

RESOLUTION 14D-46

RESOLUTION OF THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY APPROVING A MODIFICATION TO THE TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 27 (PIER B DEVELOPMENT)

BE IT RESOLVED, by the Board of Commissioners of the Duluth Economic Development Authority, St. Louis County, Minnesota, as follows:

Section 1. Findings.

1.01 The Board of Commissioners (the "Board") of the Duluth Economic Development Authority, St. Louis County, Minnesota (the "Authority") and the City Council (the "City Council") of the City of Duluth, Minnesota (the "City"), have for many years encouraged development and redevelopment within the City.

1.02 In furtherance of those objectives, the Authority and the City established in June 2014, Tax Increment Financing District No. 27 (Pier B Development) (the "TIF District") and adopted a Tax Increment Financing Plan therefor (the "TIF Plan"), all pursuant to Minnesota Statutes, Section 469.174 to 469.179 (the "TIF Act").

1.03 Due to a delay in the developer's project, the request for certification of the TIF District was not made prior to June 30, 2014. Further, while the TIF Plan documents stated that increment would be collected for 26 years with the first year of receipt of increment expected to be 2017, Appendix D of the TIF Plan and a summary of the TIF Plan stated the first year of increment was to be in 2016.

1.04 The Authority desires to modify the TIF Plan, including Appendix D and Appendix G, to clarify the certification date for the TIF District, the year of the first receipt of tax increment and the findings for the But/For Qualifications.

1.05 Under Section 469.175, Subdivision 4 of the TIF Act, the Authority may, without notice and hearing procedures, modify the TIF Plan if: (1) there is no increase in bonded indebtedness to be incurred, (2) there is no modification to capitalized interest, (3) there is no increase in captured net tax capacity to be retained by the Authority, (4) there is no increase in estimated tax increment expenditures, and (5) there is no additional property designated to be acquired by the Authority.

1.06 None of the information provided to the St. Louis County Auditor and the Clerk of the School Board for Independent School District 709 with regard to the Authority's estimate of the fiscal and economic implications of the TIF District has changed.

1.07 The Authority hereby determines that it is in the best interest of the Authority to modify the TIF Plan to clarify and make consistent with the Authority's intent

in adopting the TIF Plan and, such modifications include amending Appendix D and Appendix G and clarifying that the first year of increment is expected to be received in 2017 and not 2016, all as set forth in the Modification to Development Program for Development District No. 17 and the Administrative Modification to the Tax Increment Financing Plan for Tax Increment Financing District No. 27 presented to the Board and on file with the Executive Director (the "Modification").

Section 2. Statutory Findings Relative to the But/For Qualifications for the TIF District.

A. It is the opinion of the Board, based on discussions with representatives of the developer and information contained in the TIF Plan that, and the Board hereby finds, development and redevelopment within the TIF District would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, that 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; and that the use of tax increment financing is necessary. (See the Modification for the reasons and supporting facts which are incorporated herein by reference.) Due to the cost of site improvements, the developer's project would not have been feasible and would not have occurred without the help of tax increment financing.

B. The increased market value of the site to be included in the TIF District that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from 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, as modified:

(i) The Authority and the Board 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 developer's project is constructed in the TIF District, the total increase in market value is estimated to be \$10,033,920 from its current market value of \$1,605,800 to an estimated market value of \$11,639,720 upon completion of the developer's 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, as modified and the Act is estimated to be \$4,662,972.

(iv) Even if some development other than the proposed development were to occur, the Board finds that no alternative would occur that would produce a market value increase greater than \$5,370,948 (the amount of Clause (ii) less the amount of Clause (iii) above) without tax increment assistance.

Section 3. Approval. The Modification is hereby approved.

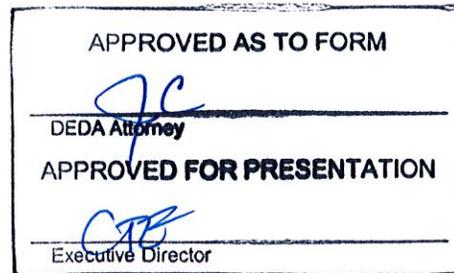
Section 4. Election for First Year of Tax Increment Receipts. The Authority hereby elects to receive tax increment beginning in the tax year payable in 2017.

Section 5. Certification of TIF District. Upon approval of the Modification by the City Council, the Executive Director of the Authority is authorized and directed to request the County Auditor to certify the original net tax capacity of the TIF District.

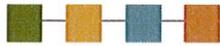
Approved by the Duluth Economic Development Authority this 19th day of November, 2014.

ATTEST:

Executive Director



STATEMENT OF PURPOSE: The purpose of this resolution is to authorize an administrative modification to the Tax Increment Plan for Tax Increment Financing District No. 27 (Pier B Development), which is needed to reflect a later than anticipated request for certification of the TIF District, clarifying that the first year of receipt of increment is expected in 2017, not 2016 and modifications to Attachment D (schedules) and Attachment G (But/For Qualifications). See Ehlers and Associates attached memo for further clarification.



