

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

13-0575R

RESOLUTION OF THE CITY OF DULUTH, MINNESOTA APPROVING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 17 AND A TAX INCREMENT FINANCING PLAN FOR TAX FINANCING DISTRICT NO. 26 IN DEVELOPMENT DISTRICT NO. 17.

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 Council desires to promote redevelopment, specifically the area located in the City's central business district generally bounded by Superior Street, Fourth Avenue West, Fifth Avenue West and First Alley, plus the Duluth News Tribune Warehouse parcel located on First Street (the "Project Site"). Maurices, Incorporated, has proposed to acquire the Project Site, demolish the existing structures and construct a 185,000 square foot office building with an additional 15,000 square feet of retail space, and the City will cause to be constructed a public parking facility and skywalks in and adjacent to such development project (the "Project").

1.02 In order to promote redevelopment, the City has previously established Development District No. 17 pursuant to Minnesota Statutes, Sections 469.124 through 469.133 (the "Development District Act"), and adopted a Development Program for such district. The City proposes to modify the Development Program for Development District No. 17, but not the boundaries, and to establish Tax Financing District No. 26 (the "TIF District") within Development District No. 17 and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor, pursuant to Minnesota Statutes, Sections 469.174 through 469.1794 (the "TIF Act"), to provide assistance in developing the Project and encouraging investment in Development District No. 17. The proposed Project lies within Development District No. 17 and the TIF District. The City has prepared the TIF Plan in accordance with the TIF Act.

1.03 Pursuant to the Development District Act and Section 469.175, Subdivision 3 of the TIF Act, the City held a public hearing on the modification of the Development Program and the TIF Plan on November 25, 2013, at which the views of all interested parties were heard.

1.04 Pursuant to Section 469.175, Subdivision 2a of the TIF Act, the City has delivered written notice of the TIF District to the County Commissioner who represents the area proposed to be included within the TIF District. The notice contained a general description of the TIF District, the proposed activities to be financed by the TIF District, and an offer to meet and discuss the TIF District along with a solicitation of such Commissioner's comments with respect to the TIF District.

1.05 Pursuant to Section 469.175, Subdivision 2 of the TIF Act, the City has provided the St. Louis County Auditor and the Clerk of the School Board of Independent School District No. 709 with a copy of the proposed TIF Plan, which includes the City's estimate of the fiscal and economic implications of the proposed TIF District.

1.06 Certain written reports (the "Reports") relating to the modification of the Development Program and the TIF Plan (the "Plans") 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 Plans. The Reports, including the redevelopment qualifications reports and planning documents, include data, information and/or substantiation constituting or relating to the basis for the other findings and determinations made in the resolution. The Council hereby confirms, ratifies and 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.

1.07 After investigation of the facts, the Council is of the opinion that: it is necessary for the sound and orderly development of Development District No. 17 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

Development District Act and the TIF Act (the "Acts") be exercised by the City to provide public financial assistance to the Project; proper development of Development District No. 17 in accordance with the City's long range plans is essential to the economic viability of the Project, the economic well-being of the City and its residents and the orderly development of the City; it is necessary for the orderly and beneficial development of Development District No. 17 to provide for the cost of certain improvements within the TIF District, including acquiring properties containing structurally substandard buildings or improvements, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition, clearing of land, installation of utilities, streets and sidewalks and parking facilities; there is a need for redevelopment within Development District No. 17 to provide retention of and creation of employment opportunities for residents of the City, the surrounding communities and the State of Minnesota (the "State"), to improve the tax base of the City and the State, to improve the general economy of the City and the State, and to provide other facilities as identified in the Plans; creation of the TIF District 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; that the TIF District is intended and, in the judgment of the Council, its effect will be to promote the public purposes and accomplish the objectives specified in the TIF Plan, which are all consistent with the efforts already made for the development within Development District No. 17.

1.08 The Council has fully reviewed the contents of the modification to the Development Program of Development District No. 17 and the TIF Plan, which are incorporated herein.

Section 2. Intent. It is declared to be the intent of the City that the City use the powers of the Acts to achieve the objectives thereof.

Section 3. Approval of the Modification of the Development Plan. The Council approves the modification of the Development Plan for Development District No. 17 and hereby finds that such modification is consistent with and

will further the goals and objectives of the Development Program for Development District No. 17.

Section 4. Findings for the Establishment of Tax Increment Financing District No. 26.

4.01 The Council hereby finds that the TIF District is in the public interest and is a "redevelopment district" under Minnesota Statutes, Section 469.174, Subd. 10(a)(1).

4.02 The Council further finds that the proposed redevelopment would not occur solely through private investment within the reasonably foreseeable future and that the increased market value of the Project Site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the 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, that the Plans conform to the general plan for the development or redevelopment of the City as a whole; and that the Plans will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development or redevelopment of the TIF District by private enterprise.

4.03 The Council further finds, declares and determines that the findings stated in this Section are based on the reasons and supporting facts for each determination, as follows:

A. The TIF District consists of three parcels, each occupied with buildings and/or parking areas, with plans to redevelop the Project Site with a building containing approximately 185,000 square feet of office space, approximately 15,000 square feet of retail space, a public parking facility with approximately 500 parking spaces and public skywalks. At least 70% of the area of the parcels in the TIF District is occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures, and more than 50% of the buildings in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. (See

Appendix F of the TIF Plan.)

B. The proposed development, in the opinion of the Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. The Project Site is occupied by three buildings. The proposed development will require (i) acquisition of the Project Site, (ii) demolition and clearance of the Project Site, and (iii) construction of the public parking facility and skywalk system in and adjacent to the Project Site. The development of the office and retail space would not occur without an \$8,500,000 grant from the State of Minnesota and the tax increment generated from the proposed development. It is noted that redevelopment of property within the City does not generally occur without public assistance, as development costs are significantly less on green field sites.

C. 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 redevelopment 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:

(i) The City and the Council estimate that the amount by which the market value of the entire TIF District would increase without the use of tax increment financing is in an amount from \$0 to some modest amount of land value appreciation.

(ii) If the Project is constructed in the TIF District, the total increase in market value is estimated to be \$15,817,400 from its current market value of \$2,512,600 to an estimated market value of \$18,330,000 upon completion of the Project.

(iii) The present value of the tax increments from the TIF District for the maximum duration of the TIF District permitted by the TIF Plan is estimated to be \$9,622,986.

(iv) Even if some development other than the proposed Project

were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$6,194,414 (the amount of subparagraph (ii) less the amount of subparagraph (iii) above) without tax increment assistance.

D. Based on information contained in the TIF Plan, the TIF Plan conforms to the general plan for the redevelopment of the City as a whole. The Council finds that adoption of the TIF Plan would encourage redevelopment in the City, provide economic opportunities, improve the tax base and improve the general economy of the City and the State.

E. Based on information contained in the Plans, the Plans will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the redevelopment of Development District No. 17 by private enterprise.

4.04 Pursuant to Section 469.175, Subd. 1(b) of the TIF Act, the Council elects to receive the first tax increment from the TIF District in 2017, which is no later than four years following the year of approval of the TIF District.

Section 5. Public Purpose. The adoption of the Plans conforms in all respects to the requirements of the Development District Act and the TIF Act and will help fulfill a need to develop an area of the City which is already built up, to provide employment 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 Section 4, 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 6. Approval and Adoption of the Plans.

6.01 The Plans, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established and adopted and shall be placed on

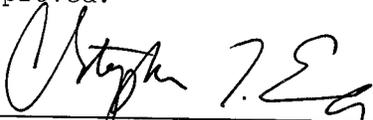
file in the office of the City Clerk.

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

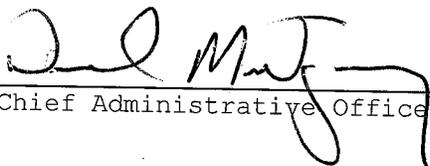
6.03 The Auditor of St. Louis County is requested to certify the original net tax capacity of the TIF District, as described in the Plans, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased; and the City Clerk is authorized and directed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

6.04 The City Clerk is further authorized and directed to file a copy of the Plans with the Commissioner of the Minnesota Department of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes 469.175, Subd. 4a.

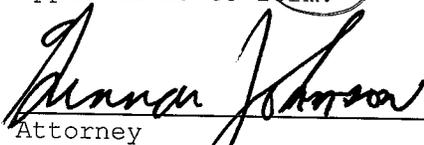
Approved:

  
\_\_\_\_\_  
Department Director

Approved for presentation to council:

  
\_\_\_\_\_  
Chief Administrative Officer

Approved as to form:

  
\_\_\_\_\_  
Attorney

Approved:

  
\_\_\_\_\_  
Auditor

BD CE:bel 11/18/2013

STATEMENT OF PURPOSE: The purpose of this resolution is to make the findings and approve the modification of the Development Program for Development District No. 17 and the Tax Increment Financing Plan for Tax Increment Financing District No. 26, in connection with the proposed corporate tower project by Maurices, Incorporated.



*As of November 18, 2013  
Draft for Public Hearing*

**Modification to the Development Program  
for Development District No. 17**

**and the**

**Tax Increment Financing Plan**

**for the establishment of**

**Tax Increment Financing District No. 26  
(a redevelopment district)**

**within**

**Development District No. 17**

City of Duluth  
St. Louis County  
State of Minnesota

Public Hearing: November 25, 2013  
Adopted:



**EHLERS**

Prepared by: EHLERS & ASSOCIATES, INC.  
3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105  
651-697-8500 fax: 651-697-8555 www.ehlers-inc.com

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**Section 1 - Modification to the Development Program  
for Development District No. 17**

**Foreword**

The following text represents a Modification to the Development Program for Development District No. 17. This modification represents a continuation of the goals and objectives set forth in the Development Program for Development District No. 17. Generally, the substantive changes include the establishment of Tax Increment Financing District No. 26.

For further information, a review of the Development Program for Development District No. 17 is recommended. It is available from the Director of Business and Economic Development at the City of Duluth. Other relevant information is contained in the Tax Increment Financing Plans for the Tax Increment Financing Districts located within Development District No. 17.

## **Section 2 - Tax Increment Financing Plan for Tax Increment Financing District No. 26**

### **Subsection 2-1. Foreword**

The City of Duluth (the "City"), staff and consultants have prepared the following information to expedite the establishment of Tax Increment Financing District No. 26 (the "District"), a redevelopment tax increment financing district, located in Development District No. 17.

### **Subsection 2-2. Statutory Authority**

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the City has certain statutory powers pursuant to *Minnesota Statutes ("M.S.")*, Sections 469.124 to 469.133, 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 Development Program for Development District No. 17.

### **Subsection 2-3. Statement of Objectives**

The District currently consists of three parcels of land and adjacent and internal rights-of-way. The District is being created to facilitate the construction of a publicly owned parking ramp and skyways and a 185,000 s.f. office building with an additional 15,000 s.f. of retail space in the City. Please see Appendix A for further District information. The City has not entered into an agreement at the time of preparation of this TIF Plan, but development is likely to occur in 2014. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 17.

The activities contemplated in the Modification to the Development Program 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 Development District No. 17 and the District.

### **Subsection 2-4. Development Program Overview**

1. Property to be Acquired - Selected property located within the District may be acquired or leased by the 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 City may acquire and/or lease property within the District from the developer or other private entity.
4. The City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, required utilities, and public street work and construct public parking facilities and skywalks within the District.

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

The District encompasses all property and adjacent rights-of-way 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 City may acquire and/or lease any parcel within the District including interior and adjacent street rights of way. The City will acquire or lease identified properties only in order to accomplish one or more of the following: development of parking facilities and skywalks, 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 City may acquire property by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs.

## **Subsection 2-6. Classification of the District**

The City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, finds that the District, to be established, is a redevelopment district pursuant to *M.S., Section 469.174, Subd. 10(a)(1)* as defined below:

*(a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:*

*(1) parcels consisting of 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, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;*

*(2) The property consists of vacant, unused, underused, inappropriately used, or infrequently used rail yards, rail storage facilities or excessive or vacated railroad rights-of-way;*

*(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in Section 115C, Subd. 15, if the tank facility:*

*(i) have or had a capacity of more than one million gallons;*

*(ii) are located adjacent to rail facilities; or*

*(iii) have been removed, or are unused, underused, inappropriately used or infrequently used; or*

*(4) a qualifying disaster area, as defined in Subd. 10b.*

*(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.*

*(c) A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15*

*percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard.*

*(d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) or by the improvement described in paragraph (e) if all of the following conditions are met:*

- (1) the parcel was occupied by a substandard building or met the requirements of paragraph (e), as the case may be, within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;*
- (2) the substandard building or the improvements described in paragraph (e) were demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;*
- (3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building or met the requirement of paragraph (e) and that after demolition and clearance the authority intended to include the parcel within a district; and*
- (4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by § 469.177, subdivision 1, paragraph (f).*

*(e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots or other similar structures.*

*(f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).*

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

- The District is a redevelopment district consisting of three parcels.
- An inventory shows that parcels consisting of more than 70 percent of the area in the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures.
- An inspection of the buildings located within the District finds that more than 50 percent of the buildings are structurally substandard as defined in the TIF Act. (See Appendix F).

Pursuant to *M.S., Section 469.176, Subd. 7*, the District does not contain any parcel or part of a parcel that qualified under the provisions of *M.S., Sections 273.111 or 273.112 or Chapter 473H* for taxes payable in

any of the five calendar years before the filing of the request for certification of the District.

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

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 25 years after receipt of the first increment by the City (a total of 26 years of tax increment). The City elects to receive the first tax increment in 2017, 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 2042, or when the TIF Plan is satisfied. The City reserves the right to decertify the District prior to the legally required date.

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

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 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 2017) 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 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 estimated 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 Development District No. 17, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. The City requests 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2017. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

<b>Project Estimated Tax Capacity upon Completion (PTC)</b>	<b>\$764,438</b>	
<b>Original Estimated Net Tax Capacity (ONTC)</b>	<b>\$49,502</b>	
<b>Estimated Captured Tax Capacity (CTC)</b>	<b>\$714,936</b>	
<b>Original Local Tax Rate</b>	<b>1.36214</b>	Pay 2013
<b>Estimated Annual Tax Increment (CTC x Local Tax Rate)</b>	<b>\$973,843</b>	
<b>Percent Retained by the City</b>	<b>100%</b>	

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 \$365,100.

Pursuant to *M.S., Section 469.177, Subd. 4*, the City 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 2-9. Sources of Revenue/Bonds to be Issued**

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The 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 revenue bond issue or pay-as-you-go note. Any refunding amounts will be deemed a budgeted cost without a formal TIF Plan Modification. This provision does not obligate the City to incur debt. The 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	\$17,357,239
<u>Interest</u>	<u>\$250,000</u>
<b>TOTAL</b>	<b>\$17,607,239</b>

The 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 \$10,615,233. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

## Subsection 2-10. Uses of Funds

Currently under consideration for the District is a proposal to facilitate the construction of publicly owned parking ramp and skyways and a 185,000 s.f. office building with an additional 15,000 s.f. of retail space. The City has determined that it will be necessary to provide assistance to the development for certain District costs, as described. The City 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	\$1,500,000
Site Improvements/Preparation	\$2,500,000
Utilities	\$250,000
Other Qualifying Improvements	\$4,629,509
<u>Administrative Costs (up to 10%)</u>	<u>\$1,735,724</u>
PROJECT COST TOTAL	\$10,615,233
<u>Interest</u>	<u>\$6,992,006</u>
<b>PROJECT AND INTEREST COSTS TOTAL</b>	<b>\$17,607,239</b>

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. Pursuant to *M.S., Section 469.1763, Subd. 2*, no more than 25 percent of the tax increment paid by property within the District will be spent on activities related to development or redevelopment outside of the District but within the boundaries of Development District No. 17, (including administrative costs, which are considered to be spent outside of the District) subject to the limitations as described in this TIF Plan.

