Housing and Redevelopment Authority in and for the City of Bloomington

City of Bloomington, Minnesota

Tax Increment Financing Plan

for

Knox and American Tax Increment Financing District (A Redevelopment District)

Within The Penn and American Redevelopment Project

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Section A Definitions

The terms defined in this section have the meanings given herein, unless the context in which they are used indicates a different meaning:

"Authority" means the Housing and Redevelopment Authority in and for the City of Bloomington.

"Board of Commissioners" means the Board of Commissioners of the Authority.

"City" means the City of Bloomington, Minnesota; also referred to as a "Municipality".

"City Council" means the City Council of the City; also referred to as the "Governing Body".

"County" means Hennepin County, Minnesota.

“HRA Act” means Minnesota Statutes, sections 469.001 to 469.047, inclusive, as amended.

"Redevelopment Plan" means the Penn and American Redevelopment Plan for the Redevelopment Project.

"Redevelopment Project" means the Penn and American Redevelopment Project which is described in the corresponding Redevelopment Plan.

"Project Area" means the geographic area of the Redevelopment Project.

"School District" means Independent School District No. 271, Minnesota.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794, both inclusive.

"TIF District" means Knox and American Tax Increment Financing District, a Redevelopment district.

"TIF Plan" means the tax increment financing plan for the TIF District (this document).

Section B Overview

The City has adopted the Penn and American Redevelopment Plan (Plan). The purpose of the Plan is to establish a framework and implementation plan for the redevelopment of the area bounded by Penn Avenue on the west, American Boulevard on the north, Knox Avenue South on the east and 82nd Street on the south (Project Area). The boundaries of the Project Area are being modified in conjunction with the proposed establishment of the TIF District to incorporate the newly expanded area.

The establishment of the Tax Increment District as set forth in this TIF Plan is for the purpose of the implementation of the objectives set forth in the Redevelopment Plan attached herein as Exhibit VI.

Section C Statutory Authorization

The HRA Act authorizes the Authority to exercise all the powers relating to a housing and redevelopment authority granted under Minnesota Statutes, Sections 469.001 to 469.047, or other law.

It is the intention of the Board of Commissioners, notwithstanding the enumeration of specific goals and objectives in the Penn and American Redevelopment Plan, that the Authority shall have and enjoy with respect to the Project Area and Tax Increment Financing District the full range of powers and duties conferred upon the Authority pursuant to the HRA Act, the TIF Act, municipal housing and redevelopment authority laws, and such other legal authority as the Authority may have or enjoy from time to time.

Section D Statement of Need and Public Purpose

The Authority and the City concur that there is a need for redevelopment within the City and the Redevelopment Project Area in order to eliminate blight, provide employment and life cycle housing opportunities, to improve the local tax base, and to improve the general economy of the City and the State.

The Authority finds that the property within this tax increment district cannot be redeveloped, consistent with the Comprehensive Plan of the City, without public participation and financial assistance in various forms including property acquisition and/or write-down, proper planning, the financing of redevelopment costs associated with clearance, grading and soils correction, and the making of various other public and private improvements necessary for redevelopment. In cases where the redevelopment of property cannot be done by private enterprise alone, the Authority believes it to be in the public interest to consider the exercise of its powers, to advance and spend public money, and to provide the means and impetus for such redevelopment.

Section E Statement of Objectives

The Authority seeks to achieve, through the use of Tax Increment, one or more of the following objectives with respect to the Redevelopment Project and Project Area, as the Authority may deem appropriate and necessary.

(1) To promote and secure the prompt redevelopment of property within the Project Area, such property which is not now in its most productive use, in a manner consistent with the Comprehensive Plan of the City, thus realizing Comprehensive Plan, land use, and tax base goals.

(2) To acquire blighted areas and other real property for the purpose of removing, preventing, or reducing blight, blighting factors, or the causes of blight.

(3) To assist development in the Project Area through the acquisition or write-down of certain interests in property which is not now in productive use or in its highest and best use, to make or defray the cost of soil corrections or site improvements on said property, and to construct or reimburse for the construction of public improvements and other facilities on or for the benefit of said property, thereby promoting and securing the development of other land within the Project Area.