Tax Increment Financing District Overview

City of Duluth/Duluth Economic Development Authority

Tax Increment Financing District No. 27:

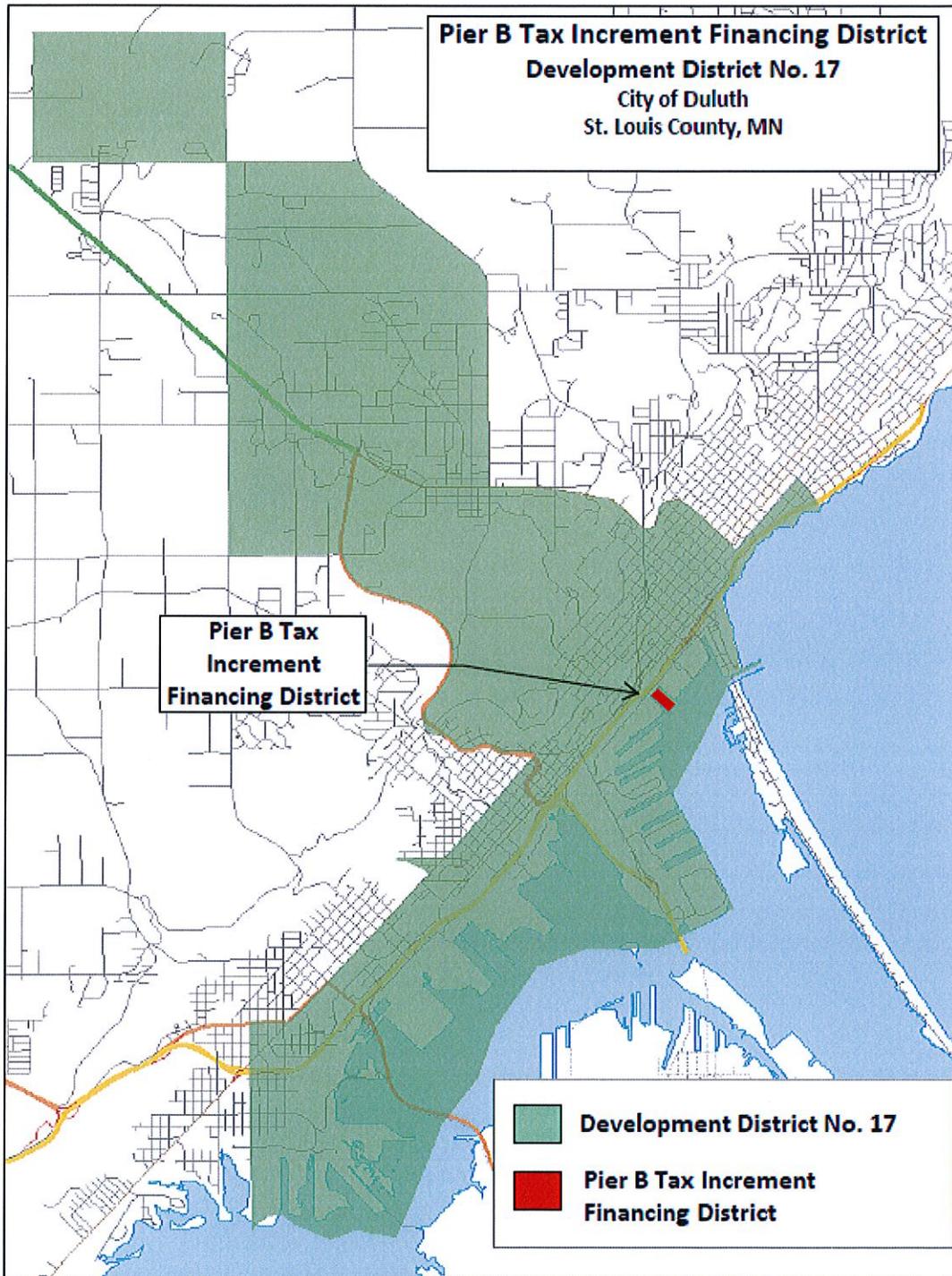
Pier B Development

The following summary contains an overview of the basic elements of the Tax Increment Financing Plan ("TIF Plan") for Tax Increment Financing District No. 27: Pier B Development District (the "District No. 27"). In May, 2014 DEDA approved the TIF Plan for District No. 27 and in June, 2014 the City Council held a public hearing and approved a TIF Plan for District No. 27. The TIF Plan document itself stated that increment would be collected for 26 years with first year of receipt of increment expected to be 2017 but Appendix D of the TIF Plan and a summary of the TIF plan stated the first year of increment was to be 2016. The action requested of DEDA and the Council in November, 2014 is to clarify that the first year of increment is to be 2017, the base year of the TIF District will be taxes payable in 2015, and to update the market value increase and present value of TIF in Appendix G of the TIF Plan. The amount of assistance approved in the development agreement, the size of the district, the impact on other taxing jurisdictions, and the TIF budget all remain the same as the documents approved in May and June of 2014. With this administrative clarification to the TIF Plan, staff will be able to request certification of the TIF District from the County with clarity on the start of the TIF receipts.