## Subsection 2-11. Business Subsidies

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

- (1) A business subsidy of less than \$150,000;
- (2) Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) Public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) Redevelopment property polluted by contaminants as defined in *M.S., Section 116J.552, Subd. 3*;
- (5) Assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that

- the assistance is equal to or less than 50% of the total cost;
- (6) Assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
  - (7) Assistance for housing;
  - (8) Assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under *M.S., Section 469.174, Subd. 23*;
  - (9) Assistance for energy conservation;
  - (10) Tax reductions resulting from conformity with federal tax law;
  - (11) Workers' compensation and unemployment compensation;
  - (12) Benefits derived from regulation;
  - (13) Indirect benefits derived from assistance to educational institutions;
  - (14) Funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501 (c) (3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
  - (15) Assistance for a collaboration between a Minnesota higher education institution and a business;
  - (16) Assistance for a tax increment financing soils condition district as defined under *M.S., Section 469.174, Subd. 19*;
  - (17) Redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
  - (18) General changes in tax increment financing law and other general tax law changes of a principally technical nature;
  - (19) Federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
  - (20) Funds from dock and wharf bonds issued by a seaway port authority;
  - (21) Business loans and loan guarantees of \$150,000 or less;
  - (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 City 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 2-12. County Road Costs**

Pursuant to *M.S., Section 469.175, Subd. 1a*, the county board may require the 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 City within forty-five days of receipt of this TIF Plan. In the opinion of the 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 City is aware that the county could claim that tax increment should be used for county roads, even after the public hearing.

### **Subsection 2-13. Estimated Impact on Other Taxing Jurisdictions**

The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the TIF Plan would occur without the creation of the District. However, the 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:

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**IMPACT ON TAX BASE**

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	<b>Pay 2013 Total Net Tax Capacity</b>	<b>Estimated Captured Tax Capacity (CTC)</b>	<b>Percent of CTC to Entity Total</b>
St. Louis County	158,334,597	714,936	<b>0.4515%</b>
City of Duluth	58,518,817	714,936	<b>1.2217%</b>
Duluth ISD No. 709	65,599,036	714,936	<b>1.0899%</b>

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**IMPACT ON TAX RATES**

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	<b>Pay 2013 Extension Rates</b>	<b>Percent of Total</b>	<b>CTC</b>	<b>Potential Taxes</b>
St. Louis County	0.638700	46.89%	714,936	<b>456,630</b>
City of Duluth	0.331980	24.37%	714,936	<b>237,344</b>
Duluth ISD No. 709	0.329660	24.20%	714,936	<b>235,686</b>
Other	<u>0.061800</u>	<u>4.54%</u>	<u>714,936</u>	<b>44,183</b>
<b>Total</b>	1.362140	100.00%		<b>973,843</b>

The estimates listed above display the captured tax capacity when all construction is completed and inflated at 3% per year for 25 years. 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 \$17,357,239;
- (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. The police department does track all calls for service including property-type calls and crimes. 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 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. However, lighting operating costs are yet to be determined.

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 \$4,200,452;
- (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 \$8,138,809;
- (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 2-14. Supporting Documentation**

Pursuant to *M.S. Section 469.175, Subd. 1 (a), clause 7* the TIF Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S. Section 469.175, Subd. 3, clause (b)(2)* and 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 City's findings:

- Report of Inspection Procedures and Results for Determining Qualifications of a Tax Increment Financing District as a Redevelopment District by LHB, Inc. September 26, 2013.
- Minnesota Business Development Capital Project Grant Application

#### **Subsection 2-15. Definition of Tax Increment Revenues**

Pursuant to *M.S., Section 469.174, Subd. 25*, tax increment revenues derived from a tax increment financing district include all of the following potential revenue sources:

1. Taxes paid by the captured net tax capacity, but excluding any excess taxes, as computed under *M.S., Section 469.177*;
2. The proceeds from the sale or lease of property, tangible or intangible, to the extent the property was purchased by the Authority with tax increments;
3. Principal and interest received on loans or other advances made by the Authority with tax increments;
4. Interest or other investment earnings on or from tax increments;
5. Repayments or return of tax increments made to the Authority under agreements for districts for which the request for certification was made after August 1, 1993; and
6. The market value homestead credit paid to the Authority under *M.S., Section 273.1384*.

## Subsection 2-16. Modifications to the District

In accordance with *M.S., Section 469.175, Subd. 4*, any:

1. Reduction or enlargement of the geographic area of the District, if the reduction does not meet the requirements of *M.S., Section 469.175, Subd. 4(e)*;
2. Increase in amount of bonded indebtedness to be incurred;
3. A determination to capitalize interest on debt if that determination was not a part of the original TIF Plan;
4. Increase in the portion of the captured net tax capacity to be retained by the 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 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 redevelopment 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. 10*, must be documented in writing and retained. 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 City 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 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 2-17. Administrative Expenses

In accordance with *M.S., Section 469.174, Subd. 14*, administrative expenses means all expenditures of the 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 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 2-18.     Limitation of Increment**

The tax increment pledged to the payment of bonds and interest thereon may be discharged and the District may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or redemption date.

Pursuant to *M.S., Section 469.176, Subd. 6*:

*if, after four years from the date of certification of the original net tax capacity of the tax increment financing district pursuant to M.S., Section 469.177, no demolition, rehabilitation or renovation of property or other site preparation, including qualified improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel and the original net tax capacity of that parcel shall be excluded from the original net tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation or renovation or other site preparation on that parcel including qualified improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district. For purposes of this subdivision, qualified improvements of a street are limited to (1) construction or opening of a new street, (2) relocation of a street, and (3) substantial reconstruction or rebuilding of an existing street.*

The City or a property owner must improve parcels within the District by approximately November 2017 and report such actions to the County Auditor.

### **Subsection 2-19. Use of Tax Increment**

The 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 the capital and administration costs of Development District No. 17 pursuant to *M.S., Sections 469.124 to 469.134*;
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 City or for the benefit of Development District No. 17 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*.

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*.

### **Subsection 2-20. Excess Increments**

Excess increments, as defined in *M.S., Section 469.176, Subd. 2*, shall be used only to do one or more of the following:

1. Prepay any outstanding bonds;
2. Discharge the pledge of tax increment for any outstanding bonds;
3. Pay into an escrow account dedicated to the payment of any outstanding bonds; or
4. Return the excess to the County Auditor for redistribution to the respective taxing jurisdictions in proportion to their local tax rates.

The City must spend or return the excess increments under paragraph (c) within nine months after the end of the year. In addition, the City may, subject to the limitations set forth herein, choose to modify the TIF Plan in order to finance additional public costs in Development District No. 17 or the District.

### **Subsection 2-21. Requirements for Agreements with the Developer**

The City will review any proposal for private development to determine its conformance with the Development Program 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 City to demonstrate the conformance of the development with City plans and ordinances. The 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 25 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 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 25 percent of the acreage, the City concluded an agreement for the development or redevelopment of the property acquired and which provides recourse for the City should the development or redevelopment not be completed.

### **Subsection 2-22. Assessment Agreements**

Pursuant to *M.S., Section 469.177, Subd. 8*, the 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 2-23. Administration of the District**

Administration of the District will be handled by the Director of Business and Economic Development.

### **Subsection 2-24. Annual Disclosure Requirements**

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

If the City fails to make a disclosure or submit a report containing the information required by *M.S., Section 469.175 Subd. 5 and Subd. 6*, the OSA will direct the County Auditor to withhold the distribution of tax increment from the District.

### **Subsection 2-25. Reasonable Expectations**

As required by the TIF Act, in establishing the District, the determination has been made that the anticipated development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the TIF Plan. In making said determination, reliance has been placed upon written representation made by the developer to such effects and upon City staff awareness of the feasibility of developing the project site(s) within the District. 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. Such analysis is included with the cashflow in Appendix D, and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the District and the use of tax increments.

## **Subsection 2-26. Other Limitations on the Use of Tax Increment**

1. General Limitations. All revenue derived from tax increment shall be used in accordance with the TIF Plan. The revenues shall be used to finance, or otherwise pay the capital and administration costs of Development District No. 17 pursuant to *M.S., Sections 469.124 to 469.133*. 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. Pooling Limitations. At least 75 percent of tax increments from the District must be expended on activities in the District or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities within said district or to pay, or secure payment of, debt service on credit enhanced bonds. Not more than 25 percent of said tax increments may be expended, through a development fund or otherwise, on activities outside of the District except to pay, or secure payment of, debt service on credit enhanced bonds. For purposes of applying this restriction, all administrative expenses must be treated as if they were solely for activities outside of the District.
3. Five Year Limitation on Commitment of Tax Increments. Tax increments derived from the District shall be deemed to have satisfied the 75 percent test set forth in paragraph (2) above only if the five year rule set forth in *M.S., Section 469.1763, Subd. 3*, has been satisfied; and beginning with the sixth year following certification of the District, 75 percent of said tax increments that remain after expenditures permitted under said five year rule must be used only to pay previously committed expenditures or credit enhanced bonds as more fully set forth in *M.S., Section 469.1763, Subd. 5*.
4. Redevelopment District. At least 90 percent of the revenues derived from tax increment from a redevelopment district must be used to finance the cost of correcting conditions that allow designation of redevelopment and renewal and renovation districts under *M.S., Section 469.176 Subd. 4j*. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, the removal of hazardous substances or remediation necessary for development of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the City, including the cost of preparation of the development action response plan, may be included in the qualifying costs.

## **Subsection 2-27. Summary**

The City of Duluth is establishing the District to preserve and enhance the tax base, redevelop substandard areas, and provide employment opportunities in the City. The TIF Plan for the District was prepared by Ehlers & Associates, Inc., 3060 Centre Pointe Drive, Roseville, Minnesota 55113, telephone (651) 697-8500.

## Appendix A

### Project Description

The City of Duluth is working with a major local corporate partner, Maurices, to construct a 185,000 square foot office building with an additional 15,000 square foot additional retail with publicly owned parking facility and skyways. As is currently contemplated, Maurices will fund all project costs after subtracting a \$8.5 million state grant and be repaid primarily with tax increment dollars with a 3.5% interest rate on a “pay-as-you-go” or revenue bond basis. The TIF District is a redevelopment district with a maximum of 26 years of increment.

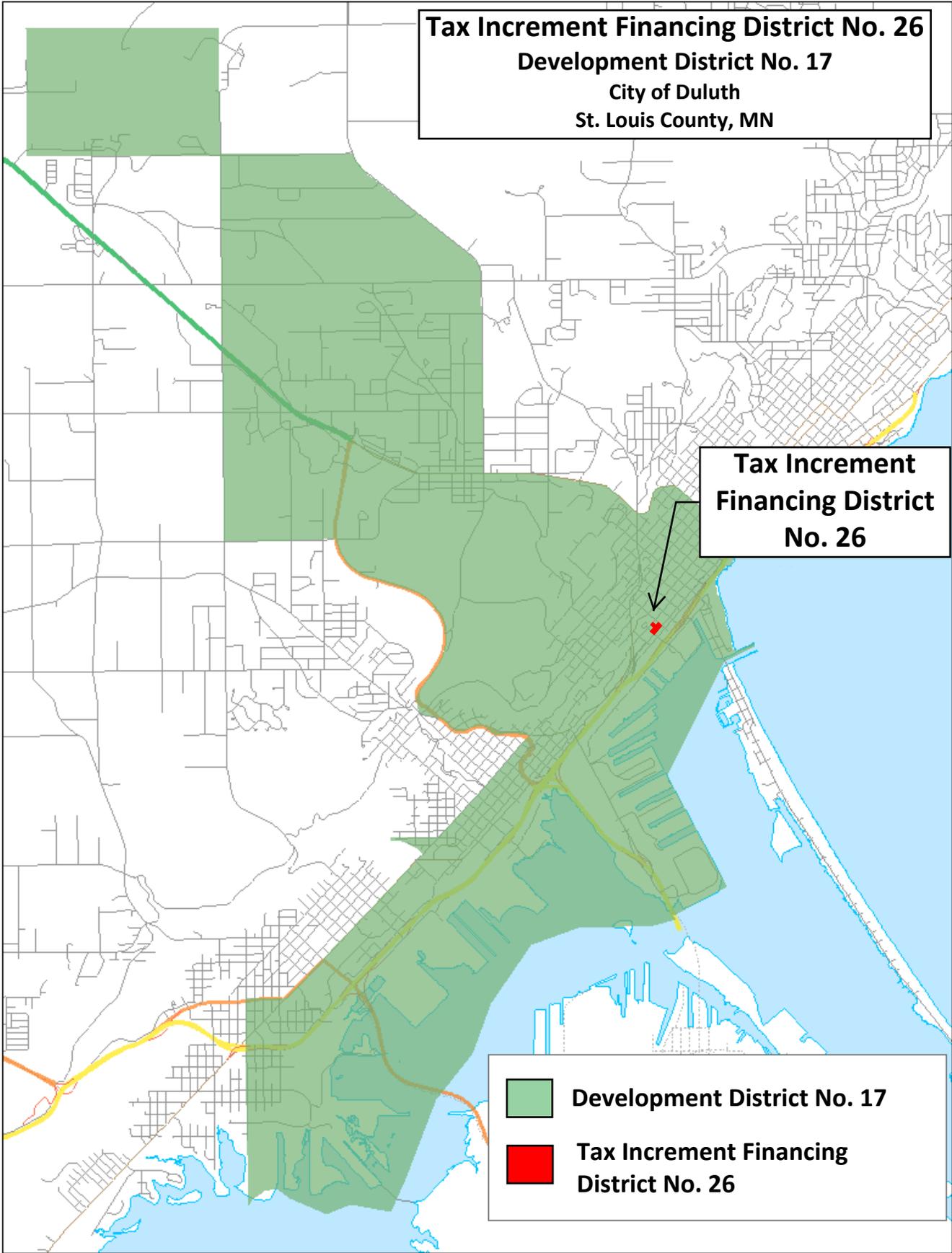
Appendix B

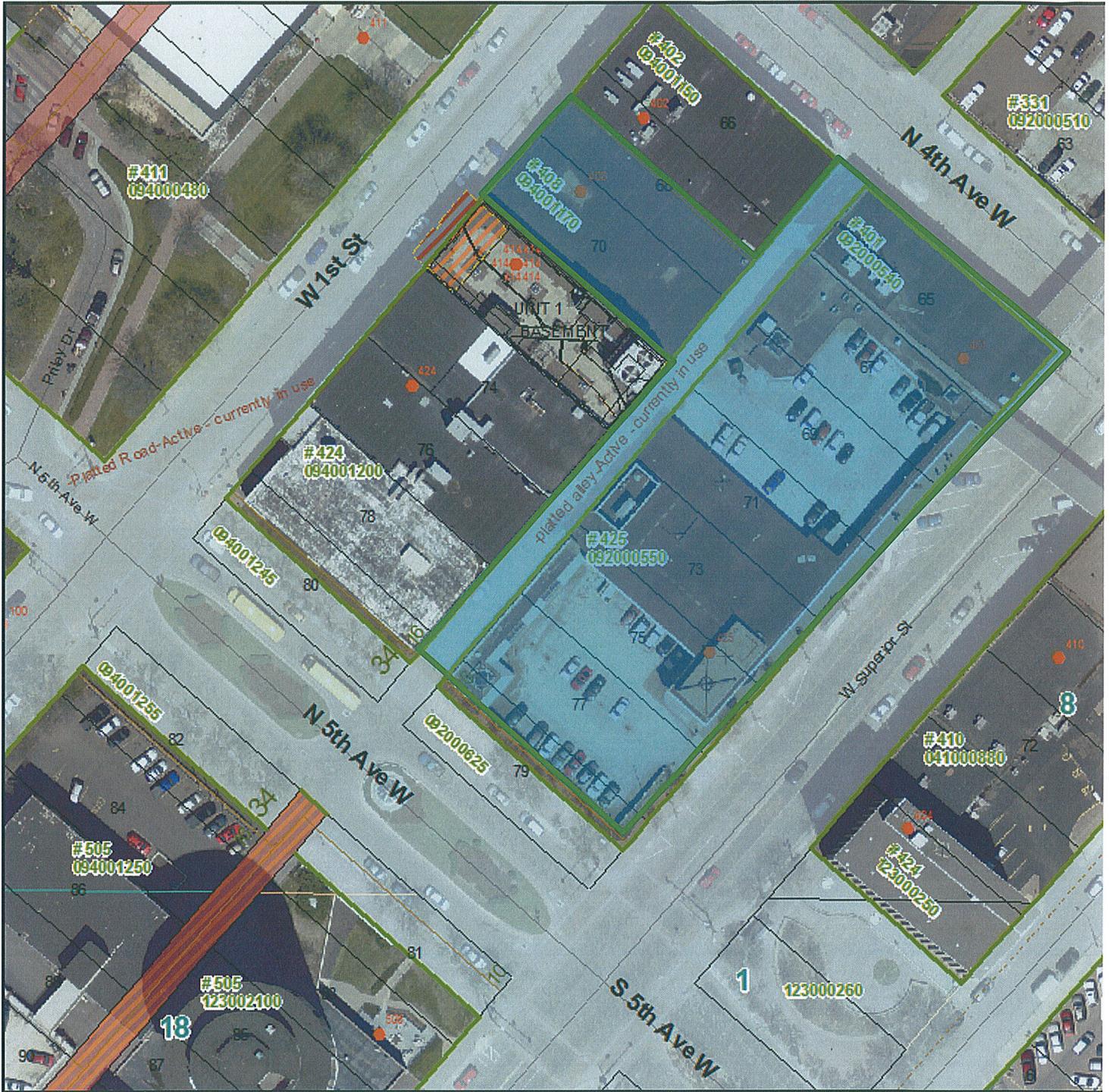
Map of Development District No. 17 and the District