(4) To secure the increase and availability of life cycle housing for individuals and families within the Project Area.

(5) To secure the increase of commercial and residential property subject to taxation within the Project Area.

(6) To promote and secure additional employment opportunities within the City through the creation of construction and permanent jobs.

(7) To employ any of the powers of the Authority for the benefit of the Project Area in such cases and upon such terms as the Authority may deem appropriate.

Section F Boundaries of the Project Area and Tax Increment District

The property within the City which constitutes the Project Area and Tax Increment Financing district includes the property contained within the boundaries described below and is illustrated on the maps attached as Exhibit I.

The Project Area is bounded by Penn Avenue on the west, American Boulevard on the north, Knox Boulevard on the east and 82nd Street on the south. The Tax Increment District includes the two tax parcels within the Project Area as shown on the attached map (Exhibit I). The City and Authority reserve the right to expand the boundaries of the Project Area in the future and intend to modify the boundaries with the establishment of the TIF District.

Section G Designation of Tax Increment Financing District as a Redevelopment District

Redevelopment districts are a type of tax increment financing district in which one or more of the following conditions exists and is reasonably distributed throughout the district:

(1) parcels comprising at least 70% of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50% of the buildings, not including outbuildings, are structurally substandard requiring substantial renovation or clearance. A parcel is deemed "occupied" if at least 15% of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures.

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad right-of-ways; or

(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

- (i) have or had a capacity of more than 1,000,000 gallons;
- (ii) are located adjacent to rail facilities; and
- (iii) have been removed or are unused, underused, inappropriately used, or infrequently used.

For districts consisting of two or more noncontiguous areas, each area must individually qualify under the provisions listed above, as well as the entire area must also qualify as a whole.

The TIF District qualifies as a redevelopment district in that it meets all of the criteria listed in (1) above. The supporting facts and documentation for this determination will be retained by the Authority for the life of the TIF District and are available to the public upon request. An analysis was completed by LHB to make this determination and is included as Exhibit VI.

"Structurally substandard" is defined as buildings containing defects or deficiencies in structural elements, essential utilities and facilities, light and ventilation, fire protection (including egress), layout and condition of interior partitions, or similar factors. Generally, a building is not structurally substandard if it is in compliance with the building code applicable to a new building, or could be modified to satisfy the existing code at a cost of less than 15% of the cost of constructing a new structure of the same size and type.

A city may not find that a building is structurally substandard without an interior inspection, unless it can not gain access to the property and there exists evidence which supports the structurally substandard finding. Such evidence includes recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained. A parcel is deemed to be occupied by a structurally substandard building if the following conditions are met:

(1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district;

(2) the demolition or removal of the substandard building was performed or financed by the Authority, or was performed by a developer under a development agreement with the Authority;

(3) the Authority found by resolution before such demolition or removal occurred that the building was structurally substandard and that the Authority intended to include the parcel in the TIF district, and

(4) the Authority notifies the county auditor that the original tax capacity of the parcel must be adjusted upon filing the request for certification of the tax capacity of the parcel as part of a district.

In the case of (4) above, the County Auditor shall certify the original net tax capacity of the parcel to be the greater of (a) the current tax capacity of the parcel, or (b) a computed tax capacity of the parcel using the estimated market value of the parcel for the year in which the demolition or removal occurred, and the appropriate classification rate(s) for the current year.

At least 90 percent of the tax increment from a redevelopment district must be used to finance the cost of correcting conditions that allow designation as a redevelopment district. 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 land, removal of hazardous substances or remediation necessary to develop the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the Authority may be included in the qualifying costs.

Section H Duration of the TIF District

Redevelopment districts may remain in existence 25 years from the date of receipt by the Authority of the first tax increment. Modifications of this plan (see Section AB) shall not extend these limitations.