Proposed action:	Administrative modification of the Tax Increment Financing Plan (the "TIF Plan").	
Type of TIF District:	A redevelopment district	
	010-0200-01280	010-0200-01300
	010-0200-01330	010-0200-01450
	010-0200-01480	010-0200-01100
	010-0200-01160	010-0200-01190
	010-0200-01220	010-0200-01090
	010-0200-01060	010-0200-01050
	010-0200-01020	010-0200-01030
	010-0200-01040	S 8 th Ave ROW
Proposed Development:	The City of Duluth is working with Pier B Holding, LLC to construct a 140 room resort hotel, banquet center, and a restaurant in the City. Please see Appendix A of the TIF Plan for a more detailed project description.	

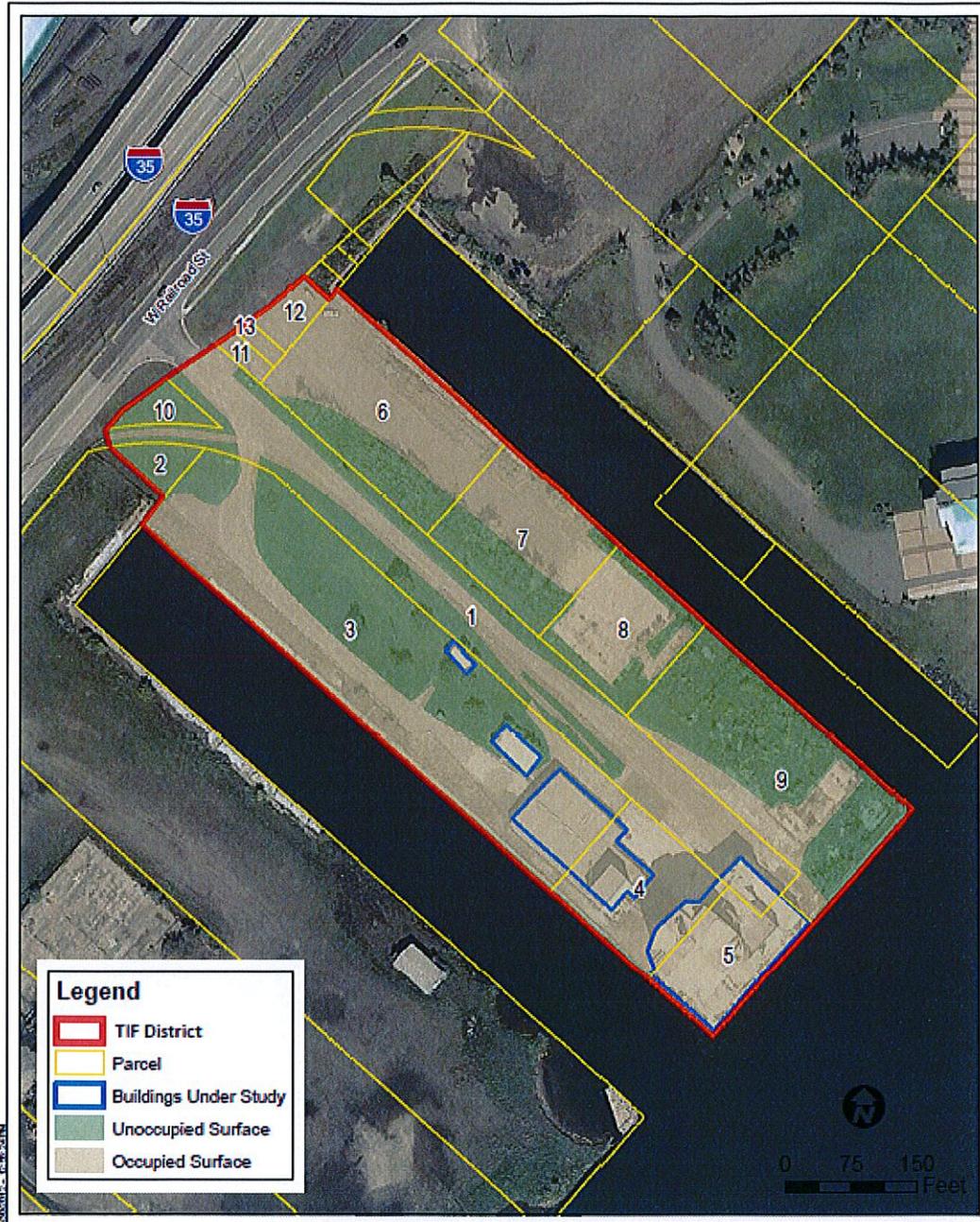
Maximum duration:	The duration of the District will be 25 years from the date of receipt of the first increment (26 years of increment). The date of receipt by the City of the first tax increment is expected to be 2017. It is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after December 31, 2042, or when the TIF Plan is satisfied.																
Estimated annual tax increment:	Up to \$417,813																
Authorized uses:	The TIF Plan contains a budget that authorizes the maximum amount that may be expended: <table border="0" style="margin-left: 40px;"> <tr> <td>Land/Building Acquisition.....</td> <td style="text-align: right;">\$150,000</td> </tr> <tr> <td>Site Improvements/Preparation.....</td> <td style="text-align: right;">\$3,550,000</td> </tr> <tr> <td>Utilities.....</td> <td style="text-align: right;">\$150,000</td> </tr> <tr> <td>Other Qualifying Improvements.....</td> <td style="text-align: right;">\$420,168</td> </tr> <tr> <td>Administrative Costs (up to 10%).....</td> <td style="text-align: right;"><u>\$809,563</u></td> </tr> <tr> <td>PROJECT COSTS TOTAL.....</td> <td style="text-align: right;">\$5,079,731</td> </tr> <tr> <td><u>Interest</u>.....</td> <td style="text-align: right;"><u>\$3,825,465</u></td> </tr> <tr> <td>PROJECT COSTS TOTAL.....</td> <td style="text-align: right;">\$8,905,196</td> </tr> </table>	Land/Building Acquisition.....	\$150,000	Site Improvements/Preparation.....	\$3,550,000	Utilities.....	\$150,000	Other Qualifying Improvements.....	\$420,168	Administrative Costs (up to 10%).....	<u>\$809,563</u>	PROJECT COSTS TOTAL	\$5,079,731	<u>Interest</u>	<u>\$3,825,465</u>	PROJECT COSTS TOTAL	\$8,905,196
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<u>Interest</u>	<u>\$3,825,465</u>																
PROJECT COSTS TOTAL	\$8,905,196																
Form of financing:	The project is proposed to be financed by a pay-as-you-go note with a potential for a portion of the City costs financed with an interfund loan.																
Administrative fee:	Up to 10% of annual increment, if costs are justified.																
Interfund Loan Requirement:	If the City wants to pay for administrative expenditures from a tax increment fund, it is recommended that a resolution authorizing a loan from another fund be passed <i>PRIOR</i> to the issuance of the check.																
4 Year Activity Rule (§ 469.176 Subd. 6)	After four years from the date of certification of the District one of the following activities must have been commenced on each parcel in the District: <ul style="list-style-type: none"> • Demolition • Rehabilitation • Renovation • Other site preparation (not including utility services such as sewer and water) <p>If the activity has not been started by approximately November, 2018, no additional tax increment may be taken from that parcel until the commencement of a qualifying activity.</p>																
5 Year Rule (§ 469.1763 Subd. 3)	Within 5 years of certification revenues derived from tax increments must be expended or obligated to be expended. <p>Any obligations in the District made after approximately November, 2019, will not be eligible for repayment from tax increments.</p>																