**Tax Increment Financing District No. 26**  
**Development District No. 17**  
City of Duluth  
St. Louis County, MN

**Tax Increment Financing District No. 26**

-  **Development District No. 17**
-  **Tax Increment Financing District No. 26**





## 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>Owner</u>
010-0920-00540	400W Development LLC
010-0940-01170	Duluth News Tribune
010-0920-00550	425W Group LLC

## Appendix D

### Estimated Cash Flow for the District



## Downtown Corporate Project

DEDA/City of Duluth

185,000 s.f. Office and 15,000 s.f. Retail 3% Inflation TIF only - 3 parcels in base and First Full TIF Payable 2017 & No Partial

### ASSUMPTIONS AND RATES

<b>DistrictType:</b>	Redevelopment	Maximum/Frozen Local Tax Rate:	136.214% Pay 2013 used for estimate
<b>District Name/Number:</b>		Current Local Tax Rate: (Use lesser of Current or Max.)	136.214% Pay 2013 used for estimate
<b>County District #:</b>		State-wide Tax Rate (Comm./Ind. only used for total taxes)	52.5230% Pay 2013 used for estimate
<b>First Year Construction or Inflation on Value</b>	<b>2015</b>	Market Value Tax Rate (Used for total taxes)	0.13527% Pay 2013 used for estimate
<b>Existing District - Specify No. Years Remaining</b>			
Inflation Rate - Every Year:	<b>3.00%</b>	<b>PROPERTY TAX CLASSES AND CLASS RATES:</b> Exempt Class Rate (Exempt) 0.00% Commercial Industrial Preferred Class Rate (C/I Pref.) First \$150,000 1.50% Over \$150,000 2.00% Commercial Industrial Class Rate (C/I) 2.00% Rental Housing Class Rate (Rental) 1.25% Affordable Rental Housing Class Rate (Aff. Rental) 0.75% Non-Homestead Residential (Non-H Res.) 1.25% Homestead Residential Class Rate (Hmstd. Res.) First \$500,000 1.00% Over \$500,000 1.25% Agricultural Non-Homestead 1.00%	
Interest Rate:	<b>3.50%</b>		
Present Value Date:	<b>1-Feb-14</b>		
First Period Ending	<b>1-Aug-14</b>		
Tax Year District Certified:	<b>Pay 2014</b>		
Cashflow Assumes First Tax Increment For Development:	<b>2017</b>		
Years of Tax Increment	<b>26</b>		
Assumes Last Year of Tax Increment	<b>2042</b>		
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	<b>NA</b>		
Incremental or Total Fiscal Disparities	<b>NA</b>		
Fiscal Disparities Contribution Ratio	<b>NA</b>		
Fiscal Disparities Metro-Wide Tax Rate	<b>NA</b>		

### 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
	010-0920-00540					635,600	100%	635,600	Pay 2014	C/I Pref.	11,962	C/I Pref.	11,962	
	010-0940-01170					350,700	100%	350,700	Pay 2014	C/I Pref.	6,264	C/I	7,014	
	010-0920-00550					1,526,300	100%	1,526,300	Pay 2014	C/I Pref.	29,776	C/I	30,526	
				0	0	2,512,600		2,512,600			48,002		49,502	

**Note:**

- 1. Base value from City email 6/6/13
- 1. Excluded the exempt portion of the base value from parcel 010-0920-00550 and 010-0920-00540 - please verify



### Downtown Corporate Project

DEDA/City of Duluth

185,000 s.f. Office and 15,000 s.f. Retail 3% Inflation TIF only - 3 parcels in base and First Full TIF Payable 2017 & No Partial

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	Percentage Completed 2015	Percentage Completed 2016	Percentage Completed 2017	Percentage Completed 2018	First Year Full Taxes Payable
	Office	93	93	185,000	17,205,000	C/I Pref.	343,350	100%	100%	100%	100%	2017
	Retail	75	75	15,000	1,125,000	C/I Pref.	21,750	100%	100%	100%	100%	2017
<b>TOTAL</b>					<b>18,330,000</b>		<b>365,100</b>					

**Note:**

1. Office value from assessor e-mail 7/6/12 on per s.f. basis for whole building. Retail value needs to be confirmed.

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
Office	343,350	0	343,350	467,691	0	180,338	23,273	671,302	3.63
Retail	21,750	0	21,750	29,627	0	11,424	1,522	42,572	2.84
<b>TOTAL</b>	<b>365,100</b>	<b>0</b>	<b>365,100</b>	<b>497,317</b>	<b>0</b>	<b>191,761</b>	<b>24,795</b>	<b>713,874</b>	

**Note:**

1. Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law, and other factors which cannot be predicted.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	713,874
less State-wide Taxes	(191,761)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(24,795)
less Base Value Taxes	(67,429)
<b>Annual Gross TIF</b>	<b>429,889</b>
less OSA fee	(1,548)
less DEDA Admin.	(42,834)
<b>Annual Net TIF</b>	<b>385,507</b>

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	2,512,600
New Market Value - Est.	18,330,000
Difference	15,817,400
Present Value of Tax Increment	9,622,986
Difference	6,194,414
Value likely to occur without Tax Increment is less than:	<b>6,194,414</b>



**Downtown Corporate Project  
DEDA/City of Duluth**

**185,000 s.f. Office and 15,000 s.f. Retail 3% Inflation TIF only - 3 parcels in base and First Full TIF Payable 2017 & No Partial**

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities NA	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	DEDA at 10%	Parking Revenue 0%	Semi-Annual Net Revenue	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
															08/01/14
															02/01/15
															08/01/15
															02/01/16
															08/01/16
															02/01/17
100%	365,100	(49,502)	-	315,598	136.214%	429,889	214,944	(774)	(21,417)	-	192,753	170,711	0.5	2017	08/01/17
							214,944	(774)	(21,417)	-	192,753	338,486	1	2017	02/01/18
100%	376,053	(49,502)	-	326,551	136.214%	444,808	222,404	(801)	(22,160)	-	199,443	509,098	1.5	2018	08/01/18
							222,404	(801)	(22,160)	-	199,443	676,775	2	2018	02/01/19
100%	387,335	(49,502)	-	337,833	136.214%	460,175	230,088	(828)	(22,926)	-	206,333	847,262	2.5	2019	08/01/19
							230,088	(828)	(22,926)	-	206,333	1,014,817	3	2019	02/01/20
100%	398,955	(49,502)	-	349,453	136.214%	476,003	238,002	(857)	(23,714)	-	213,430	1,185,154	3.5	2020	08/01/20
							238,002	(857)	(23,714)	-	213,430	1,352,561	4	2020	02/01/21
100%	410,923	(49,502)	-	361,421	136.214%	492,306	246,153	(886)	(24,527)	-	220,740	1,522,724	4.5	2021	08/01/21
							246,153	(886)	(24,527)	-	220,740	1,689,961	5	2021	02/01/22
100%	423,251	(49,502)	-	373,749	136.214%	509,098	254,549	(916)	(25,363)	-	228,270	1,859,927	5.5	2022	08/01/22
							254,549	(916)	(25,363)	-	228,270	2,026,970	6	2022	02/01/23
100%	435,948	(49,502)	-	386,446	136.214%	526,394	263,197	(948)	(26,225)	-	236,025	2,196,717	6.5	2023	08/01/23
							263,197	(948)	(26,225)	-	236,025	2,363,545	7	2023	02/01/24
100%	449,027	(49,502)	-	399,525	136.214%	544,209	272,104	(980)	(27,112)	-	244,012	2,533,053	7.5	2024	08/01/24
							272,104	(980)	(27,112)	-	244,012	2,699,645	8	2024	02/01/25
100%	462,498	(49,502)	-	412,996	136.214%	562,558	281,279	(1,013)	(28,027)	-	252,240	2,868,893	8.5	2025	08/01/25
							281,279	(1,013)	(28,027)	-	252,240	3,035,229	9	2025	02/01/26
100%	476,373	(49,502)	-	426,871	136.214%	581,458	290,729	(1,047)	(28,968)	-	260,714	3,204,197	9.5	2026	08/01/26
							290,729	(1,047)	(28,968)	-	260,714	3,370,259	10	2026	02/01/27
100%	490,664	(49,502)	-	441,162	136.214%	600,924	300,462	(1,082)	(29,938)	-	269,442	3,538,928	10.5	2027	08/01/27
							300,462	(1,082)	(29,938)	-	269,442	3,704,697	11	2027	02/01/28
100%	505,384	(49,502)	-	455,882	136.214%	620,975	310,487	(1,118)	(30,937)	-	278,433	3,873,050	11.5	2028	08/01/28
							310,487	(1,118)	(30,937)	-	278,433	4,038,508	12	2028	02/01/29
100%	520,545	(49,502)	-	471,043	136.214%	641,627	320,813	(1,155)	(31,966)	-	287,693	4,206,528	12.5	2029	08/01/29
							320,813	(1,155)	(31,966)	-	287,693	4,371,659	13	2029	02/01/30
100%	536,162	(49,502)	-	486,660	136.214%	662,899	331,449	(1,193)	(33,026)	-	297,230	4,539,330	13.5	2030	08/01/30
							331,449	(1,193)	(33,026)	-	297,230	4,704,117	14	2030	02/01/31
100%	552,247	(49,502)	-	502,745	136.214%	684,808	342,404	(1,233)	(34,117)	-	307,054	4,871,423	14.5	2031	08/01/31
							342,404	(1,233)	(34,117)	-	307,054	5,035,851	15	2031	02/01/32
100%	568,814	(49,502)	-	519,312	136.214%	707,376	353,688	(1,273)	(35,241)	-	317,173	5,202,776	15.5	2032	08/01/32
							353,688	(1,273)	(35,241)	-	317,173	5,366,831	16	2032	02/01/33
100%	585,878	(49,502)	-	536,376	136.214%	730,620	365,310	(1,315)	(36,399)	-	327,595	5,533,362	16.5	2033	08/01/33
							365,310	(1,315)	(36,399)	-	327,595	5,697,029	17	2033	02/01/34
100%	603,455	(49,502)	-	553,953	136.214%	754,561	377,281	(1,358)	(37,592)	-	338,330	5,863,152	17.5	2034	08/01/34
							377,281	(1,358)	(37,592)	-	338,330	6,026,418	18	2034	02/01/35
100%	621,558	(49,502)	-	572,056	136.214%	779,221	389,610	(1,403)	(38,821)	-	349,387	6,192,119	18.5	2035	08/01/35
							389,610	(1,403)	(38,821)	-	349,387	6,354,971	19	2035	02/01/36
100%	640,205	(49,502)	-	590,703	136.214%	804,620	402,310	(1,448)	(40,086)	-	360,776	6,520,239	19.5	2036	08/01/36
							402,310	(1,448)	(40,086)	-	360,776	6,682,664	20	2036	02/01/37
100%	659,411	(49,502)	-	609,909	136.214%	830,782	415,391	(1,495)	(41,390)	-	372,506	6,847,486	20.5	2037	08/01/37
							415,391	(1,495)	(41,390)	-	372,506	7,009,474	21	2037	02/01/38
100%	679,194	(49,502)	-	629,692	136.214%	857,728	428,864	(1,544)	(42,732)	-	384,588	7,173,839	21.5	2038	08/01/38
							428,864	(1,544)	(42,732)	-	384,588	7,335,377	22	2038	02/01/39
100%	699,569	(49,502)	-	650,067	136.214%	885,483	442,741	(1,594)	(44,115)	-	397,033	7,499,274	22.5	2039	08/01/39
							442,741	(1,594)	(44,115)	-	397,033	7,660,352	23	2039	02/01/40
100%	720,556	(49,502)	-	671,054	136.214%	914,070	457,035	(1,645)	(45,539)	-	409,851	7,823,771	23.5	2040	08/01/40
							457,035	(1,645)	(45,539)	-	409,851	7,984,379	24	2040	02/01/41
100%	742,173	(49,502)	-	692,671	136.214%	943,515	471,758	(1,698)	(47,006)	-	423,053	8,147,309	24.5	2041	08/01/41
							471,758	(1,698)	(47,006)	-	423,053	8,307,437	25	2041	02/01/42
100%	764,438	(49,502)	-	714,936	136.214%	973,843	486,922	(1,753)	(48,517)	-	436,652	8,469,870	25.5	2042	08/01/42
							486,922	(1,753)	(48,517)	-	436,652	8,629,509	26	2042	02/01/43
<b>Total</b>							<b>17,419,950</b>	<b>(62,712)</b>	<b>(1,735,724)</b>	<b>-</b>	<b>15,621,515</b>				
					<b>3.50%</b>		<b>9,622,986</b>	<b>(34,643)</b>	<b>(958,834)</b>	<b>-</b>	<b>8,629,509</b>				

## Appendix E

### Minnesota Business Assistance Form (Minnesota Department of Employment and Economic Development)

A Minnesota Business Assistance Form (MBAF) should be used to report and/or update each calendar year's activity by April 1 of the following year.

Please see the Minnesota Department of Employment and Economic Development (DEED) website at <http://www.deed.state.mn.us/Community/subsidies/MBAFForm.htm> for information and forms.

## Appendix F

### Redevelopment Qualifications for the District

**REPORT OF  
INSPECTION PROCEDURES AND RESULTS  
FOR  
DETERMINING QUALIFICATIONS OF A  
TAX INCREMENT FINANCING DISTRICT  
AS A REDEVELOPMENT DISTRICT**

**425 West Superior Street TIF District  
Duluth, Minnesota**

**September 26, 2013**



Prepared For The  
**City of Duluth**

Prepared by



LHB, Inc.  
701 Washington Avenue North, Suite 200  
Minneapolis, Minnesota 55401

LHB Project No. 120652.00

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## **PART 1 – EXECUTIVE SUMMARY**

### **PURPOSE OF EVALUATION**

LHB was hired by the City of Duluth to inspect and evaluate the properties within a Tax Increment Financing Redevelopment District (“TIF District”) proposed to be established by the City. The proposed TIF District is comprised of three parcels roughly bound by West Superior Street, North 4<sup>th</sup> Avenue West, and North 5<sup>th</sup> Avenue West and West 1<sup>st</sup> Street (Diagram 1). The purpose of LHB’s work is to determine whether the proposed TIF District meets the statutory requirements for coverage, and whether three buildings on three parcels, located within the proposed TIF District, meet the qualifications required for a Redevelopment District.