Pursuant to Minnesota Statutes, Section 469.175, subd. 1(b), the Authority specifies 2020 as the first year in which it elects to receive tax increment from the TIF District, which is no later than four years following the year of approval of the TIF District. Thus, the Authority may collect increment from the district through December 31, 2045, and anticipates that the TIF District may be active for the maximum duration allowed. However the Authority will decertify the TIF District as early as possible should the projected increment be received in a shorter time period than originally projected. All tax increments from taxes payable in the year the TIF District is decertified shall be paid to the Authority.

Section I Property to be Included in the TIF District

The TIF District comprises a portion of 4 parcels with one containing a substandard building to be demolished. The total area of the TIF district also includes adjacent streets and right-of-way located within the Project Area. A map showing the location of the TIF District is shown in Exhibit I. The boundaries and area encompassed by the TIF District are described below:

Parcel Number	Legal Description
04-027-24-24-0005	HAYS PENN AVENUE 2ND ADDITION, LOT 1, BLOCK 1
04-027-24-24-0006 *	HAYS PENN AVENUE 2ND ADDITION, LOT 2, BLOCK 1
04-027-24-23-0022 *	HAYS PENN AVENUE 6th ADDITION, LOT 1, BLOCK 1
04-027-24-23-0023 *	HAYS PENN AVENUE 6th ADDITION, LOT 2, BLOCK 1

** the parcels listed above will be replatted prior to redevelopment and a portion of the properties will be included within the boundaries of the TIF District.*

The area encompassed by the TIF District shall also include all street or utility right-of-ways located upon or adjacent to the property described above, as illustrated in the boundary map included in Exhibit I.

Section J Property to be Acquired in the TIF District

The Authority has acquired a portion of the property to be located within the TIF District and intends to sell the property to a private party upon an approved redevelopment project, as described in the TIF Plan.

Section K Specific Development Expected to Occur Within the TIF District

The proposed project includes the redevelopment of property within the City that consists of a blighted building that has been found to be substandard and will be demolished to allow for new development to occur. Redevelopment plans for the site include the removal of the existing blighted structure, construction of new infrastructure and other necessary public improvements and subsequent new development of a commercial or retail building with parking. The current plan includes the construction of a hotel but is subject to change pending market support. The Authority has identified significant costs, including infrastructure and public improvements, associated with redevelopment of the project site that are deemed necessary for the project to proceed. The Authority anticipates providing financial assistance for the costs associated with redevelopment of the property and also to finance certain public improvements related to the development project. The Authority may also use available tax increment revenues to finance a portion of the eligible related administrative expenses.

Demolition and subsequent construction of the new development on the project site is projected to start in 2017 or 2018. The project is expected to be fully constructed by December 31, 2018, and be 100% assessed and on the tax rolls as of January 2, 2019 for taxes payable 2020.

Section L Findings and Need for Tax Increment Financing

In establishing the TIF District, the City makes the following findings:

(1) The TIF District qualifies as a redevelopment district;

The Authority hired LHB to inspect and evaluate the property within the proposed Tax Increment Financing District to be established by the Authority. The purpose of the evaluation was to determine if the proposed district met the statutory requirements for coverage and if the buildings met the qualifications required for a Redevelopment District.

A final report was prepared for the Authority to retain on file in City offices for public inspection and is included as Exhibit VI. The report contains the details of the findings summarized below regarding the substandard qualifications:

- The TIF District consists of all parcels that are occupied so 100 percent of the area of the proposed TIF District is occupied (exceeding the 70 percent coverage test);
- 100 percent (1 of 1) of the buildings in the proposed District contain code deficiencies exceeding the 15 percent threshold;
- at least 50 percent of the buildings 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, exceeding the more than 50 percent substandard test; and

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

(2) The proposed redevelopment, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and 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.

Factual basis:

Proposed development not expected to occur:

The proposed project consists of the redevelopment of property within the City that consists of a blighted property that was found to be substandard and will be demolished following establishment of the district. The Authority has identified significant and extraordinary costs including public improvements and infrastructure needs associated with redevelopment of the project site in conjunction with new development. The estimated total redevelopment costs, including the public improvements and infrastructure costs, of this property make the total cost of this effort significantly higher than costs reasonably incurred for similar developments on a clean site. The City's finding that the proposed redevelopment would be unlikely to occur solely through private investment within the reasonably foreseeable future is based on an analysis of the proforma and other materials submitted by the developer. As necessary, the City anticipates analyzing future developer's proformas in detail to determine the minimal amount of assistance needed to compensate developers for extraordinary and allowable costs.