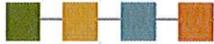
**MAP OF THE PIER B TAX INCREMENT FINANCING DISTRICT
WITHIN DEVELOPMENT DISTRICT NO. 17**



Page 5

MAP OF THE PIER B TAX INCREMENT FINANCING DISTRICT





*As of November 13, 2014
Draft for DEDA*

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

and the

**Administrative Modification to the
Tax Increment Financing Plan for**

**Tax Increment Financing District No. 27:
Pier B Development District
(a redevelopment district)**

within

Development District No. 17

City of Duluth
Duluth Economic Development Authority
St. Louis County
State of Minnesota

Public Hearing: June 23, 2014
Adopted: June 23, 2014
Administrative Modification: November 24, 2014



EHLERS

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(for reference purposes only)

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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. 27: Pier B Development District.

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 Duluth Economic Development Authority. 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. 27: Pier B Development District**

Subsection 2-1. Foreword

The Duluth Economic Development Authority (the "DEDA"), the City of Duluth (the "City"), staff and consultants have prepared the following information to expedite the establishment of Tax Increment Financing District No. 27: Pier B Development District (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, DEDA and City have certain statutory powers pursuant to *Minnesota Statutes ("M.S."), Sections 469.090 to 469.1082*, 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 12 parcels of land and adjacent and internal rights-of-way. The District is being created to facilitate the construction of a 140 room resort hotel, banquet center and a restaurant in the City. Please see Appendix A for further District information. DEDA entered into a development agreement with a local developer, Pier B Holding, LLC, in August of 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 - DEDA or City currently owns seven parcels of property within the District. The remaining property located within the District is owned by the Developer 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, DEDA or City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. DEDA or City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.

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

The District encompasses all property and adjacent rights-of-way 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.

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

Subsection 2-6. Classification of the District

DEDA and 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, find 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 DEDA and City rely on the following facts and findings:

- The District is a redevelopment district consisting of fifteen 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 DEDA or City (a total of 26 years of tax increment). DEDA or 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. DEDA or 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 2014 for taxes payable 2015.