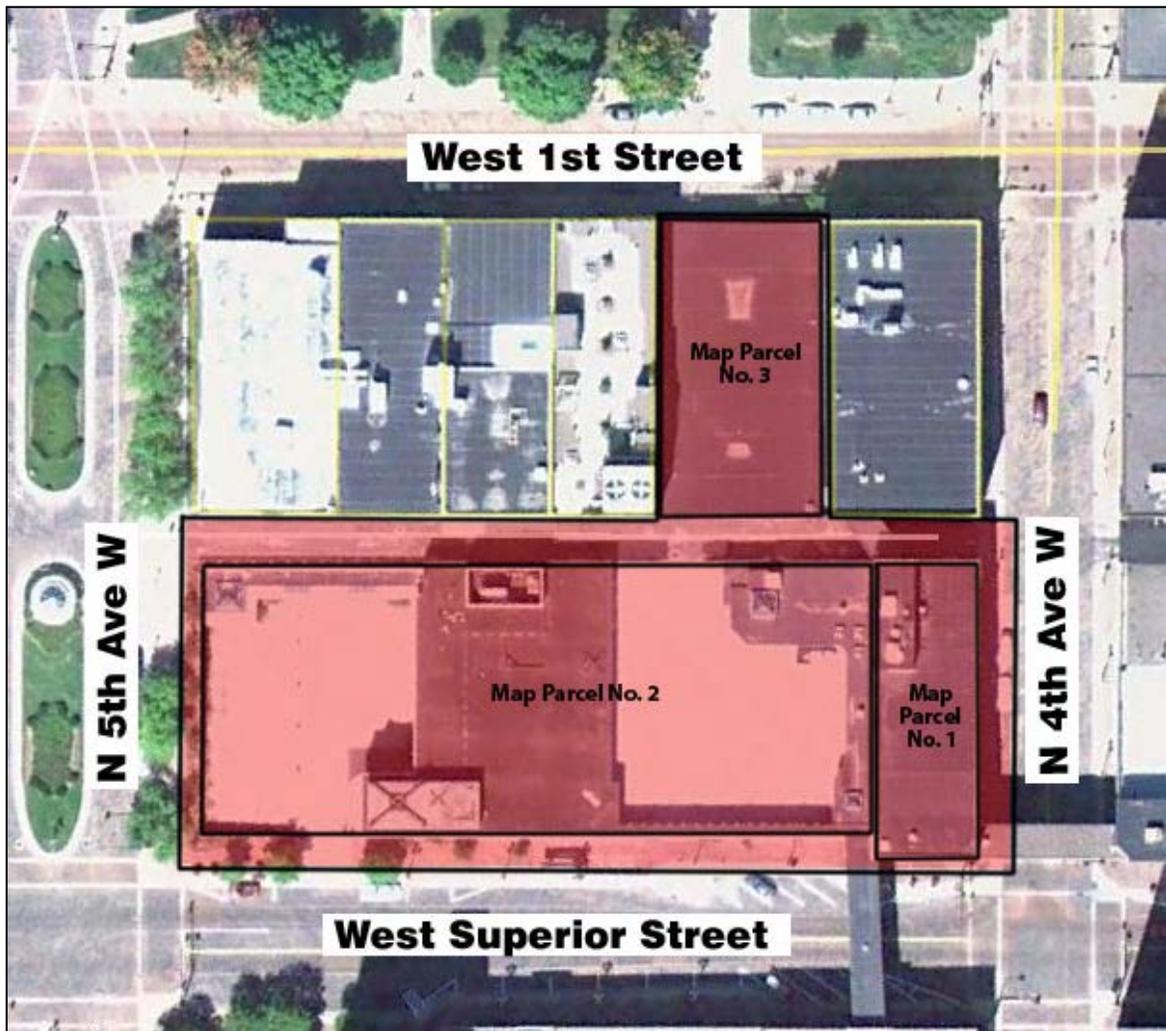


Diagram 1 – Proposed TIF District shown shaded in red

## **SCOPE OF WORK**

The proposed TIF District consists of three (3) parcels each with one (1) structure. The 401 and 425 buildings (MAP ID 1 and 2 respectively) were inspected on February 25, 2013 and September 16, 2013. The building at 408 W 1<sup>st</sup> Street (MAP ID 3) was inspected on September 16, 2013. Building code and Condition Deficiency reports are located in Appendix B.

## **CONCLUSION**

After inspecting and evaluating the properties within the proposed TIF District and applying current statutory criteria for a Redevelopment District under *Minnesota Statutes, Section 469.174, Subdivision 10*, it is our professional opinion that the proposed TIF District qualifies as a Redevelopment District because:

- The proposed TIF District has a coverage calculation of 100 percent which is above the 70 percent requirement.
- 100 percent of the buildings are structurally substandard (as defined by *Minnesota Statutes, Section 469.174, Subdivision 10(b)*) which is above the 50 percent requirement.
- The substandard buildings are reasonably distributed throughout the geographic area of the proposed TIF District.

The remainder of this report describes our process and findings in detail.

## **PART 2 – MINNESOTA STATUTE 469.174, SUBDIVISION 10 REQUIREMENTS**

The properties were inspected in accordance with the following requirements under *Minnesota Statutes, Section 469.174, Subdivision 10(c)*, which states:

### **Interior Inspection**

“The municipality may not make such determination [that the building is structurally substandard] without an interior inspection of the property...”

### **Exterior Inspection and Other Means**

“An interior inspection of the property is not required, if the municipality finds that  
(1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and  
(2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard.”

### **Documentation**

“Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3(1).”

### **Qualification Requirements**

*Minnesota Statutes, Section 469.174, Subdivision 10 (a) (1)* requires two tests for occupied parcels:

### **A. Coverage Test**

...“parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or paved or gravel parking lots”

The coverage required by the parcel to be considered occupied is defined under *Minnesota Statutes, Section 469.174, Subdivision 10(e)*, which states: “For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, or paved or gravel parking lots unless 15 percent of the area of the parcel contains building, streets, utilities, or paved or gravel parking lots.”

### **B. Condition of Buildings Test**

...“and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;”

1. Structurally substandard is defined under *Minnesota Statutes, Section 469.174, Subdivision 10(b)*, which states: “For purposes of this subdivision, ‘structurally substandard’ shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.”

a. We do not count energy code deficiencies toward the thresholds required by *Minnesota Statutes, Section 469.174, Subdivision 10(b)*) defined as “structurally substandard”, due to concerns expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.

2. Buildings are not eligible to be considered structurally substandard unless they meet certain additional criteria, as set forth in Subdivision 10(c) which states:

“A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence.”

“Items of evidence that support such a conclusion [that the building is not disqualified] include recent fire or police inspections, on-site property appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence.”

LHB counts energy code deficiencies toward the 15 percent code threshold required by *Minnesota Statutes, Section 469.174, Subdivision 10(c)* for the following reasons:

- The Minnesota energy code is one of ten building code areas highlighted by the Minnesota Department of Labor and Industry website where minimum construction standards are required by law.
- The index page of the 2007 Minnesota Building Code lists the Minnesota Energy Code as a “Required Enforcement” area compared to an additional list of “Optional Enforcement” chapters.
- The Senior Building Code Representative for the Construction Codes and Licensing Division of the Minnesota Department of Labor and Industry confirmed that the Minnesota Energy Code is being enforced throughout the State of Minnesota.
- In a January 2002 report to the Minnesota Legislature, the Management Analysis Division of the Minnesota Department of Administration confirmed that the construction cost of new buildings complying with the Minnesota Energy Code is higher than buildings built prior to the enactment of the code.
- Proper TIF analysis requires a comparison between the replacement value of a new building built under current code standards with the repairs that would be necessary to bring the existing building up to current code standards. In order for an equal comparison to be made, all applicable code chapters should be applied to both scenarios. Since current construction estimating software automatically applies the construction cost of complying with the Minnesota Energy Code, energy code deficiencies should also be identified in the existing structures.

### **PART 3 – PROCEDURES FOLLOWED**

LHB was able to inspect both the 401 and 425 Buildings during the day of February 25, 2013 and during the day on September 16, 2013. The building at 408 West 1st Street was inspected during the day on September 16, 2013. The inspection was limited to what could be seen walking through the building and around the site as no ladder or lift was employed to access remote areas.

### **PART 4 – FINDINGS**

#### **A. Coverage Test**

1. The total square foot area of each parcel in the proposed TIF District was obtained from City records, GIS mapping and site verification.
2. The total square foot area of buildings and site improvements on the parcels in the proposed TIF District was obtained from City records, GIS mapping and site verification.

3. The percentage of coverage for each parcel in the proposed TIF District was computed to determine if the 15 percent minimum requirement was met. The total square footage of parcels meeting the 15 percent requirement was divided into the total square footage of the entire district to determine if the 70 percent requirement was met.

**Finding:**

The proposed TIF District met the coverage test under *Minnesota Statutes, Section 469.174, Subdivision 10(e)*, which resulted in parcels consisting of 100 percent of the area of the proposed TIF District being occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures (Diagram 2). This exceeds the 70 percent area coverage requirement for the proposed TIF District under *Minnesota Statutes, Section 469.174, Subdivision (a) (1)*.

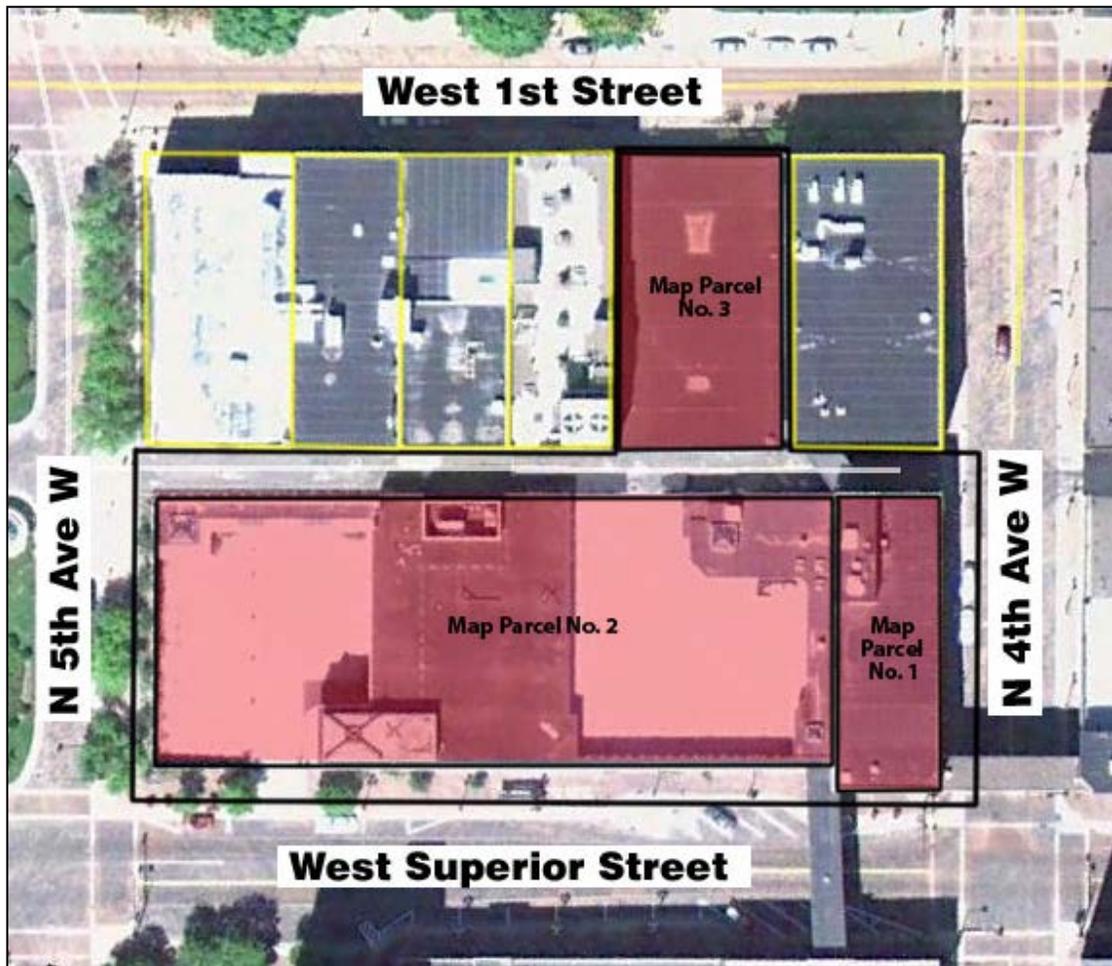


Diagram 2 – Coverage Diagram

Shaded area depicts a parcel more than 15 percent occupied by buildings, streets, utilities, Paved or gravel parking lots or other similar structures

**B. Condition of Building Test**

### **1. Building Inspection**

The first step in the evaluation process is the building inspection. After an initial walk-thru, the inspector makes a judgment whether or not a building “appears” to have enough defects or deficiencies of sufficient total significance to justify substantial renovation or clearance. If it does, the inspector documents with notes and photographs code and non-code deficiencies in the building.

### **2. Replacement Cost**

The second step in evaluating a building to determine if it is substandard to a degree requiring substantial renovation or clearance is to determine its replacement cost. This is the cost of constructing a new structure of the same square footage and type on site. Replacement costs were researched using R.S. Means Cost Works square foot models for 2013.

A replacement cost was calculated by first establishing building use (office, retail, residential, etc.), building construction type (wood, concrete, masonry, etc.), and building size to obtain the appropriate median replacement cost, which factors in the costs of construction in Duluth, Minnesota.

Replacement cost includes labor, materials, and the contractor’s overhead and profit. Replacement costs do not include architectural fees, legal fees or other “soft” costs not directly related to construction activities. Replacement cost for each building is tabulated in Appendix A.

### **3. Code Deficiencies**

The next step in evaluating a building is to determine what code deficiencies exist with respect to such building. Code deficiencies are those conditions for a building which are not in compliance with current building codes applicable to new buildings in the State of Minnesota.

*Minnesota Statutes, Section 469.174, Subdivision 10(c)*, specifically provides that a building cannot be considered structurally substandard if its code deficiencies are not at least 15 percent of the replacement cost of the building. As a result, it was necessary to determine the extent of code deficiencies for each building in the proposed TIF District.

The evaluation was made by reviewing all available information with respect to such buildings contained in City Building Inspection records and making interior and exterior inspections of the buildings. LHB utilizes the current Minnesota State Building Code as the official code for our evaluations. The Minnesota State Building Code is actually a series of provisional codes written specifically for Minnesota only requirements, adoption of several international codes, and amendments to the adopted international codes.

After identifying the code deficiencies in each building, we used R.S. Means Cost Works 2013; Unit and Assembly Costs to determine the cost of correcting the

identified deficiencies. We were then able to compare the correction costs with the replacement cost of each building to determine if the costs for correcting code deficiencies meet the required 15 percent threshold.

**Finding:**

Three (3) out of three (3) buildings (100 percent) in the proposed TIF District contained code deficiencies exceeding the 15 percent threshold required by *Minnesota Statutes, Section 469.174, Subdivision 10(c)*. A complete Building Code and Condition Deficiency report for the building in the proposed TIF District can be found in Appendix B of this report.

**4. System Condition Deficiencies**

If a building meets the minimum code deficiency threshold under *Minnesota Statutes, Section 469.174, Subdivision 10(c)*, then in order for such building to be “structurally substandard” under *Minnesota Statutes, Section 469.174, Subdivision 10(b)*, the building’s defects or deficiencies should be of sufficient total significance to justify “substantial renovation or clearance.” Based on this definition, LHB re-evaluated each of the buildings that met the code deficiency threshold under *Minnesota Statutes, Section 469.174, Subdivision 10(c)*, to determine if the total deficiencies warranted “substantial renovation or clearance” based on the criteria we outlined above.

System condition deficiencies are a measurement of defects or substantial deterioration in site elements, structure, exterior envelope, mechanical and electrical components, fire protection and emergency systems, interior partitions, ceilings, floors and doors.

The evaluation of system condition deficiencies was made by reviewing all available information contained in City records, and making interior and exterior inspections of the buildings. LHB only identified system condition deficiencies that were visible upon our inspection of the building or contained in City records. We did not consider the amount of “service life” used up for a particular component unless it was an obvious part of that component’s deficiencies.

After identifying the system condition deficiencies in each building, we used our professional judgment to determine if the list of defects or deficiencies is of sufficient total significance to justify “substantial renovation or clearance.”

**Finding:**

In our professional opinion, three (3) out of three (3) buildings (100 percent) in the proposed TIF District are structurally substandard to a degree requiring substantial renovation or clearance, because of defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors which defects or deficiencies are of sufficient total significance to justify

substantial renovation or clearance. This exceeds the 50 percent requirement of Subdivision 10a(1).

**C. Distribution of substandard structures**

Much of this report has focused on the condition of individual buildings as they relate to requirements identified by *Minnesota Statutes, Section 469.174, Subdivision 10*. It is also important to look at the distribution of substandard buildings throughout the geographic area of the proposed TIF District (Diagram 3).

**Finding:**

The substandard buildings are reasonably distributed throughout the geographic area of the proposed TIF District.