No higher market value expected:

If the proposed redevelopment did not go forward, for the same reasons described above, no significant alternative redevelopment of the proposed TIF area would occur. The former building was closed and vacated and is in an area prone to flooding, and it is highly unlikely that significant improvements would be made on the vacant property site without financial assistance. In short, there is no basis for expectation that the area would redevelop or be renovated in any significant way purely by private action without public subsidy.

To summarize the basis for the City's findings regarding alternative market value, in accordance with Minnesota Statutes, Section 469.175, Subd. 3(d), the City makes the following determinations:

a. The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is anywhere from $0 to some modest amount based on small scale renovation or redevelopment that could be possible without assistance; any estimated values would be too speculative to ascertain.

b. If the proposed development to be assisted with tax increment occurs in the District, the total increase in market value would be approximately $19,939,391, including the value of the building (See Exhibit V).

c. The present value of tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be $3,094,406 (See Exhibit V).

d. Even if some development other than the proposed development were to occur, the City finds that no alternative would occur that would produce a market value increase greater than $16,844,985 (the amount in clause b less the amount in clause c) without tax increment assistance.

(3) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for development of the Project Area by private enterprise.

Factual basis:

The anticipated redevelopment of the project site and any subsequent demolition, reconstruction, or renovation related to the project will remain consistent with the City's design goals.

(4) The TIF Plan conforms to general plans for development of the City as a whole.

Factual basis: The City Council has determined that the development proposed in the TIF Plan conforms to the City comprehensive plan.

(5) The Authority elects the method of tax increment computation set forth in Minnesota Statutes, Section 469.177, Subdivision 3(b) (see method (b) in Section R).

Section M Estimated Public Costs

The estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District.

Land/Building acquisition	$2,000,000
Site improvement/preparation costs	$1,100,000
Utilities	$0
Other public improvements	$2,618,806
Interest expenses	$0
Administrative expenses	$295,728
Total	**$6,014,534**

The Authority anticipates using tax increment to the extent available to finance site improvement/preparation costs, public improvement infrastructure costs, land acquisition and related administrative expenses, and other TIF-eligible expenditures as deemed necessary and related to redevelopment of the project site.

The Authority reserves the right to administratively adjust the amount of any of the items listed above or to incorporate additional eligible items, so long as the total estimated public cost ($6,014,534) is not increased. The Authority also reserves the right to fund any of the identified costs with any other legally available revenues, such as grants and/or loans, but anticipates that such costs will be primarily financed with tax increments.

Section N Estimated Sources of Revenue

Tax Increment revenue	$5,914,534
Interest on invested funds	$100,000
Other	$0
Total	**$6,014,534**

The Authority anticipates providing financial assistance on a pay-as-you-go basis for site improvement and infrastructure costs, as well as other TIF-eligible expenses related to the proposed development. As tax increments are collected from the TIF District in future years, a portion of these taxes will be used by the Authority to reimburse the developer/owner for public costs incurred (see Section M). The Authority also anticipates retaining the remaining increment to finance additional needed public improvement costs and reimburse for land costs incurred through bond issuance. A portion of the tax increment will be retained to make debt service payments.

The Authority reserves the right to finance any or all public costs of the TIF District using pay-as-you-go assistance, internal funding, general obligation or revenue debt, or any other financing mechanism authorized by law. The Authority also reserves the right to use other sources of revenue legally applicable to the Project Area to pay for such costs including, but not limited to, special assessments, utility revenues, federal or state funds, and investment income.

