17.5	2033	08/01/33
							37,413	(135)	(3,728)	33,550	594,108	18	2033	02/01/34
100%	62,642	(5,885)	-	56,757	136.214%	77,311	38,655	(139)	(3,852)	34,665	609,807	18.5	2034	08/01/34
							38,655	(139)	(3,852)	34,665	625,199	19	2034	02/01/35
100%	64,521	(5,885)	-	58,636	136.214%	79,871	39,935	(144)	(3,979)	35,812	640,788	19.5	2035	08/01/35
							39,935	(144)	(3,979)	35,812	656,072	20	2035	02/01/36
100%	66,457	(5,885)	-	60,572	136.214%	82,507	41,254	(149)	(4,111)	36,995	671,550	20.5	2036	08/01/36
							41,254	(149)	(4,111)	36,995	686,725	21	2036	02/01/37
100%	68,450	(5,885)	-	62,565	136.214%	85,223	42,611	(153)	(4,246)	38,212	702,093	21.5	2037	08/01/37
							42,611	(153)	(4,246)	38,212	717,158	22	2037	02/01/38
100%	70,504	(5,885)	-	64,619	136.214%	88,020	44,010	(158)	(4,385)	39,466	732,414	22.5	2038	08/01/38
							44,010	(158)	(4,385)	39,466	747,370	23	2038	02/01/39
100%	72,619	(5,885)	-	66,734	136.214%	90,901	45,451	(164)	(4,529)	40,758	762,513	23.5	2039	08/01/39
							45,451	(164)	(4,529)	40,758	777,359	24	2039	02/01/40
100%	74,798	(5,885)	-	68,913	136.214%	93,869	46,934	(169)	(4,677)	42,089	792,389	24.5	2040	08/01/40
							46,934	(169)	(4,677)	42,089	807,124	25	2040	02/01/41
100%	77,042	(5,885)	-	71,157	136.214%	96,925	48,463	(174)	(4,829)	43,459	822,041	25.5	2041	08/01/41
							48,463	(174)	(4,829)	43,459	836,665	26	2041	02/01/42
Total							1,723,881	(6,206)	(171,768)	1,545,908				
					Present Value Rate 4.00%		932,986	(3,359)	(92,963)	836,665				

Appendix E

Housing Qualifications for the District

INCOME RESTRICTIONS - ADJUSTED FOR FAMILY SIZE (HOUSING DISTRICT) - St. Louis County St. Louis County MEDIAN INCOME: \$69,600		
No. of Persons	50% of Median Income	60% of Median Income
1-person	\$22,550	\$27,060
2-person	\$25,750	\$30,900
3-person	\$28,950	\$34,740
4-person	\$35,365	\$38,580

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 2014.

Appendix F

Findings for the District

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

1. *Finding that Lincoln Park Tax Increment Financing District is a housing district as defined in M.S., Section 469.174, Subd. 11.*

Lincoln Park TIF District consists of nine parcels. The project is an adaptive reuse of the Lincoln Park school building and will contain a mix of uses including 50 units of housing and approximately 45,000 square feet of commercial space. The housing portion of the project will receive tax increment assistance and will meet income restrictions described in *M.S. 469.1761*. At least 40 percent of the units 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 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, 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, redevelopment and the creation of affordable housing in the community. The cost to rehabilitate the school building as a productive reuse (school or office) is equally prohibitive without assistance. In addition, the cost to acquire the site and rehabilitate the existing school building for housing is more costly than constructing new housing. This high cost of construction, relative to the expected rental income, and the Minnesota Housing Finance Agency's requirement for a local match, means assistance is needed, in part, from tax increment financing in order to be feasible. 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.

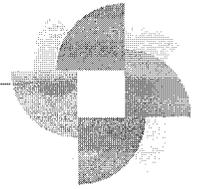
The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan: This finding is justified on the grounds that the cost to rehabilitate the school building as any type of productive reuse is prohibitive. Historically, redevelopment of existing buildings for reuse have made development infeasible without tax increment assistance. 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 Lincoln Park 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 that the TIF Plan for Lincoln Park 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.



Tax Increment Financing District Overview

Duluth HRA

Lincoln Park Tax Increment Financing District

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

Proposed action:	Establishment of the Lincoln Park Tax Increment Financing District (the "District") and the adoption of a Tax Increment Financing Plan (the "TIF Plan").	
Type of TIF district:	A housing district	
Parcels:	010-1180-03510	010-1180-03610
	010-1180-03620	010-1180-03630
	010-1180-03430	010-1180-03450
	010-1180-03470	010-1180-03475
	010-1180-03490	
Proposed development:	The TIF District is being created to facilitate the rehabilitation of the former Lincoln School into fifty affordable rental units and approximately 45,100 square feet of commercial property. At a minimum, 40% of the units will be affordable to persons at or below the Area Median Income (AMI).	
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 date of receipt by the City of the first tax increment is expected to be 2016. It is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after December 31, 2041, or when the TIF Plan is satisfied.	
Estimated annual tax increment:	Up to \$96,925	



Authorized uses:	The TIF Plan contains a budget that authorizes the maximum amount that may be expended:																
	<table border="0"> <tr> <td>Land/Building Acquisition.....</td> <td>\$100,000</td> </tr> <tr> <td>Site Improvements/Preparation</td> <td>\$150,000</td> </tr> <tr> <td>Utilities.....</td> <td>\$100,000</td> </tr> <tr> <td>Other Qualifying Improvements</td> <td>\$658,757</td> </tr> <tr> <td><u>Administrative Costs (up to 10%).....</u></td> <td><u>\$171,800</u></td> </tr> <tr> <td>PROJECT COSTS TOTAL</td> <td>\$1,180,557</td> </tr> <tr> <td><u>Interest.....</u></td> <td><u>\$709,243</u></td> </tr> <tr> <td>PROJECT COSTS TOTAL</td> <td>\$1,889,800</td> </tr> </table>	Land/Building Acquisition.....	\$100,000	Site Improvements/Preparation	\$150,000	Utilities.....	\$100,000	Other Qualifying Improvements	\$658,757	<u>Administrative Costs (up to 10%).....</u>	<u>\$171,800</u>	PROJECT COSTS TOTAL	\$1,180,557	<u>Interest.....</u>	<u>\$709,243</u>	PROJECT COSTS TOTAL	\$1,889,800
Land/Building Acquisition.....	\$100,000																
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Other Qualifying Improvements	\$658,757																
<u>Administrative Costs (up to 10%).....</u>	<u>\$171,800</u>																
PROJECT COSTS TOTAL	\$1,180,557																
<u>Interest.....</u>	<u>\$709,243</u>																
PROJECT COSTS TOTAL	\$1,889,800																

See 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 to the developer and an interfund loan for administrative costs to the HRA (approved on March 26, 2013).
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Administrative fee:	Up to 10% of annual increment, if costs are justified.
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4 Year Activity Rule (§ 469.176 Subd. 6)	<p>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:</p> <ul style="list-style-type: none"> • Demolition • Rehabilitation • Renovation • Other site preparation (not including utility services such as sewer and water) <p>If the activity has not been started by approximately March 2018, no additional tax increment may be taken from that parcel until the commencement of a qualifying activity.</p>
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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.