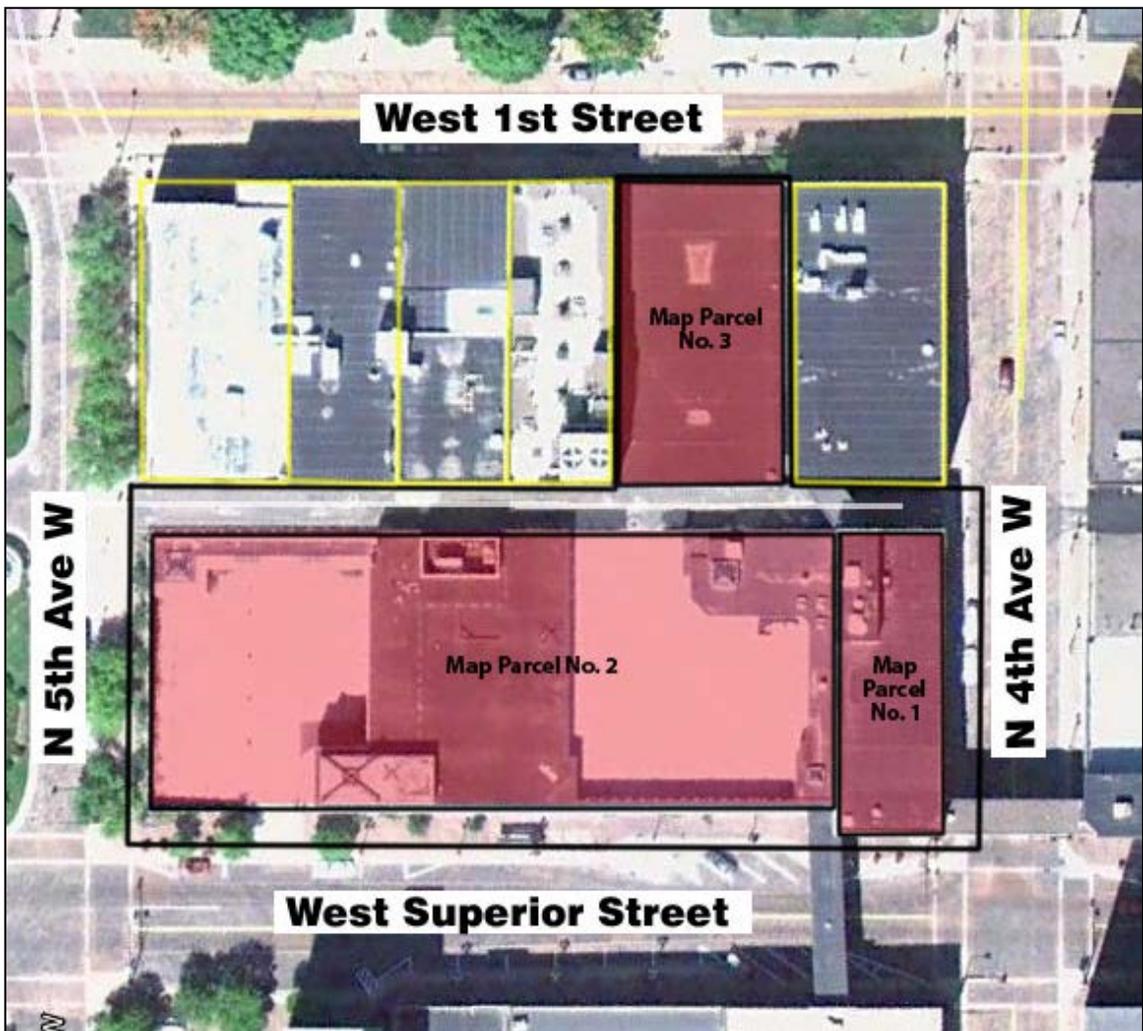


Diagram 3 – Substandard Buildings  
Shaded area depicts parcels with substandard buildings

## **PART 5 - TEAM CREDENTIALS**

### ***Michael A. Fischer, AIA, LEED AP - Project Principal/TIF Analyst***

Michael has twenty-four years of architectural experience as project principal, project manager, project designer and project architect on municipal planning, educational, commercial and governmental projects. He is a Senior Vice President at LHB and currently leads the Minneapolis office. Michael completed a two-year Bush Fellowship at the Massachusetts Institute of Technology in 1999, earning Masters Degrees in City Planning and Real Estate Development. Michael has served on over 35 committees, boards and community task forces, including a term as a City Council President, Chair of a Metropolitan Planning organization, and most recently, Chair of the Planning Commission in Edina, Minnesota. He was one of four architects in the country to receive the National "Young Architects Citation" from the American Institute of Architects in 1997.

### ***Philip Waugh – Project Manager/TIF Analyst***

Philip is a project manager with 13 years of experience in historic preservation, building investigations, material research, and construction methods. He previously worked as a historic preservationist and also served as the preservation specialist at the St. Paul Heritage Preservation Commission. Currently, Phil sits on the Board of Directors for the Preservation Alliance of Minnesota. His current responsibilities include project management of historic preservation projects, performing building condition surveys and analysis, TIF analysis, writing preservation specifications, historic design reviews, writing Historic Preservation Tax Credit applications, preservation planning, and grant writing.

### ***Ben Trousdale, AIA – Inspector***

Ben is a project architect in LHB's Minneapolis office with 20 years of experience working on a variety of multi-family housing and commercial projects. He has extensive skills in creating quality construction documents that convey a building's fundamentals and unique design details. His responsibilities include project management, code analysis, and overseeing document production. Ben is a licensed architect in Minnesota and is involved with AIA activities including Search for Shelter charrettes.

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## **APPENDICES**

APPENDIX A	Property Condition Assessment Summary Sheet
APPENDIX B	Building Code and Condition Deficiencies Reports
APPENDIX C	Building Replacement Cost Reports
	Code Deficiency Cost Reports
	Photographs

**APPENDIX A**

**Property Condition Assessment Summary Sheet**



## 425 West Superior Street Proposed Redevelopment TIF District Summary Spreadsheet

TIF Map No.	PID #	Property Address	Improved or Vacant	Survey Method Used	Site Area (S.F.)	Coverage Area of Improvements (S.F.)	Coverage Percent of Improvements	Coverage Quantity (S.F.)	No. of Buildings	Building Replacement Cost	15% of Replacement Cost	Building Code Deficiencies	No. of Buildings Exceeding 15% Criteria	No. of buildings determined substandard	
1	010-0920-00540	401 West Superior Street	Improved	Interior/Exterior	7,000	7,000	100.0%	7,000	1	\$3,090,246.00	\$463,537	\$620,860	1	1	
2	010-0920-00550	425 West Superior Street	Improved	Interior/Exterior	46,200	46,200	100.0%	46,200	1	\$8,744,532.00	\$1,311,680	\$1,575,722	1	1	
3	010-0940-01170	408-12 West 1st Street	Improved	Interior/Exterior	20,700	20,700	100.0%	20,700	1	\$1,735,301.70	\$260,295	\$305,034	1	1	
<b>TOTALS</b>					73,900			73,900	3				3	3	
								<b>Total Coverage Percent:</b>	<b>100.0%</b>						
												<b>Percent of buildings exceeding 15 percent code deficiency threshold:</b>		<b>100.0%</b>	
												<b>Percent of buildings determined substandard:</b>		<b>100.0%</b>	

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## **APPENDIX B**

### **Building Code and Condition Deficiencies Reports**

**DULUTH, MINNESOTA  
425 WEST SUPERIOR STREET REDEVELOPMENT TIF DISTRICT  
CODE/CONDITION DEFICIENCY REPORT**

**September 26, 2013**

**Map No. & Building Name:**    **MAP ID #1**    **401 West Superior Street**  
**(Includes marked entrances at: 5 North 4<sup>th</sup> Avenue West –  
Palladio Building; 9 North 4<sup>th</sup> Ave West; 11 North 4<sup>th</sup> Ave.  
West)**

**Inspection Date(s) & Time(s):** **February 25, 2013, September 16, 2013**

**Inspection Type:**                    **Interior/Exterior**

**Summary of Deficiencies:**    It is our professional opinion that this building is **Substandard** because:  
- Building Code deficiencies total more than 15% of replacement cost.  
- Substantial renovation is required to correct Conditions found.

<b>Estimated Replacement Cost:</b>	<b>\$3,090,246.00</b>
<b>Estimated Cost to Correct Building Code Deficiencies:</b>	<b>\$620,860.00</b>
<b>Percentage of Replacement Cost:</b>	<b>20%</b>

**Statute Regarding Deficiencies**

Minnesota Statutes, Section 469.174, Subdivision 10, states that a building is Structurally Substandard if it contains “defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.”

**Site Observations**

**A. Defects in Structural Elements**

1. Granite base/bulkhead at 5 N 4<sup>th</sup> Ave W is damaged and separating from back up wall.
2. Several pieces of the stone in the upper façade have shifted outward from the support wall indicating a possible failure in the tie or rust jacking of a steel angle support. Wall assembly was not opened to determine causality.

**B. Combination of Deficiencies**

1. Essential Utilities and Facilities
  - a. Toilet rooms in building are not Accessible
  - b. Elevators at Superior Street or within 4<sup>th</sup> Avenue section do not meet current elevator code
2. Light and Ventilation
  - a. Mechanical hood is severely rusting
3. Fire Protection/Adequate Egress
  - a. Building proper not sprinkled; only sprinkled in sky walk
  - b. Standpipes are exposed and encroach into corridor
  - c. Fire extinguisher is missing
  - d. Skywalk has physical barrier (3 stairs) between suites 300 and 301 so suites are not accessible
  - e. 5 North 4<sup>th</sup> lobby does not have accessible route to upper level sky walk – this is signed as the route to the skywalk from 4<sup>th</sup> Ave W but does not accommodate disabled persons
4. Layout and Condition of Interior Partitions/Materials

- a. Guardrail around stair opening in mechanical penthouse does not meet code (temporary 2x4 construction)
  - b. Concrete floors are spalling in several locations
  - c. Wall showing signs of water intrusion as finish and gyp-board is bubbling at base
  - d. Third floor interior wood window sill is worn and damaged
  - e. Quarry-tile floor at third floor lobby is cracked and damaged
5. Exterior Construction
- a. 401 Superior lobby vinyl tile is cracked, stained and chipping
  - b. Window on third floor
  - c. 5, 9, & 11 North 4<sup>th</sup> Ave W. entrances not Accessible due to raised stoop/apron in front of doors
  - d. Office off lobby in 5 North 4<sup>th</sup> not accessible as it is up a flight of stairs
  - e. Entrances at 9 and 11 North 4<sup>th</sup> are in poor condition
  - f. Stone is spalling at lintel above 9 and 11 north 4<sup>th</sup> entrances
  - g. There is significant water damage above 9 4<sup>th</sup> Ave door
  - h. There is staining and spalling on the exterior Kasota stone façade all along building indicating trapped water
  - i. There are graffiti stains on 4<sup>th</sup> Ave wall
  - j. Brick wall in alley requires restoration (mortar joints need to be re-pointed)
  - k. Window along alley has minor damage
  - l. Roof does not meet code for slope
  - m. Roof is severely pooling water and membrane is pulling away from parapet and bubbling along wall
  - n. Roof membrane is not fastened properly at parapet
  - o. Fasteners under roof membrane are penetrating membrane indicating that they are moving/releasing or not properly installed.
  - p. Parapet coping joint sealant is failed

### **Overview of Condition Deficiencies**

The building at 401 West Superior Street was originally called the Palladio, stood eight stories and was constructed of brick and sandstone in 1889. In 1937 the structures top floors were removed, leaving only the foundation and possibly a second floor (exact amount of remaining original Palladio Building construction is not clear). In 1938 a third floor was added and the building was renamed the WEBC Radio Building. In 1968 the building was rededicated the Palladio Building.

The existing iteration of the Palladio Building still stand three stories and has multiple entries (addressed as 401 West Superior, 5 North 4<sup>th</sup> Ave W, 9 north 4<sup>th</sup> Ave W and 11 North 4<sup>th</sup> Ave W) that access both a lower and upper level. The building is set into a hill so that the entries on North 4th Avenue West enter at a level between floors creating significant Accessibility issues throughout the building. The skywalk also has a short flight of stairs without an Accessible route to Suite 300. The two elevators that service the building do not meet current elevator codes. It appears that the building HVAC system has undergone a renovation within the last 15 years and the general light and ventilation systems seem adequate. The building is not sprinkled except along the sky walk system. The exterior of the building is clad in Kasota limestone panels that are secured to the backup wall. These panels are spalling along the joints indicating that there is water getting behind the panels. Additionally, there are areas on the facade where the stone panels are shifting outward suggesting that the stone is possibly separating from its support. Another area of concern is the condition of the roof and parapet. There were significant pools of water on the roof which indicates that the drains are not working properly, the roof does not have proper slope or, most likely both. In total, the defects and deficiencies in this building are of sufficient total significance to justify substantial renovation or clearance.

**Required Repairs to Mitigate Code Deficiencies**

1. Provide ramping and landing from sidewalk into building at 5 North 4th Ave W, and 9 & 11 North 4th Ave W
2. Provide elevator from lobby level of 5 North 4<sup>th</sup> Street – currently there is no accessible path from lobby to other floors
3. Provide accessible route from lobby of 5 North 4<sup>th</sup> Street to tenant space off of lobby
4. Provide lift at stairs between suites 300 and 301 (ramping is likely not possible)
5. Provide 2 ADA compliant restrooms
6. Replace elevator at Superior Street lobby
7. Install sprinkling system in remainder of building
8. Provide fire extinguishers in building
9. Install code compliant guardrail around stair opening in mechanical penthouse
10. Replace roof – install tapered ISO for proper sloping and proper fastening
11. Determine cause of stone shifting on upper façade repair, reset stone and re-point joints

**DULUTH, MINNESOTA  
425 WEST SUPERIOR STREET REDEVELOPMENT TIF DISTRICT  
CODE/CONDITION DEFICIENCY REPORT**

**September 26, 2013**

**Map No. & Building Name:** Map No. 2 425 West Superior Street  
(includes marked entrances at: 407, 409, 413, and 425 West Superior Street)  
**Inspection Date(s) & Time(s):** February 25, 2013, September 16, 2013  
**Inspection Type:** Interior/Exterior

**Summary of Deficiencies:** It is our professional opinion that this building is Substandard because:  
- Building Code deficiencies total more than 15% of replacement cost.  
- Substantial renovation is required to correct Conditions found.

<b>Estimated Replacement Cost:</b>	<b>\$8,744,532.00</b>
<b>Estimated Cost to Correct Building Code Deficiencies:</b>	<b>\$1,575,721.61</b>
<b>Percentage of Replacement Cost:</b>	<b>18%</b>

**Statute Regarding Deficiencies**

Minnesota Statutes, Section 469.174, Subdivision 10, states that a building is Structurally Substandard if it contains “defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.”

**Site Observations**

**A. Defects in Structural Elements**

1. Parking deck serves as roof to building; deck has significant potholes and is severely worn and deteriorated resulting in significant water damage visible inside building.
2. Parking deck leaking has resulting in damage and rusting to structural steel beams and metal deck below.
3. Upper level roofs do not have required slope.
4. Stucco soffit and upper façade stained, chipped, and in poor condition

**B. Combination of Deficiencies**

1. Essential Utilities and Facilities
  - a. Toilet rooms are not Accessible
  - b. Several restrooms toilets and lavs are not functioning
  - c. Elevator near parking deck does not meet current elevator code
2. Light and Ventilation
  - a. HVAC system does not meet current codes for ventilation requirements
  - b. Electrical system not sufficient for new HVAC system
  - c. Lighting fixtures broken and outdated
3. Fire Protection/Adequate Egress
  - a. Building proper not sprinkled; only sprinkled in sky walk.
4. Layout and Condition of Interior Partitions/Materials

- a. Drop ceiling tiles throughout building under parking deck show water damage – stains, deterioration, or collapse
  - b. Mold is visible in some locations on wall and ceiling
  - c. Carpet and floor are worn and damaged throughout building
  - d. Drywall near garage area is severely damaged
5. Exterior Construction
- a. 407-409 Superior Street entrance lobby is split level with no Accessible route up or down
  - b. 413 lobby does not have accessible route to upper or lower level
  - c. Landscape materials along Superior Street have been pushed up along the walls causing damage
  - d. Exterior stone near skywalk damaged
  - e. Drain from roof above parking deck-skywalk entrance not functioning causing dangerous ice buildup condition for pedestrians at entrance
  - f. Garage off parking deck has damaged doors and lintels – chips, dings cracks
  - g. Water damage in soffit and building near 425 main entrance
  - h. Several light fixtures in soffit along Superior Street are broken
  - i. Many window and spandrel panels are stained and damaged
  - j. Barriers are needed between the cars and the exterior brick and glass wall along the lower level parking lot and the stucco and glass walls of the upper lot
  - k. Cornice flashing is damaged and requires repair
  - l. Mechanical intake louvers are damaged and should be repaired
  - m. Pipe rail along parking lot needs to be scraped and painted
  - n. Snow is piled along the superior street façade at the upper deck. This area is slight cantilevered over the floor below and may not have the structural capacity to handle the snow load.