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 DEDA or City.

The original local tax rate for the District will be the local tax rate for taxes payable 2015, assuming the request for certification is made before June 30, 2015. The ONTC and the Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 17, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. DEDA and City request 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2017. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Estimated Tax Capacity upon Completion (PTC)	\$337,772
Original Estimated Net Tax Capacity (ONTC)	\$32,116
Estimated Captured Tax Capacity (CTC)	\$305,656
Original Local Tax Rate	1.36694
Estimated Annual Tax Increment (CTC x Local Tax Rate)	\$417,813
Percent Retained by DEDA	100%

Tax capacity includes a 1.5% 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 \$200,678.

Pursuant to *M.S., Section 469.177, Subd. 4*, DEDA 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 is reviewing the area to be included in the District to determine if any building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the 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. DEDA or City reserves the right to incur bonds or other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by a pay-as-you-go note which may be converted to a tax increment revenue bond with a potential for a portion of the City costs financed with an interfund loan. Any refunding amounts will be deemed a budgeted cost without a formal TIF Plan Modification. This provision does not obligate DEDA or City to incur debt. DEDA or City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

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

<u>SOURCES OF FUNDS</u>	<u>TOTAL</u>
Tax Increment	\$8,095,633
<u>Interest</u>	<u>\$809,563</u>
TOTAL	\$8,905,196

DEDA or City may issue bonds (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of \$3,889,319. 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 a 140 room resort hotel, banquet center and a restaurant. DEDA and City have determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described. DEDA 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	\$150,000
Site Improvements/Preparation	\$3,550,000
Utilities	\$150,000
Other Qualifying Improvements	\$420,168
<u>Administrative Costs (up to 10%)</u>	<u>\$809,563</u>
PROJECT COST TOTAL	\$5,079,731
<u>Interest</u>	<u>\$3,825,465</u>
PROJECT AND INTEREST COSTS TOTAL	\$8,905,196

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.

DEDA 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 DEDA or City to pay for all or part of the cost of county road improvements if the proposed development to be assisted by tax increment will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs and if the road improvements are not scheduled within the next five years under a capital improvement plan or within five years under another county plan.

If the county elects to use increments to improve county roads, it must notify DEDA or City within forty-five days of receipt of this TIF Plan. In the opinion of DEDA and City and consultants, the proposed development outlined in this TIF Plan will have little or no impact upon county roads, therefore the TIF Plan was not forwarded to the county 45 days prior to the public hearing. DEDA and City are 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, DEDA or City has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is \$0. The estimated fiscal impact of the District would be as follows if the "but for" test was not met:

IMPACT ON TAX BASE			
	Pay 2014 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) Upon Completion	Percent of CTC to Entity Total
St. Louis County	161,544,870	305,656	0.1892%
City of Duluth	60,088,864	305,656	0.5087%
Duluth Schools ISD No. 709	67,293,702	305,656	0.4542%

IMPACT ON TAX RATES				
	Pay 2014 Extension Rates	Percent of Total	CTC	Potential Taxes
St. Louis County	0.635990	46.53%	305,656	194,394
City of Duluth	0.323380	23.66%	305,656	98,843
Duluth Schools ISD No. 709	0.344380	25.19%	305,656	105,262
Other	0.063190	4.62%	305,656	19,314
Total	1.366940	100.00%		417,813

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the actual Pay 2014 rate. The total net capacity for the entities listed above are based on actual Pay 2014 figures. The District will be certified under the actual Pay 2015 rates, which are unavailable at this time.

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 \$8,095,633;
- (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. However, 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 \$2,039,290;
- (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 \$3,766,898;
- (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 DEDA and City's findings:

- Application to the State of Minnesota for a DEED Redevelopment Grant.
- Application to the State of Minnesota for a DEED Contamination Clean-Up Grant
- Planning Commission Staff Report finding the District to be in conformance with the City Plan

Subsection 2-15. Definition of Tax Increment Revenues

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

1. Taxes paid by the captured net tax capacity, but excluding any excess taxes, as computed under *M.S., Section 469.177*;
2. The proceeds from the sale or lease of property, tangible or intangible, to the extent the property was

- purchased by the Authority with tax increments;
3. Principal and interest received on loans or other advances made by the Authority with tax increments;
 4. Interest or other investment earnings on or from tax increments;
 5. Repayments or return of tax increments made to the Authority under agreements for districts for which the request for certification was made after August 1, 1993; and
 6. The market value homestead credit paid to the Authority under *M.S., Section 273.1384*.