Section O Estimated Amount of Bonded Indebtedness

The maximum principal amount of bonds (as defined in the TIF Act) secured in whole or part with tax increment from the TIF District is $6,014,534. The Authority currently plans to finance the public improvements in the form of a pay-as-you go revenue note as reimbursement to the developer for certain redevelopment costs, but also anticipates retaining a portion of the increment to repay debt service on TIF bonds issued in conjunction with the project. The Authority reserves the right to issue bonds in any form, including without limitation any interfund loan with interest not to exceed the maximum permitted under Section 469.178, subd. 7 of the TIF Act.

Section P Original Net Tax Capacity

The County Auditor shall certify the original net tax capacity of the TIF District. This value will be equal to the total net tax capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The Estimated Market Value of all property within the TIF District as of January 2, 2016, for taxes payable in 2017, is $2,307,000 based on estimated land value of $22/square foot. Upon establishment of the district and subsequent reclassification of property, the estimated original net tax capacity of the TIF District is expected to be $46,140. This assumes the property is reclassified from tax exempt to taxable with commercial use.

Each year the County Auditor shall certify the amount that the original net tax capacity has increased or decreased as a result of:

(1) changes in the tax-exempt status of property;

(2) reductions or enlargements of the geographic area of the TIF District;

(3) changes due to stipulation agreements or abatements; or

(4) changes in property classification rates.

Section Q Original Tax Capacity Rate

The County Auditor shall also certify the original local tax rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the original net tax capacity.

In future years, the amount of tax increment generated by the TIF District will be calculated using the lesser of (a) the sum of the current local tax rates at that time or (b) the original local tax rate of the TIF District.

The sum of all local tax rates that apply to property in the TIF District, for taxes levied in 2016 and payable in 2017, is not available at the time off drafting of this document. The County Auditor shall certify the amount for taxes payable 2017 as the original tax capacity rate of the TIF District once available. For purposes of estimating the tax increment generated by the TIF District, the sum of the local tax rates for taxes levied in 2015 and payable in 2016, is 126.282% as shown below.

Taxing Jurisdiction	2015/2016 Local Tax Rate
City of Bloomington	45.909%
Hennepin County	45.356%
ISD #271	24.254%
Other	10.763%
Total	126.282%

Section R Projected Retained Captured Net Tax Capacity and Projected Tax Increment

The Authority anticipates that the redevelopment will be completed by December 31, 2018, creating a total tax capacity for the TIF District of $211,750 as of January 2, 2019. The captured tax capacity as of that date is estimated to be $111,632 and the first full year of increment is projected to be in $140,971 in taxes payable 2020. A complete schedule of estimated tax increment from the TIF District is shown in Exhibit III.

The estimates shown in this TIF plan assume that residential rental class rates remain at 1.25% of the estimated market value, and assume 3% annual increases in market values.

Each year the County Auditor shall determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the original net tax capacity, the difference shall be known as the captured net tax capacity of the TIF District.

For communities affected by the fiscal disparity provisions of Minnesota Statutes, Chapter 473F and Chapter 276A, the original net tax capacity of the TIF District shall be determined before the application of fiscal disparity. In subsequent years, the current net tax capacity shall either (a) be determined before the application of fiscal disparity or (b) exclude the product of any fiscal disparity increase in the TIF District (since the original net tax capacity was certified) times the appropriate fiscal disparity ratio. The method the Authority elects shall remain the same for the life of the TIF District, except that a single change may be made at any time from method (a) to method (b) above. The Authority elects method (b).

The County Auditor shall certify to the Authority the amount of captured net tax capacity each year. The Authority may choose to retain any or all of this amount. It is the Authority's intention to retain 100% of the captured net tax capacity of the TIF District. Such amount shall be known as the retained captured net tax capacity of the TIF District.

Exhibit II gives a listing of the various information and assumptions used in preparing a number of the exhibits contained in this TIF Plan, including Exhibit III which shows the projected tax increment generated over the anticipated life of the TIF District.

Section S Use of Tax Increment

Each year the County Treasurer shall deduct 0.36% of the annual tax increment generated by the TIF District and pay such amount to the State's General Fund. Such amounts will be appropriated to the State Auditor for the cost of financial reporting and auditing of tax increment financing information throughout the state. Exhibit III shows the projected deduction for this purpose over the anticipated life of the TIF District.