### **Overview of Condition Deficiencies**

The building at 425 West Superior Street has multiple split-level entries (addressed as 407-409 and 413 West Superior) off of Superior that access both a lower and upper level. The split level design off of Superior does not allow for an Accessible route from either the 407 or 413 entries into the main portion of the building. The building is only sprinkled in the sections of the skywalk that pass through. There is a parking deck above the first floor of the building accessed through the alley. The parking deck has significantly deteriorated allowing water to enter into the structure and ceiling of the floor below causing significant damage.

In total, the defects and deficiencies in this building are of sufficient total significance to justify substantial renovation or clearance.

### **Required Repairs to Mitigate Code Deficiencies**

1. Superior Street entrance lobby: provide elevator access to upper and lower floors from split level lobbies.
2. Replace elevator from parking lot
3. Rebuild and waterproof parking deck – likely replace significant concrete and metal deck
4. Repair and replace damaged steel beams supporting parking deck
5. Rebuild 4 toilet rooms to be Accessible
6. Replace outdated light fixtures to meet current Energy Code
7. Replace HVAC system to current standards
8. Upgrade electrical system to support new HVAC
9. Replace roofs on upper portion of building providing for proper slope
10. Install sprinkler system in building (only skywalk currently sprinkled)

**DULUTH, MINNESOTA**  
**425 WEST SUPERIOR STREET REDEVELOPMENT TIF DISTRICT**  
**CODE/CONDITION DEFICIENCY REPORT**

**September 26, 2013**

**Map No. & Building Name:** MAP ID #3 408 West 1<sup>st</sup> Street

**Inspection Date(s) & Time(s):** September 16, 2013

**Inspection Type:** Interior/Exterior

**Summary of Deficiencies:** It is our professional opinion that this building is **Substandard** because:

- Building Code deficiencies total more than 15% of replacement cost.
- Substantial renovation is required to correct Conditions found.

<b>Estimated Replacement Cost:</b>	<b>\$1,735,301.70</b>
<b>Estimated Cost to Correct Building Code Deficiencies:</b>	<b>\$305,034.00</b>
<b>Percentage of Replacement Cost:</b>	<b>17.5%</b>

**Statute Regarding Deficiencies**

Minnesota Statutes, Section 469.174, Subdivision 10, states that a building is Structurally Substandard if it contains “defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.”

**Site Observations**

**A. Defects in Structural Elements**

1. Significant cracking and movement in concrete floor of lower level
2. Board formed concrete ceiling of lower level contains significant spalling and rusting embedded metal
3. Front 1/3<sup>rd</sup> of upper level is supported by concrete columns and beams; rear 2/3<sup>rd</sup>s of upper level are supported by columns with caps but no beams. Structural system for upper level floor does not appear to be uniform.
4. Concrete beams contain spalls and rust stains
5. Concrete columns have missing chunks that are likely due to car impacts
6. Lower level stone wall is severely eroded at floor level

**B. Combination of Deficiencies**

1. Essential Utilities and Facilities
  - a. There are no restrooms in lower level
  - b. Internal drain pipes are broken and have missing sections
  - c. Some internal drain pipes are located directly adjacent to electrical service
  - d. Lower level floor drain partially clogged
  - e. One drain pipe daylights partway up the back (south) wall with no leader or extension and empties into alley
  - f. There are no restrooms in upper level
2. Light and Ventilation
  - a. Lower level lighting does not meet current code
  - b. Lower level ventilation does not meet current code
  - c. Some lower level light fixtures are severely rusting

- d. Upper level ventilation does not meet current code
3. Fire Protection/Adequate Egress
    - a. There is one pedestrian exit from lower level
    - b. Lower level exit/entrance is not accessible and does not have door operator
    - c. Lower level and upper level are not connected
    - d. Pedestrian door at front (north) of building upper level is not accessible and does not have operator
    - e. Exit at rear (south) of upper level does not have operator and is not accessible
    - f. Egress at rear (south) of upper level does not exit directly to exterior but rather into secured skywalk
  4. Layout and Condition of Interior Partitions/Materials
    - a. Ceiling of lower level has significant cracking and staining indicating water issues (sources could be interior humidity, broken pipes, roof failure, or other)
    - b. Walls appear to have been painted with white paint that has mostly worn off.
    - c. Walls of lower level have what appears to be significant efflorescence indicating water issues (sources could be interior humidity, broken pipes, rising damp, or other).
    - d. Ceiling of lower level has large areas that appear to be oil stains
    - e. Floor is significantly stained
    - f. There is no direct connection between floors
    - g. Floor at lower level overhead door appears to have sunken creating large air gap
    - h. Upper level has several interior unfinished wood and sheet rock demising walls
    - i. East wall upper level has significant staining and spalling.
    - j. West wall upper levels has some water staining
  5. Exterior Construction
    - a. Lower level exterior has severe erosion at base of wall
    - b. Steel overhead door lintel is rusting
    - c. Lower level windows are in poor condition with some lights missing and paint peeling
    - d. Upper level windows sills appear to have rust stains underneath
    - e. Lowest course of concrete block on the upper level is discolored indicating moisture intrusion
    - f. There are metal conduits/pipe that penetrate the brick exterior of the lower level that are rusted and do not appear to be connected to anything
    - g. Exterior wall in skywalk (east wall) has severe efflorescence and is spalling brick
    - h. Roof condition could not be assessed as there is no roof access; severe efflorescence on exterior wall at skywalk (east wall) could indicate roof leak

### **Overview of Condition Deficiencies**

The building at 408 W 1<sup>st</sup> Street is a two level structure. The upper level is a 1 story brick building with a concrete block back up wall that fronts West 1<sup>st</sup> street. The West 1<sup>st</sup> St. façade has an overhead garage door centered on the building with a pedestrian security door to the west; there are no windows on this elevation. The west and east walls of the upper level are shared with the adjacent buildings and appear to be multi-wythe brick load bearing masonry walls, likely from the late 1800s. A skywalk crosses the rear of the building at this upper level so that the rear exit of the space is into the skywalk. The interior is relatively open space with semi constructed demising walls, concrete floor and open steel trusses carrying corrugated metal panel roof sub-structure. The lighting and ventilation to this space, which is currently used as warehouse, is limited.

The lower level is built into the slope so that the rear wall is the only one exposed to the exterior. The walls are a mix of stone and brick masonry that appear to date from the late 1800s. There is no direct connection (stair or elevator) between the upper and lower levels. The lower level rear wall is primarily painted brick with a series of arched windows and an off center overhead garage door. The interior of the lower level is used as parking for the Duluth News Tribune. The floor is concrete with significant cracking and stains. The ceiling is board

formed concrete that has significant staining and carries a complex series of abandoned and in-use piping. The lighting and ventilation within this space are deficient. Of note the structural system for the upper level is readily visible in the lower level. The front of the building is supported by a series of concrete columns and beams that form a grid while the southern section consists of concrete columns only with no supporting beams. Due to this apparent change in system, it is recommended that items of significant weight not be located past the column and beam section of the upper floor.

**Required Repairs to Mitigate Code Deficiencies**

1. Repair concrete beams that are rusting and spalling
2. Replace and repoint stone in lower level foundation wall
3. Provide restrooms in upper and lower level
4. Replace internal drainpipes that are broken or missing
5. Provide elevator
6. Provide stair connection between upper and lower level
7. Provide adequate lighting for upper and lower levels
8. Provide adequate ventilation for upper and lower levels
9. Provide accessible exit routes including door operators
10. Repair or replace windows at lower level due to water infiltration
11. Spot repair roof to mitigate water damage to walls

**APPENDIX C**

**Building Replacement Cost Reports  
Code Deficiency Cost Reports  
Photographs**

## Square Foot Cost Estimate Report

<b>Estimate Name:</b>	<b>401 W. Superior</b>	 <p style="font-size: small; color: #0070C0;">Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.</p>
<b>Building Type:</b>	<b>Office, 2-4 Story with Face Brick with Concrete Block Back-up / Steel Joists</b>	
<b>Location:</b>	<b>DULUTH, MN</b>	
<b>Story Count:</b>	<b>3</b>	
<b>Story Height (L.F.):</b>	<b>10</b>	
<b>Floor Area (S.F.):</b>	<b>19,000</b>	
<b>Labor Type:</b>	<b>STD</b>	
<b>Basement Included:</b>	<b>Yes</b>	
<b>Data Release:</b>	<b>Year 2013 Quarter 1</b>	
<b>Cost Per Square Foot:</b>	<b>\$155.57</b>	
<b>Building Cost:</b>	<b>\$2,955,887</b>	

	% of Total	Cost Per S.F.	Cost
<b>A Substructure</b>	<b>6.15%</b>	<b>\$9.56</b>	<b>\$181,640.00</b>
<b>A1010</b>		<b>\$2.30</b>	<b>\$43,700.00</b>
<b>Standard Foundations</b> Strip footing, concrete, reinforced, load 11.1 KLF, soil bearing capacity 6 KSF, 12" deep x 24" wide Spread footings, 3000 PSI concrete, load 200K, soil bearing capacity 6 KSF, 6' - 0" square x 20" deep			
<b>A1030</b>		<b>\$1.87</b>	<b>\$35,530.00</b>
<b>Slab on Grade</b> Slab on grade, 4" thick, non industrial, reinforced			
<b>A2010</b>		<b>\$1.39</b>	<b>\$26,410.00</b>
<b>Basement Excavation</b> Excavate and fill, 10,000 SF, 8' deep, sand, gravel, or common earth, on site storage			
<b>A2020</b>		<b>\$4.00</b>	<b>\$76,000.00</b>
<b>Basement Walls</b> Foundation wall, CIP, 12' wall height, pumped, .444 CY/LF, 21.59 PLF, 12" thick			
<b>B Shell</b>	<b>31.89%</b>	<b>\$49.61</b>	<b>\$942,590.00</b>
<b>B1010</b>		<b>\$21.53</b>	<b>\$409,070.00</b>
<b>Floor Construction</b> Cast-in-place concrete column, 12" square, tied, 200K load, 12' story height, 142 lbs/LF, 4000PSI Flat slab, concrete, with drop panels, 6" slab/2.5" panel, 12" column, 15'x15' bay, 75 PSF superimposed load, 153 PSF total load Floor, concrete, slab form, open web bar joist @ 2' OC, on W beam and wall, 25'x25' bay, 26" deep, 75 PSF superimposed load, 120 PSF total load Floor, concrete, slab form, open web bar joist @ 2' OC, on W beam and wall, 25'x25' bay, 26" deep, 75 PSF superimposed load, 120 PSF total load, for columns add Fireproofing, gypsum board, fire rated, 2 layer, 1" thick, 14" steel column, 3 hour rating, 22 PLF			
<b>B1020</b>		<b>\$2.55</b>	<b>\$48,450.00</b>
<b>Roof Construction</b> Roof, steel joists, beams, 1.5" 22 ga metal deck, on columns and bearing wall, 25'x25' bay, 20" deep, 40 PSF superimposed load, 60 PSF total load Roof, steel joists, beams, 1.5" 22 ga metal deck, on columns and bearing wall, 25'x25' bay, 20" deep, 40 PSF superimposed load, 60 PSF total load, add for column			
<b>B2010</b>		<b>\$17.68</b>	<b>\$335,920.00</b>
<b>Exterior Walls</b> Brick wall, composite double wythe, standard face/CMU back-up, 8" thick, perlite core fill			
<b>B2020</b>		<b>\$4.08</b>	<b>\$77,520.00</b>
<b>Exterior Windows</b>			

	Windows, aluminum, awning, insulated glass, 4'-5" x 5'-3"			
<b>B2030</b>	<b>Exterior Doors</b> Door, aluminum & glass, with transom, narrow stile, double door, hardware, 6'-0" x 10'-0" opening Door, aluminum & glass, with transom, bronze finish, hardware, 3'-0" x 10'-0" opening Door, steel 18 gauge, hollow metal, 1 door with frame, no label, 3'-0" x 7'-0" opening	<b>\$1.11</b>	<b>\$21,090.00</b>	
<b>B3010</b>	<b>Roof Coverings</b> Roofing, asphalt flood coat, gravel, base sheet, 3 plies 15# asphalt felt, mopped Insulation, rigid, roof deck, composite with 2" EPS, 1" perlite Roof edges, aluminum, duranodic, .050" thick, 6" face Flashing, aluminum, no backing sides, .019" Gravel stop, aluminum, extruded, 4", duranodic, .050" thick	<b>\$2.66</b>	<b>\$50,540.00</b>	
<b>C Interiors</b>		<b>21.91%</b>	<b>\$34.09</b>	<b>\$647,710.00</b>
<b>C1010</b>	<b>Partitions</b> Metal partition, 5/8" fire rated gypsum board face, no base, 3 -5/8" @ 24" OC framing, same opposite face, no insulation  1/2" fire rated gypsum board, taped & finished, painted on metal furring	<b>\$4.21</b>	<b>\$79,990.00</b>	
<b>C1020</b>	<b>Interior Doors</b> Door, single leaf, kd steel frame, hollow metal, commercial quality, flush, 3'-0" x 7'-0" x 1-3/8"	<b>\$6.21</b>	<b>\$117,990.00</b>	
<b>C1030</b>	<b>Fittings</b> Toilet partitions, cubicles, ceiling hung, plastic laminate	<b>\$1.11</b>	<b>\$21,090.00</b>	
<b>C2010</b>	<b>Stair Construction</b>  Stairs, steel, cement filled metal pan & picket rail, 16 risers, with landing	<b>\$5.05</b>	<b>\$95,950.00</b>	
<b>C3010</b>	<b>Wall Finishes</b> Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats Vinyl wall covering, fabric back, medium weight	<b>\$1.29</b>	<b>\$24,510.00</b>	
<b>C3020</b>	<b>Floor Finishes</b> Carpet, tufted, nylon, roll goods, 12' wide, 36 oz Carpet, padding, add to above, minimum Vinyl, composition tile, maximum Tile, ceramic natural clay	<b>\$8.61</b>	<b>\$163,590.00</b>	
<b>C3030</b>	<b>Ceiling Finishes</b> Acoustic ceilings, 3/4" mineral fiber, 12" x 12" tile, concealed 2" bar & channel grid, suspended support	<b>\$7.61</b>	<b>\$144,590.00</b>	
<b>D Services</b>		<b>30.96%</b>	<b>\$48.17</b>	<b>\$915,230.00</b>
<b>D1010</b>	<b>Elevators and Lifts</b> Hydraulic passenger elevator, 3000 lb, 3 floors, 12' story height, 2 car group, 125 FPM	<b>\$6.50</b>	<b>\$123,500.00</b>	
<b>D2010</b>	<b>Plumbing Fixtures</b> Water closet, vitreous china, bowl only with flush valve, wall hung Urinal, vitreous china, wall hung Lavatory w/trim, vanity top, PE on CI, 20" x 18" Service sink w/trim, PE on CI, wall hung w/rim guard, 24" x 20" Water cooler, electric, wall hung, 8.2 GPH Water cooler, electric, wall hung, wheelchair type, 7.5 GPH	<b>\$3.84</b>	<b>\$72,960.00</b>	
<b>D2020</b>	<b>Domestic Water Distribution</b>	<b>\$0.45</b>	<b>\$8,550.00</b>	