Subsection 2-16. Modifications to the District

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

1. Reduction or enlargement of the geographic area of the District, if the reduction does not meet the requirements of *M.S., Section 469.175, Subd. 4(e)*;
2. Increase in amount of bonded indebtedness to be incurred;
3. A determination to capitalize interest on debt if that determination was not a part of the original TIF Plan;
4. Increase in the portion of the captured net tax capacity to be retained by DEDA or City;
5. Increase in the estimate of the cost of the District, including administrative expenses, that will be paid or financed with tax increment from the District; or
6. Designation of additional property to be acquired by DEDA or City,

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

Pursuant to *M.S. Section 469.175 Subd. 4(f)*, the geographic area of the District may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor. If a 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) DEDA 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.

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

Subsection 2-17. Administrative Expenses

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

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

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

For districts for which the request for certification were made before August 1, 1979, or after June 30, 1982, and before August 1, 2001, administrative expenses also include amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants. Pursuant to *M.S., Section 469.176, Subd. 3*, tax increment may be used to pay any **authorized and documented** administrative expenses for the District up to but not to exceed 10 percent of the total estimated tax increment expenditures authorized by the TIF Plan or the total tax increments, as defined by *M.S., Section 469.174, Subd. 25, clause (1)*, from the District, whichever is less.

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

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

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

Subsection 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.

DEDA or City or a property owner must improve parcels within the District by approximately November 2018 and report such actions to the County Auditor.

Subsection 2-19. Use of Tax Increment

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

1. To pay the principal of and interest on bonds issued to finance a project;
2. To finance, or otherwise pay the cost of redevelopment of the Development District No. 17 pursuant to *M.S., Sections 469.090 to 469.1082*;
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 DEDA or 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*.

Tax increments generated in the District will be paid by St. Louis County to DEDA for the Tax Increment Fund of said District. DEDA or City will pay to the developer(s) annually an amount not to exceed an amount as specified in a developer's agreement to reimburse the costs of land acquisition, public improvements, demolition and relocation, site preparation, and administration. Remaining increment funds will be used for DEDA or City administration (up to 10 percent) and for the costs of public improvement activities outside the District.

Subsection 2-20. Excess Increments

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

1. Prepay any outstanding bonds;
2. Discharge the pledge of tax increment for any outstanding bonds;

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

DEDA or City must spend or return the excess increments under paragraph (c) within nine months after the end of the year. In addition, DEDA or 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

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

Pursuant to *M.S., Section 469.176, Subd. 5*, no more than 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 DEDA or City as a result of acquisition with the proceeds of bonds issued pursuant to *M.S., Section 469.178* to which tax increments from property acquired is pledged, unless prior to acquisition in excess of 25 percent of the acreage, DEDA or City concluded an agreement for the development or redevelopment of the property acquired and which provides recourse for DEDA or City should the development or redevelopment not be completed.

Subsection 2-22. Assessment Agreements

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

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

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

Subsection 2-25. Reasonable Expectations

As required by the TIF Act, in establishing the District, the determination has been made that the anticipated development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future 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 DEDA and 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 cost of redevelopment of the Development District No. 17 pursuant to *M.S., Sections 469.090 to 469.1082*. 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 DEDA or 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