The Authority has determined that it will use 100% of the remaining tax increment generated by the TIF District for any of the following purposes:

(1) pay for the estimated public costs of the TIF District (see Section M) and County administrative costs associated with the TIF District (see Section V);

(2) pay principal and interest on tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;

(3) accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;

(4) pay all or a portion of the county road costs as may be required by the County Board under M.S. Section 469.175, Subdivision 1a; or

(5) return excess tax increments to the County Auditor for redistribution to the City, County and School District.

Tax increments from property located in one county must be expended for the direct and primary benefit of a project located within that county, unless both county boards involved waive this requirement. Tax increments shall not be used to circumvent levy limitations applicable to the City.

Tax increment shall not be used to finance 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, or for a commons area used as a public park, or a facility used for social, recreational, or conference purposes. This prohibition does not apply to the construction or renovation of a parking structure or of a privately owned facility for conference purposes.

If there exists any type of agreement or arrangement providing for the developer, or other beneficiary of assistance, to repay all or a portion of the assistance that was paid or financed with tax increments, such payments shall be subject to all of the restrictions imposed on the use of tax increments. Assistance includes sale of property at less than the cost of acquisition or fair market value, grants, ground or other leases at less then fair market rent, interest rate subsidies, utility service connections, roads, or other similar assistance that would otherwise be paid for by the developer or beneficiary.

Section T Excess Tax Increment

In any year in which the tax increments from the TIF District exceed the amount necessary to pay the estimated public costs authorized by the TIF Plan, the Authority shall use the excess tax increments to:

(1) prepay any outstanding tax increment bonds;

(2) discharge the pledge of tax increments thereof;

(3) pay amounts into an escrow account dedicated to the payment of the tax increment bonds; or

(4) return excess tax increments to the County Auditor for redistribution to the City, County and School District. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

Section U Tax Increment Pooling and the Five Year Rule

At least 75% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District (see Section G for additional restrictions). No more than 25% of the tax increments may be spent on costs outside of the TIF District but within the boundaries of the Project Area, except to pay debt service on credit enhanced bonds. All administrative expenses are considered to have been spent outside of the TIF District. Tax increments are considered to have been spent within the TIF District if such amounts are:

(1) actually paid to a third party for activities performed within the TIF District within five years after certification of the district;

(2) used to pay bonds that were issued and sold to a third party, the proceeds of which are reasonably expected on the date of issuance to be spent within the later of the five-year period or a reasonable temporary period or are deposited in a reasonably required reserve or replacement fund.

(3) used to make payments or reimbursements to a third party under binding contracts for activities performed within the TIF District, which were entered into within five years after certification of the district; or

(4) used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district.

Beginning with the sixth year following certification of the TIF District, at least 75% of the tax increments must be used to pay outstanding bonds or make contractual payments obligated within the first five years. When outstanding bonds have been defeased and sufficient money has been set aside to pay for such contractual obligations, the TIF District must be decertified.

The Authority anticipates that tax increments may be spent outside the TIF District (including allowable administrative expenses), and such expenditures are expressly authorized in this TIF Plan.

Section V Limitation on Administrative Expenses

Administrative expenses are defined as all costs of the Authority other than:

(1) amounts paid for the purchase of land;

(2) amounts paid for materials and services, including architectural and engineering services directly connected with the physical development of the real property in the project;

(3) relocation benefits paid to, or services provided for, persons residing or businesses located in the project;

(4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 469.178; or

(5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clause (1) to (3).

Administrative expenses include amounts paid for services provided by bond counsel, fiscal consultants, planning or economic development consultants, and actual costs incurred by the County in administering the TIF District. Tax increments may be used to pay administrative expenses of the TIF District up to the lesser of (a) 10% of the total tax increment expenditures authorized by the TIF Plan or (b) 10% of the total tax increments received by the TIF District.