D2040	Gas fired water heater, commercial, 100< F rise, 100 MBH input, 91 GPH <b>Rain Water Drainage</b>	\$0.66	\$12,540.00	
	Roof drain, CI, soil,single hub, 4" diam, 10' high			
	Roof drain, CI, soil,single hub, 4" diam, for each additional foot add			
D3050	<b>Terminal &amp; Package Units</b>	\$15.25	\$289,750.00	
	Rooftop, multizone, air conditioner, offices, 25,000 SF, 79.16 ton			
D4010	<b>Sprinklers</b>	\$3.66	\$69,540.00	
	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 5000 SF			
	Wet pipe sprinkler systems, steel, light hazard, each additional floor, 5000 SF			
	Standard High Rise Accessory Package 3 story			
D4020	<b>Standpipes</b>	\$0.89	\$16,910.00	
	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor			
	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, additional floors			
D5010	<b>Electrical Service/Distribution</b>	\$4.16	\$79,040.00	
	Service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 1000 A			
	Feeder installation 600 V, including RGS conduit and XHHW wire, 1000 A			
	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 1200 A			
D5020	<b>Lighting and Branch Wiring</b>	\$10.00	\$190,000.00	
	Receptacles incl plate, box, conduit, wire, 16.5 per 1000 SF, 2.0 W per SF, with transformer			
	Miscellaneous power, 1.2 watts			
	Central air conditioning power, 4 watts			
	Motor installation, three phase, 460 V, 15 HP motor size			
	Fluorescent fixtures recess mounted in ceiling, 1.6 watt per SF, 40 FC, 10 fixtures @32watt per 1000 SF			
D5030	<b>Communications and Security</b>	\$2.50	\$47,500.00	
	Telephone wiring for offices & laboratories, 8 jacks/MSF			
	Communication and alarm systems, fire detection, addressable, 50 detectors, includes outlets, boxes, conduit and wire			
	Fire alarm command center, addressable with voice, excl. wire & conduit			
	Internet wiring, 8 data/voice outlets per 1000 S.F.			
D5090	<b>Other Electrical Systems</b>	\$0.26	\$4,940.00	
	Generator sets, w/battery, charger, muffler and transfer switch, gas/gasoline operated, 3 phase, 4 wire, 277/480 V, 7.5 kW			
	Uninterruptible power supply with standard battery pack, 15 kVA/12.75 kW			
<b>SubTotal</b>		<b>91%</b>	<b>\$141.43</b>	<b>\$2,687,170.00</b>
<b>Contractor Fees (General Conditions,Overhead,Profit)</b>		<b>9%</b>	<b>\$14.14</b>	<b>\$268,717.00</b>
<b>Architectural Fees</b>		<b>0%</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>User Fees</b>		<b>0%</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Total Building Cost</b>			<b>\$155.57</b>	<b>\$2,955,887.00</b>

**Duluth, MN Proposed 425 West Superior TIF District  
Project No. 120652**

**MAP ID #1 401 West Superior Street  
PID 0101-0920-00540**

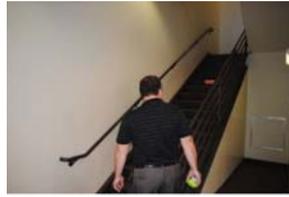
Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
<b>Accessibility Items</b>					
	Replace existing restrooms to provide handicap accessible facilities for each gender				
	Build (2) new accessible toilet rooms W/ compliant number of accessories and fixtures				
	Remove existing toilet rooms	\$ 2,550.00	Lump	2	\$ 5,100.00
	water closets	\$ 2,500.00	each	5	\$ 12,500.00
	lavs (sinks)	\$ 1,750.00	each	4	\$ 7,000.00
	urinal	\$ 1,750.00	each	1	\$ 1,750.00
	2 sets of grab bars	\$ 400.00	each	2	\$ 800.00
	2 sets toilet room accessories	\$ 800.00	each	2	\$ 1,600.00
	Interior room reconstruction (doors, partitions, finishes)	\$ 60.00	SF	240	\$ 14,400.00
	Reinstall toilet Room Ventilation System	\$ 750.00	each	2	\$ 1,500.00
	Drinking fountain	\$ 1,200.00	each	2	\$ 2,400.00
	Replace existing elevator 401 Superior street lobby (does not meet code)				
	New 3 stop elevator	\$ 100,000.00	each	1.00	\$ 100,000.00
	Provide elevator access from entries to upper and lower levels (5 North 4th Ave West)				
	New 3 stop elevator	\$ 100,000.00	each	2.00	\$ 200,000.00
	Provide ramping and landing from sidewalk into building at 5 North 4th Ave W, and 9 & 11 North 4th Ave W				
	Concrete and railings	\$ 19,000.00	each	2.00	\$ 38,000.00
	Provide lift from 5 North 4th Ave lobby to tenant space off lobby	\$ 40,000.00	each	1	\$ 40,000.00
	Provide lift at stairs in skywalk between suites 300 and 301	\$ 40,000.00	each	1	\$ 40,000.00
<b>Interior Construction</b>					
	Install code compliant guardrail at stair in penthouse				
		\$ 4,700.00	Lump	1	\$ 4,700.00
<b>Exterior</b>					
	Re-set and point areas of stone that are shifting	\$ 18.00	SF	750	\$ 13,500.00
<b>Fire Protection</b>					
	Install sprinkler system				
	Sprinkler piping and heads for building	\$ 3.66	SF	19,000	\$ 69,540.00
	Install standpipes	\$ 0.88	SF	19,000	\$ 16,720.00
	Provide Fire Extinguishers	\$ 250.00	each	6.00	\$ 1,500.00
<b>Roof Construction</b>					
	Replace roof with proper sloped roof				
	Remove and replace	\$ 6.00	SF	7,000	\$ 42,000.00
<b>Mechanical- Electrical</b>					
<b>Total Code Improvements</b>					<b>\$ 613,010.00</b>



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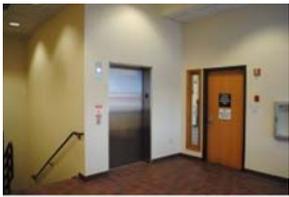
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**Square Foot Cost Estimate Report**

<b>Estimate Name:</b>	<b>425 W. Superior</b>	
<b>Building Type:</b>	<b>Office, 2-4 Story with Face Brick with Concrete Block Back-up / Steel Joists</b>	
<b>Location:</b>	<b>DULUTH, MN</b>	 <p>Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.</p>
<b>Story Count:</b>	<b>2</b>	
<b>Story Height (L.F.):</b>	<b>10</b>	
<b>Floor Area (S.F.):</b>	<b>64,764</b>	
<b>Labor Type:</b>	<b>STD</b>	
<b>Basement Included:</b>	<b>Yes</b>	
<b>Data Release:</b>	<b>Year 2013 Quarter 1</b>	
<b>Cost Per Square Foot:</b>	<b>\$129.15</b>	
<b>Building Cost:</b>	<b>\$8,364,335</b>	

		<b>% of Total</b>	<b>Cost Per S.F.</b>	<b>Cost</b>
<b>A Substructure</b>		<b>7.68%</b>	<b>\$9.92</b>	<b>\$642,458.88</b>
<b>A1010</b>	<b>Standard Foundations</b> Strip footing, concrete, reinforced, load 11.1 KLF, soil bearing capacity 6 KSF, 12" deep x 24" wide Spread footings, 3000 PSI concrete, load 200K, soil bearing capacity 6 KSF, 6' - 0" square x 20" deep		<b>\$2.29</b>	<b>\$148,309.56</b>
<b>A1030</b>	<b>Slab on Grade</b> Slab on grade, 4" thick, non industrial, reinforced		<b>\$2.79</b>	<b>\$180,691.56</b>
<b>A2010</b>	<b>Basement Excavation</b> Excavate and fill, 10,000 SF, 8' deep, sand, gravel, or common earth, on site storage		<b>\$2.08</b>	<b>\$134,709.12</b>
<b>A2020</b>	<b>Basement Walls</b> Foundation wall, CIP, 12' wall height, pumped, .444 CY/LF, 21.59 PLF, 12" thick		<b>\$2.76</b>	<b>\$178,748.64</b>
<b>B Shell</b>		<b>28.20%</b>	<b>\$36.42</b>	<b>\$2,358,704.88</b>
<b>B1010</b>	<b>Floor Construction</b> Cast-in-place concrete column, 12" square, tied, 200K load, 12' story height, 142 lbs/LF, 4000PSI Flat slab, concrete, with drop panels, 6" slab/2.5" panel, 12" column, 15'x15' bay, 75 PSF superimposed load, 153 PSF total load Floor, concrete, slab form, open web bar joist @ 2' OC, on W beam and wall, 25'x25' bay, 26" deep, 75 PSF superimposed load, 120 PSF total load Floor, concrete, slab form, open web bar joist @ 2' OC, on W beam and wall, 25'x25' bay, 26" deep, 75 PSF superimposed load, 120 PSF total load, for columns add Fireproofing, gypsum board, fire rated, 2 layer, 1" thick, 14" steel column, 3 hour rating, 22 PLF		<b>\$20.86</b>	<b>\$1,350,977.04</b>
<b>B1020</b>	<b>Roof Construction</b> Roof, steel joists, beams, 1.5" 22 ga metal deck, on columns and bearing wall, 25'x25' bay, 20" deep, 40 PSF superimposed load, 60 PSF total load Roof, steel joists, beams, 1.5" 22 ga metal deck, on columns and bearing wall, 25'x25' bay, 20" deep, 40 PSF superimposed load, 60 PSF total load, add for column		<b>\$3.81</b>	<b>\$246,750.84</b>
<b>B2010</b>	<b>Exterior Walls</b> Brick wall, composite double wythe, standard face/CMU back-up, 8"		<b>\$6.11</b>	<b>\$395,708.04</b>

	thick, perlite core fill			
<b>B2020</b>	<b>Exterior Windows</b>		<b>\$1.41</b>	<b>\$91,317.24</b>
	Windows, aluminum, awning, insulated glass, 4'-5" x 5'-3"			
<b>B2030</b>	<b>Exterior Doors</b>		<b>\$1.11</b>	<b>\$71,888.04</b>
	Door, aluminum & glass, with transom, narrow stile, double door, hardware, 6'-0" x 10'-0" opening			
	Door, aluminum & glass, with transom, bronze finish, hardware, 3'-0" x 10'-0" opening			
	Door, steel 18 gauge, hollow metal, 1 door with frame, no label, 3'-0" x 7'-0" opening			
<b>B3010</b>	<b>Roof Coverings</b>		<b>\$3.12</b>	<b>\$202,063.68</b>
	Roofing, asphalt flood coat, gravel, base sheet, 3 plies 15# asphalt felt, mopped			
	Insulation, rigid, roof deck, composite with 2" EPS, 1" perlite			
	Roof edges, aluminum, duranodic, .050" thick, 6" face			
	Flashing, aluminum, no backing sides, .019"			
	Gravel stop, aluminum, extruded, 4", duranodic, .050" thick			
<b>C Interiors</b>		<b>25.15%</b>	<b>\$32.48</b>	<b>\$2,103,534.72</b>
<b>C1010</b>	<b>Partitions</b>		<b>\$2.63</b>	<b>\$170,329.32</b>
	Metal partition, 5/8" fire rated gypsum board face, no base, 3 -5/8" @ 24" OC framing, same opposite face, no insulation			
	1/2" fire rated gypsum board, taped & finished, painted on metal furring			
<b>C1020</b>	<b>Interior Doors</b>		<b>\$6.20</b>	<b>\$401,536.80</b>
	Door, single leaf, kd steel frame, hollow metal, commercial quality, flush, 3'-0" x 7'-0" x 1-3/8"			
<b>C1030</b>	<b>Fittings</b>		<b>\$1.11</b>	<b>\$71,888.04</b>
	Toilet partitions, cubicles, ceiling hung, plastic laminate			
<b>C2010</b>	<b>Stair Construction</b>		<b>\$5.05</b>	<b>\$327,058.20</b>
	Stairs, steel, cement filled metal pan & picket rail, 16 risers, with landing			
<b>C3010</b>	<b>Wall Finishes</b>		<b>\$1.28</b>	<b>\$82,897.92</b>
	Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats			
	Vinyl wall covering, fabric back, medium weight			
<b>C3020</b>	<b>Floor Finishes</b>		<b>\$8.61</b>	<b>\$557,618.04</b>
	Carpet, tufted, nylon, roll goods, 12' wide, 36 oz			
	Carpet, padding, add to above, minimum			
	Vinyl, composition tile, maximum			
	Tile, ceramic natural clay			
<b>C3030</b>	<b>Ceiling Finishes</b>		<b>\$7.60</b>	<b>\$492,206.40</b>
	Acoustic ceilings, 3/4" mineral fiber, 12" x 12" tile, concealed 2" bar & channel grid, suspended support			
<b>D Services</b>		<b>42.73%</b>	<b>\$38.59</b>	<b>\$2,499,242.76</b>
<b>D1010</b>	<b>Elevators and Lifts</b>		<b>\$2.00</b>	<b>\$129,528.00</b>
	Hydraulic passenger elevator, 3000 lb, 3 floors, 12' story height, 2 car group, 125 FPM			
<b>D2010</b>	<b>Plumbing Fixtures</b>		<b>\$3.84</b>	<b>\$248,693.76</b>
	Water closet, vitreous china, bowl only with flush valve, wall hung			
	Urinal, vitreous china, wall hung			
	Lavatory w/trim, vanity top, PE on CI, 20" x 18"			

	Service sink w/trim, PE on CI, wall hung w/rim guard, 24" x 20"		
	Water cooler, electric, wall hung, 8.2 GPH		
	Water cooler, electric, wall hung, wheelchair type, 7.5 GPH		
<b>D2020</b>	<b>Domestic Water Distribution</b>	<b>\$0.46</b>	<b>\$29,791.44</b>
	Gas fired water heater, commercial, 100< F rise, 100 MBH input, 91 GPH		
<b>D2040</b>	<b>Rain Water Drainage</b>	<b>\$0.66</b>	<b>\$42,744.24</b>
	Roof drain, CI, soil, single hub, 4" diam, 10' high		
	Roof drain, CI, soil, single hub, 4" diam, for each additional foot add		
<b>D3050</b>	<b>Terminal &amp; Package Units</b>	<b>\$15.25</b>	<b>\$987,651.00</b>
	Rooftop, multizone, air conditioner, offices, 25,000 SF, 79.16 ton		
<b>D4010</b>	<b>Sprinklers</b>	<b>\$3.66</b>	<b>\$237,036.24</b>
	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 5000 SF		
	Wet pipe sprinkler systems, steel, light hazard, each additional floor, 5000 SF		
	Standard High Rise Accessory Package 3 story		
<b>D5010</b>	<b>Electrical Service/Distribution</b>	<b>\$1.22</b>	<b>\$79,012.08</b>
	Service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 1000 A		
	Feeder installation 600 V, including RGS conduit and XHHW wire, 1000 A		
	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 1200 A		
<b>D5020</b>	<b>Lighting and Branch Wiring</b>	<b>\$10.00</b>	<b>\$647,640.00</b>
	Receptacles incl plate, box, conduit, wire, 16.5 per 1000 SF, 2.0 W per SF, with transformer		
	Miscellaneous power, 1.2 watts		
	Central air conditioning power, 4 watts		
	Motor installation, three phase, 460 V, 15 HP motor size		
	Fluorescent fixtures recess mounted in ceiling, 1.6 watt per SF, 40 FC, 10 fixtures @32watt per 1000 SF		
<b>D5030</b>	<b>Communications and Security</b>	<b>\$1.25</b>	<b>\$80,955.00</b>
	Telephone wiring for offices & laboratories, 8 jacks/MSF		
	Communication and alarm systems, fire detection, addressable, 50 detectors, includes outlets, boxes, conduit and wire		
	Fire alarm command center, addressable with voice, excl. wire & conduit		
	Internet wiring, 8 data/voice outlets per 1000 S.F.		
<b>D5090</b>	<b>Other Electrical Systems</b>	<b>\$0.25</b>	<b>\$16,191.00</b>
	Generator sets, w/battery, charger, muffler and transfer switch, gas/gasoline operated, 3 phase, 4 wire, 277/480 V, 7.5 kW		
	Uninterruptible power supply with standard battery pack, 15 kVA/12.75 kW		
<b>SubTotal</b>		<b>91%</b>	<b>\$117.41</b>
<b>Contractor Fees (General Conditions, Overhead, Profit)</b>		<b>9%</b>	<b>\$11.74</b>
<b>Architectural Fees</b>		<b>0%</b>	<b>\$0.00</b>
<b>User Fees</b>		<b>0%</b>	<b>\$0.00</b>
<b>Total Building Cost</b>			<b>\$129.15</b>
			<b>\$8,364,335.36</b>