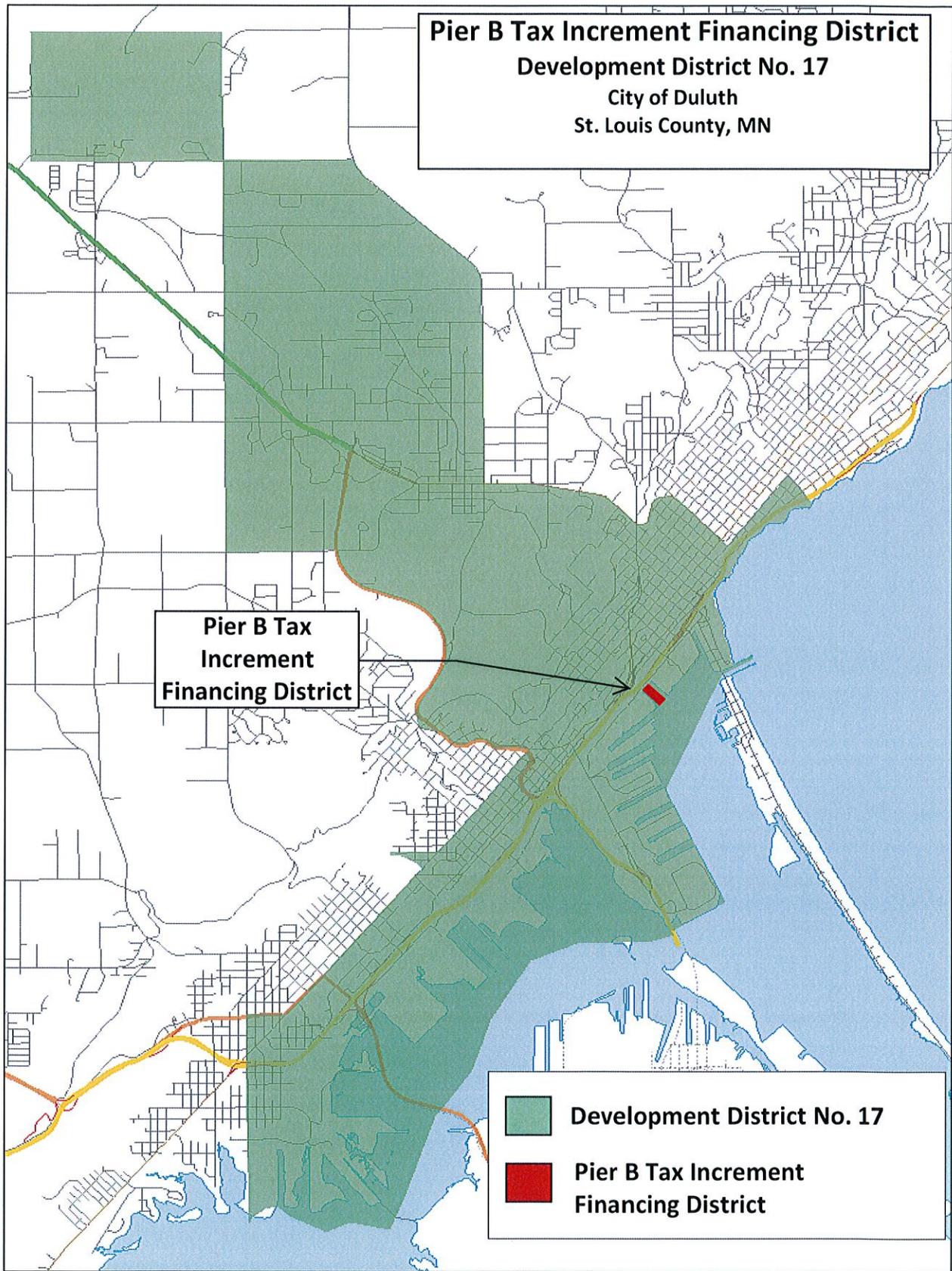
DEDA and a local developer, Pier B Investment Group, have been seeking public and private financing sources for a major redevelopment on the historic site adjacent to the Bayfront Park on the edge of downtown Duluth. DEDA was awarded almost \$1M in a Department of Employment and Economic Development Redevelopment grant in early 2012. DEDA was also awarded approximately \$2M in March and June of 2012 for a Department of Employment and Economic Development Contamination Clean-Up Grant. The project has evolved from a housing and hospitality project to a resort hotel/banquet center with restaurant.

Significant dollars are necessary for environmental clean-up and site improvements to stabilize and prepare the areas along the waterfront in preparation for the new construction of the hotel and dining facilities. The City and DEDA expect the developer to finance its share of the TIF with a pay-as-you-go note and/or a TIF revenue bond. DEDA will be selling its remaining parcels in the development area in the near future and the project expects to break ground in 2014 with completion of construction in 2015. It is anticipated that DEDA will approve deferred payment of the property by the developer.

Appendix B

Map(s) of Development District No. 17 and the District

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



**Pier B Tax
Increment
Financing District**

-  **Development District No. 17**
-  **Pier B Tax Increment Financing District**

Appendix C

Description of Property to be Included in the District

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

<u>Parcel Numbers</u>	<u>Address</u>	<u>Owner</u>
010-0200-01280		Pier B
010-0200-01300		Pier B
010-0200-01330		Pier B
010-0200-01450		Pier B
010-0200-01480		Pier B
010-0200-01100		DEDA
010-0200-01160		DEDA
010-0200-01190		DEDA
010-0200-01220		DEDA
010-0200-01090		DEDA
010-0200-01060		DEDA
010-0200-01050		DEDA
010-0200-01020		DEDA
010-0200-01030		DEDA
010-0200-01040		DEDA

Appendix D

Estimated Cash Flow for the District



Pier B Bayfront Development Project

DEDA/City of Duluth

140 Room Hotel with Banquet/Restaurant Space For TIF Plan Budget Purposes

PROJECT INFORMATION (Project Tax Capacity)										
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Estimated Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed	Percentage Completed	First Year Full Taxes Payable
	Hotel & Dining	83,141	83,141	140	11,639,720	C/I	232,794	100%	100%	2017
TOTAL					11,639,720		232,794			2017

Note:

1. Market values are for TIF plan purposes.

TAX CALCULATIONS						
	Total Tax	Fiscal Disparities Tax Capacity	Local Property Taxes	State-wide Property Taxes	Market Value Taxes	Taxes Per Sq. Ft./Unit
New Use	232,794	0	318,216	121,426	19,025	3,276.19
Hotel & Dining	232,794	0	318,216	121,426	19,025	3,276.19
TOTAL	232,794	0	318,216	121,426	19,025	3,276.19

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	458,667
less State-wide Taxes	(121,426)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(19,025)
less Base Value Taxes	(43,901)
Annual Gross TIF	274,315

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	1,605,800
New Market Value - Est.	11,639,720
Difference	10,033,920
Present Value of Tax Increment	4,662,972
Difference	5,370,948
Value likely to occur without Tax Increment is less than:	5,370,948