**Duluth, MN Proposed 425 West Superior TIF District**  
**Project No. 120652**  
**PID 0101-0920-00550**

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
<b>Accessibility Items</b>					
	Replace toilets to provide handicap access for each gender				
	Build (4) new accessible toilet rooms W/ compliant number of accessories and fixtures				
	Remove existing toilet rooms	\$ 2,550.00	Lump	4	\$ 10,200.00
	4 water closets	\$ 2,500.00	each	14	\$ 35,000.00
	4 lavs	\$ 1,750.00	each	12	\$ 21,000.00
	2 Urinal	\$ 1,750.00	each	4	\$ 7,000.00
	4 sets of grab bars	\$ 400.00	each	4	\$ 1,600.00
	4 sets toilet room accessories	\$ 800.00	each	4	\$ 3,200.00
	Interior room reconstruction (doors, partitions, finishes)	\$ 60.00	SF	480	\$ 28,800.00
	Reinstall toilet Room Ventilation System	\$ 750.00	each	4	\$ 3,000.00
	Provide elevator access from entries to upper and lower levels (407 and 413 Superior)				
	New 3 stop elevator	\$ 100,000.00	each	2.00	\$ 200,000.00
	Replace existing elevator (does not meet code)				
	New 3 stop elevator	\$ 100,000.00	each	1.00	\$ 100,000.00
<b>Interior Construction</b>					
	Replace Acoustical ceiling tile damaged by water and mold				
	Replace throughout building	\$ 3.60	sf	38,485	\$ 138,546.00
<b>Fire Protection</b>					
	Install sprinkler system				
	Sprinkler piping and heads for building	\$ 3.66	SF	38,485	\$ 140,856.56
	Install standpipes	\$ 0.88	SF		\$ -
<b>Roof Construction</b>					
	Parking deck concrete repair	\$ 4.25	SF	10,800	\$ 45,900.00
	Steel Beam and metal deck repair and replacement	\$ 40,000.00	Lump	1	\$ 40,000.00
	Waterproofing on parking deck	\$ 3.40	SF	10,800	\$ 36,720.00
	Replace roof above garage with proper sloped roof				
	Remove and replace	\$ 4.07	sf	11,340	\$ 46,153.80
<b>Mechanical- Electrical</b>					
	Provide new HVAC system - existing system does not meet current ventilation standards per code				
	New heating, cooling and ventilation system	\$ 9.65	SF	38,485	\$ 371,380.25
	Provide new electrical service to support new HVAC	\$ 1.00	SF	38,485	\$ 38,485.00
	Provide new lighting and branch wiring	\$ 8.00	SF	38,485	\$ 307,880.00
<b>Total Code Improvements</b>					<b>\$ 1,575,721.61</b>



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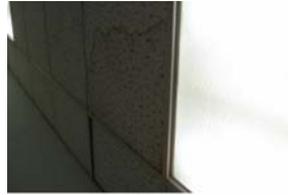
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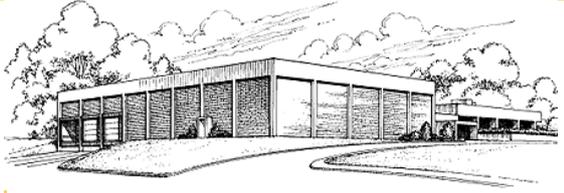


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### Square Foot Cost Estimate Report

Estimate Name:	<b>408 Warehouse</b>	
Building Type:	<b>Warehouse with Brick with Block Back-up / Bearing Walls</b>	
Location:	<b>Duluth, MN</b>	 <p>Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.</p>
Story Count:	<b>2</b>	
Story Height (L.F.):	<b>16</b>	
Floor Area (S.F.):	<b>20,700</b>	
Labor Type:	<b>STD</b>	
Basement Included:	<b>No</b>	
Data Release:	<b>Year 2012</b>	
Cost Per Square Foot:	<b>\$83.83</b>	
Building Cost:	<b>\$1,735,301.70</b>	

		% of Total	Cost Per S.F.	Cost
<b>A Substructure</b>		<b>14.04%</b>	<b>\$11.77</b>	<b>\$243,639.00</b>
<b>A1010</b>	<b>Standard Foundations</b> Strip footing, concrete, reinforced, load 5.1 KLF, soil bearing capacity 3 KSF, 12" deep x 24" wide spread footings, 3000 PSI concrete, load 50K, soil bearing capacity 6 KSF, 3' - 0" square x 12" deep Spread footings, 3000 PSI concrete, load 150K, soil bearing capacity 6 KSF, 5' - 6" square x 18" deep		<b>\$1.50</b>	<b>\$31,050.00</b>
<b>A1030</b>	<b>Slab on Grade</b> Slab on grade, 5" thick, heavy industrial, reinforced		<b>\$7.66</b>	<b>\$158,562.00</b>
<b>A2010</b>	<b>Basement Excavation</b> Excavate and fill, 30,000 SF, 4' deep, sand, gravel, or common earth, on site storage		<b>\$0.10</b>	<b>\$2,070.00</b>
<b>A2020</b>	<b>Basement Walls</b> Foundation wall, CIP, 4' wall height, direct chute, .148 CY/LF, 7.2 PLF, 12" thick		<b>\$2.51</b>	<b>\$51,957.00</b>
<b>B Shell</b>		<b>41.06%</b>	<b>\$34.42</b>	<b>\$712,494.00</b>
<b>B1010</b>	<b>Floor Construction</b> Floor, concrete, slab form, open web bar joist @ 2' OC, on W beam and column, 25'x25' bay, 32" deep, 125 PSF superimposed load, 170 PSF total load		<b>\$1.11</b>	<b>\$22,977.00</b>
<b>B1020</b>	<b>Roof Construction</b> Floor, steel joists, beams, 1.5" 22 ga metal deck, on columns and bearing wall, 25'x25' bay, 20" deep, 40 PSF superimposed load, 60 PSF total load  Floor, steel joists, beams, 1.5" 22 ga metal deck, on columns and bearing wall, 25'x25' bay, 20" deep, 40 PSF superimposed load, 60 PSF total load, add for column		<b>\$3.79</b>	<b>\$78,453.00</b>
<b>B2010</b>	<b>Exterior Walls</b> Brick wall, composite double wythe, standard face/CMU back-up, 8" thick, perlite core fill		<b>\$24.08</b>	<b>\$498,456.00</b>
<b>B2030</b>	<b>Exterior Doors</b>		<b>\$1.26</b>	<b>\$26,082.00</b>

	Door, aluminum & glass, with transom, narrow stile, double door, hardware, 6'-0" x 10'-0" opening			
	Door, steel 18 gauge, hollow metal, 1 door with frame, no label, 3'-0" x 7'-0" opening			
	Door, steel 24 gauge, overhead, sectional, electric operator, 12'-0" x 12'-0" opening			
<b>B3010</b>	<b>Roof Coverings</b>	<b>\$3.62</b>	<b>\$74,934.00</b>	
	Roofing, asphalt flood coat, gravel, base sheet, 3 plies 15# asphalt felt, mopped			
	Insulation, rigid, roof deck, composite with 2" EPS, 1" perlite			
	Roof edges, aluminum, duranodic, .050" thick, 6" face			
	Gravel stop, aluminum, extruded, 4", mill finish, .050" thick			
<b>B3020</b>	<b>Roof Openings</b>	<b>\$0.56</b>	<b>\$11,592.00</b>	
	Roof hatch, with curb, 1" fiberglass insulation, 2'-6" x 3'-0", galvanized steel, 165 lbs			
	Smoke hatch, unlabeled, galvanized, 2'-6" x 3', not incl hand winch operator			
<b>C Interiors</b>		<b>5.50%</b>	<b>\$4.61</b>	<b>\$95,427.00</b>
<b>C1010</b>	<b>Partitions</b>	<b>\$0.87</b>	<b>\$18,009.00</b>	
	Concrete block (CMU) partition, light weight, hollow, 6" thick, no finish			
<b>C2010</b>	<b>Stair Construction</b>	<b>\$1.30</b>	<b>\$26,910.00</b>	
	Stairs, steel, grate type w/nosing & rails, 20 risers, with landing			
<b>C3020</b>	<b>Floor Finishes</b>	<b>\$2.44</b>	<b>\$50,508.00</b>	
	Concrete topping, hardeners, metallic additive, minimum			
	Concrete topping, hardeners, metallic additive, maximum			
	Vinyl, composition tile, maximum			
<b>D Services</b>		<b>30.31%</b>	<b>\$25.41</b>	<b>\$525,987.00</b>
<b>D1010</b>	<b>Elevators and Lifts</b>	<b>\$3.62</b>	<b>\$74,934.00</b>	
	Hydraulic passenger elevator, 3500 lb., five floors, 10' story height, 125 FPM			
<b>D2010</b>	<b>Plumbing Fixtures</b>	<b>\$1.23</b>	<b>\$25,461.00</b>	
	Water closet, vitreous china, tank type, 2 piece close coupled			
	Urinal, vitreous china, wall hung			
	Lavatory w/trim, wall hung, PE on CI, 18" x 15"			
	Service sink w/trim, PE on CI, wall hung w/rim guard, 24" x 20"			
	Water cooler, electric, wall hung, wheelchair type, 7.5 GPH			
<b>D2020</b>	<b>Domestic Water Distribution</b>	<b>\$0.41</b>	<b>\$8,487.00</b>	
	Gas fired water heater, commercial, 100< F rise, 75.5 MBH input, 63 GPH			
<b>D2040</b>	<b>Rain Water Drainage</b>	<b>\$1.91</b>	<b>\$39,537.00</b>	
	Roof drain, steel galv sch 40 grooved, 5" diam piping, 10' high			
	Roof drain, steel galv sch 40 threaded, 5" diam piping, for each additional foot add			
<b>D3010</b>	<b>Energy Supply</b>	<b>\$5.99</b>	<b>\$123,993.00</b>	
	Commercial building heating systems, terminal unit heaters, forced hot water, 100,000 SF bldg, 1mil CF, total, 3 floors			
<b>D3050</b>	<b>Terminal &amp; Package Units</b>	<b>\$1.04</b>	<b>\$21,528.00</b>	

D4010	Rooftop, single zone, air conditioner, offices, 3,000 SF, 9.50 ton <b>Sprinklers</b>	\$4.47	\$92,529.00
D5010	Wet pipe sprinkler systems, grooved steel, ordinary hazard, 1 floor, 10,000 SF <b>Electrical Service/Distribution</b>	\$0.77	\$15,939.00
	Service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 200 A  Feeder installation 600 V, including RGS conduit and XHHW wire, 200 A		
D5020	Switchgear installation, incl switchboard, panels & circuit breaker, 400 A <b>Lighting and Branch Wiring</b>	\$5.46	\$113,022.00
D5030	Receptacles incl plate, box, conduit, wire, 5 per 1000 SF, .6 watts per SF Wall switches, 1.0 per 1000 SF Miscellaneous power, to .5 watts Central air conditioning power, 3 watts Fluorescent fixtures recess mounted in ceiling, 1 watt per SF, 20 FC, 5 fixtures @40 watts per 1000 SF <b>Communications and Security</b>	\$0.51	\$10,557.00
	Communication and alarm systems, fire detection, non-addressable, 25 detectors, includes outlets, boxes, conduit and wire		
<b>E Equipment &amp; Furnishings</b>		<b>0.00%</b>	<b>\$0.00</b>
<b>F Special Construction</b>		<b>0%</b>	<b>\$0.00</b>
<b>G Building Sitework</b>		<b>0%</b>	<b>\$0.00</b>
<b>SubTotal</b>		<b>91%</b>	<b>\$76.21</b>
<b>Contractor Fees (General Conditions,Overhead,Profit)</b>		<b>9%</b>	<b>\$7.62</b>
<b>Architectural Fees</b>		<b>0%</b>	<b>\$0.00</b>
<b>User Fees</b>		<b>0%</b>	<b>\$0.00</b>
<b>Total Building Cost</b>		<b>\$83.83</b>	<b>\$1,735,301.70</b>

**Duluth, MN Proposed 425 West Superior TIF District  
Project No. 120652**

**MAP ID #1 408 West 1st Street  
PID 010-0940-01170**

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
<b>Accessibility Items</b>					
	Build (2) new accessible toilet rooms W/ compliant number of accessories and fixtures				
	water closets	\$ 2,500.00	each	2	\$ 5,000.00
	lavs (sinks)	\$ 1,750.00	each	2	\$ 3,500.00
	urinal	\$ 1,750.00	each	1	\$ 1,750.00
	2 sets of grab bars	\$ 400.00	each	1	\$ 400.00
	2 sets toilet room accessories	\$ 800.00	each	1	\$ 800.00
	Interior room construction (doors, partitions, finishes)	\$ 60.00	SF	240	\$ 14,400.00
	Install toilet Room Ventilation System	\$ 750.00	each	2	\$ 1,500.00
	Drinking fountain	\$ 1,200.00	each	1	\$ 1,200.00
	Provide elevator to connect floors				
	New 2 stop elevator	\$ 100,000.00	each	1.00	\$ 100,000.00
<b>Interior Construction</b>					
	Repair concrete beams	\$ 12.00	LF	40	\$ 480.00
	Replace and repoint stone at foundation	\$ 35.00	SF	300	\$ 10,500.00
	Stair	\$ 1.30	SF	20,700	\$ 26,910.00
<b>Exterior</b>					
	Repair windows to prevent further water intrusion	\$ 500.00	each	6	\$ 3,000.00
<b>Fire Protection</b>					
	Provide door operators for accessible egress	\$ 1,700.00	each	2	\$ 3,400.00
<b>Roof Construction</b>					
	Spot repair roof to prevent further water damage	\$ 2.00	SF	10,000	\$ 20,000.00
<b>Mechanical- Electrical</b>					
	New lighting and branch wiring for Upper and lower	\$ 3.50	SF	20,700	\$ 72,450.00
	New HVAC for upper and lower	\$ 1.15	SF	20,700	\$ 23,805.00
	New Electrical to support elevator and new HVAC	\$ 0.77	SF	20,700	\$ 15,939.00
<b>Total Code Improvements</b>					<b>\$ 305,034.00</b>





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## Appendix G

### Findings Including But-For Qualifications

The Council hereby finds that the TIF District is in the public interest and is a “redevelopment district” under Minnesota Statutes, Section 469.174, Subd. 10(a)(1) of the Act.

The Council further finds that the proposed redevelopment would not occur solely through private investment within the reasonably foreseeable future and that the increased market value of the Project Site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the 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, that the Plans conform to the general plan for the development or redevelopment of the City as a whole; and that the Plans will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development or redevelopment of the TIF District by private enterprise.

The Council further finds, declares and determines that the findings stated in this Section are based on the reasons and supporting facts for each determination, as follows:

A. The TIF District consists of three parcels, each occupied with buildings and/or parking areas, with plans to redevelop the Project Site with a building containing approximately 185,000 square feet of office space, approximately 15,000 square feet of retail space, a public parking facility with approximately 500 parking spaces and public skywalks. At least 70% of the area of the parcels in the TIF District is occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures, and more than 50% of the buildings in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. (See Appendix F of the TIF Plan.)

B. The proposed development, in the opinion of the Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. The Project Site is occupied by three buildings. The proposed development will require (i) acquisition of the Project Site, (ii) demolition and clearance of the Project Site, and (iii) construction of the public parking facility and skywalk system in and adjacent to the Project Site. The development of the office and retail space would not occur without an \$8,500,000 grant from the State of Minnesota and the tax increment generated from the proposed development. It is noted that redevelopment of property within the City does not generally occur without public assistance, as development costs are significantly less on green field sites.

C. 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 redevelopment 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:

(i) The City and the Council estimate that the amount by which the market value of the entire TIF District would increase without the use of tax increment financing is in an amount from \$0 to some modest amount of land value appreciation.

(ii) If the Project is constructed in the TIF District, the total increase in market value is estimated to be \$15,871,400 from its current market value of \$2,512,600 to an estimated market value of \$18,330,000 upon completion of the Project.

(iii) The present value of the tax increments from the TIF District for the maximum duration of the TIF District permitted by the TIF Plan is estimated to be \$9,622,986.

(iv) Even if some development other than the proposed Project were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$6,194,414 (the amount of subparagraph (ii) less the amount of subparagraph (iii) above) without tax increment assistance.

D. Based on information contained in the TIF Plan, the TIF Plan conforms to the general plan for the redevelopment of the City as a whole. The Council finds that adoption of the TIF Plan would encourage redevelopment in the City, provide economic opportunities, improve the tax base and improve the general economy of the City and the State.

E. Based on information contained in the Plans, the Plans will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the redevelopment of Development District No. 17 by private enterprise.

<b>But-For Analysis</b>	
Current Market Value	2,512,600
New Market Value - Estimate	18,330,000
Difference	15,817,400
Present Value of Tax Increment	9,622,986
Difference	6,194,414
<b>Value Likely to Occur Without TIF is Less Than:</b>	<b>6,194,414</b>