**Pier B Bayfront Development Project
DEDA/City of Duluth
140 Room Hotel with Banquet/Restaurant Space For TIF Plan Budget Purposes**

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date	
															Tax Capacity
100%	232,794	(32,116)	-	200,678	136.694%	274,315	137,158	(494)	(13,666)	122,998	110,452	0.5	2017	08/01/15	
100%	236,286	(32,116)	-	204,170	136.694%	279,089	137,158	(494)	(13,666)	122,998	218,553	1	2017	08/01/16	
100%	239,831	(32,116)	-	207,715	136.694%	283,933	139,544	(502)	(13,904)	125,138	326,193	1.5	2018	08/01/17	
100%	243,428	(32,116)	-	211,312	136.694%	288,851	139,544	(502)	(13,904)	125,138	481,542	2	2018	08/01/18	
100%	247,079	(32,116)	-	214,963	136.694%	293,842	141,967	(511)	(14,146)	127,310	586,439	2.5	2019	08/01/19	
100%	250,786	(32,116)	-	218,670	136.694%	298,908	141,967	(511)	(14,146)	127,310	639,102	3	2019	08/01/20	
100%	254,547	(32,116)	-	222,431	136.694%	304,050	144,425	(520)	(14,391)	129,515	741,321	3.5	2020	08/01/21	
100%	258,366	(32,116)	-	226,250	136.694%	309,270	144,425	(520)	(14,391)	129,515	841,363	4	2020	08/01/22	
100%	262,241	(32,116)	-	230,125	136.694%	314,567	146,921	(529)	(14,639)	131,753	940,968	4.5	2021	08/01/23	
100%	266,175	(32,116)	-	234,059	136.694%	319,944	146,921	(529)	(14,639)	131,753	1,038,452	5	2021	08/01/24	
100%	270,167	(32,116)	-	238,051	136.694%	325,402	149,454	(538)	(14,892)	134,025	1,135,506	5.5	2022	08/01/25	
100%	274,220	(32,116)	-	242,104	136.694%	330,942	149,454	(538)	(14,892)	134,025	1,230,495	6	2022	08/01/26	
100%	278,333	(32,116)	-	246,217	136.694%	336,564	152,025	(547)	(15,148)	136,330	1,325,060	6.5	2023	08/01/27	
100%	282,508	(32,116)	-	250,392	136.694%	342,271	152,025	(547)	(15,148)	136,330	1,417,613	7	2023	08/01/28	
100%	286,746	(32,116)	-	254,630	136.694%	348,064	154,635	(557)	(15,408)	138,670	1,509,750	7.5	2024	08/01/29	
100%	291,047	(32,116)	-	258,931	136.694%	353,943	154,635	(557)	(15,408)	138,670	1,599,926	8	2024	08/01/30	
100%	295,413	(32,116)	-	263,297	136.694%	359,911	157,284	(566)	(15,672)	141,046	1,689,694	8.5	2025	08/01/31	
100%	299,844	(32,116)	-	267,728	136.694%	365,968	157,284	(566)	(15,672)	141,046	1,777,551	9	2025	08/01/32	
100%	304,342	(32,116)	-	272,226	136.694%	372,116	159,972	(576)	(15,940)	143,457	1,865,008	9.5	2026	08/01/33	
100%	308,907	(32,116)	-	276,791	136.694%	378,356	159,972	(576)	(15,940)	143,457	1,950,603	10	2026	08/01/34	
100%	313,540	(32,116)	-	281,424	136.694%	384,690	162,701	(586)	(16,212)	145,904	2,035,805	10.5	2027	08/01/35	
100%	318,243	(32,116)	-	286,127	136.694%	391,119	162,701	(586)	(16,212)	145,904	2,119,194	11	2027	08/01/36	
100%	323,017	(32,116)	-	290,901	136.694%	397,644	165,471	(596)	(16,488)	148,388	2,202,197	11.5	2028	08/01/37	
100%	327,862	(32,116)	-	295,746	136.694%	404,267	165,471	(596)	(16,488)	148,388	2,285,432	12	2028	08/01/38	
100%	332,780	(32,116)	-	300,664	136.694%	410,990	168,282	(606)	(16,768)	150,909	2,368,290	12.5	2029	08/01/39	
100%	337,772	(32,116)	-	305,656	136.694%	417,813	168,282	(606)	(16,768)	150,909	2,443,426	13	2029	08/01/40	
Total															
							8,886,832	(31,993)	(885,484)	7,969,355					
							4,662,972	(16,787)	(464,619)	4,181,567					

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

Available from the City upon request.

Appendix G

Findings Including But/For Qualifications

To be added to prior to the public hearing

But-For Analysis	
Current Market Value	1,605,800
New Market Value - Estimate	11,639,720
Difference	10,033,920
Present Value of Tax Increment	4,662,972
Difference	5,370,948
Value Likely to Occur Without TIF is Less Than:	5,370,948