Section W Limitation on Property Not Subject to Improvements - Four Year Rule

If after four years from certification of the TIF District no demolition, rehabilitation, renovation, or qualified improvement of an adjacent street has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The Authority must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the Authority or owner of the parcel subsequently commences any of the above activities, the Authority shall certify to the County Auditor that such activity has commenced and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

Section X Estimated Impact on Other Taxing Jurisdictions

Exhibit IV shows the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The Authority believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The fiscal and economic implications of the proposed tax increment financing district, as pursuant to Minnesota Statutes, Section 469.175, Subdivision 2, are listed below.

1. The total amount of tax increment that will be generated over the life of the district is estimated to be $5,935,902.

2. To the extent the project in the TIF District generates any public cost impacts on city-provided services such as police and fire protection, public infrastructure, and the impact of any general obligation tax increment bonds attributable to the district upon the ability to issue other debt for general fund purposes, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the District. The City anticipates issuing general obligation tax increment bonds, and also reserves the right to the use of internal financing or pay-as-you-go reimbursement financing, as necessary, to finance a portion of the project costs attributable to the District.

3. 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 estimated to be $1,140,062.

4. 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 estimated to be $2,131,964.

5. No additional information has been requested by the county or school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district.

Section Y Prior Planned Improvements

The Authority shall accompany its request for certification to the County Auditor (or notice of district enlargement), with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District.

Section Z Development Agreements

If within a project containing a redevelopment district, more than 25% of the acreage of the property to be acquired by the Authority is purchased with tax increment bonds proceeds (to which tax increment from the property is pledged), then prior to such acquisition, the Authority must enter into an agreement for the development of the property. Such agreement must provide recourse for the Authority should the development not be completed.

The Authority has entered into an agreement for development and has acquired property directly in conjunction with redevelopment as proposed within the district.

Section AA Assessment Agreements

The Authority may, upon entering into a development agreement, also enter into an assessment agreement with the developer, which establishes a minimum market value of the land and improvements for each year during the life of the TIF District.

The assessment agreement shall be presented to the County or City Assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land, and so long as the minimum market value contained in the assessment agreement appears to be an accurate estimate, shall certify the assessment agreement as reasonable. The assessment agreement shall be filed for record in the office of the County Recorder of each county where the property is located. Any modification or premature termination of this agreement must first be approved by the City, County and School District.

The Authority anticipates entering into an assessment agreement.

Section AB Modifications of the Tax Increment Financing Plan

Any reduction or enlargement in the geographic area of the Project Area or the TIF District; a determination to capitalize interest on the debt if that determination was not part of the original TIF Plan, increase in the portion of the captured net tax capacity to be retained by the Authority; increase in the total estimated public costs; or designation of property to be acquired by the Authority shall be approved only after satisfying all the necessary requirements for approval of the original TIF Plan. This paragraph does not apply if:

(1) the only modification is elimination of parcels from the TIF District; and

(2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the Authority agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The Authority must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

Section AC Administration of the Tax Increment Financing Plan

Upon adoption of the TIF Plan, the Authority shall submit a copy of such plan to the Minnesota Department of Revenue and the Office of the State Auditor. The Authority shall also request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the Authority shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements. The Authority shall also send the County Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District, and shall request that the County Assessor review and certify this assessment agreement as reasonable.

The County shall distribute to the Authority the amount of tax increment as it becomes available. The amount of tax increment in any year represents the applicable property taxes generated by the retained captured net tax capacity of the TIF District. The amount of tax increment may change due to development anticipated by the TIF Plan, other development, inflation of property values, or changes in property classification rates or formulas. In administering and implementing the TIF Plan, the following actions should occur on an annual basis:

(1) prior to July 1, the Authority shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to insure that the new value will be recorded in a timely manner.

(2) if the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.

(3) each year the County Auditor shall certify the amount of the original net tax capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:

    (a) the value of property that changes from tax-exempt to taxable shall be added to the original net tax capacity of the TIF District. The reverse shall also apply;

    (b) the original net tax capacity may be modified by any approved enlargement or reduction of the TIF District;

    (c) if laws governing the classification of real property cause changes to the percentage of estimated market value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the original net tax capacity and the retained captured net tax capacity of the TIF District.

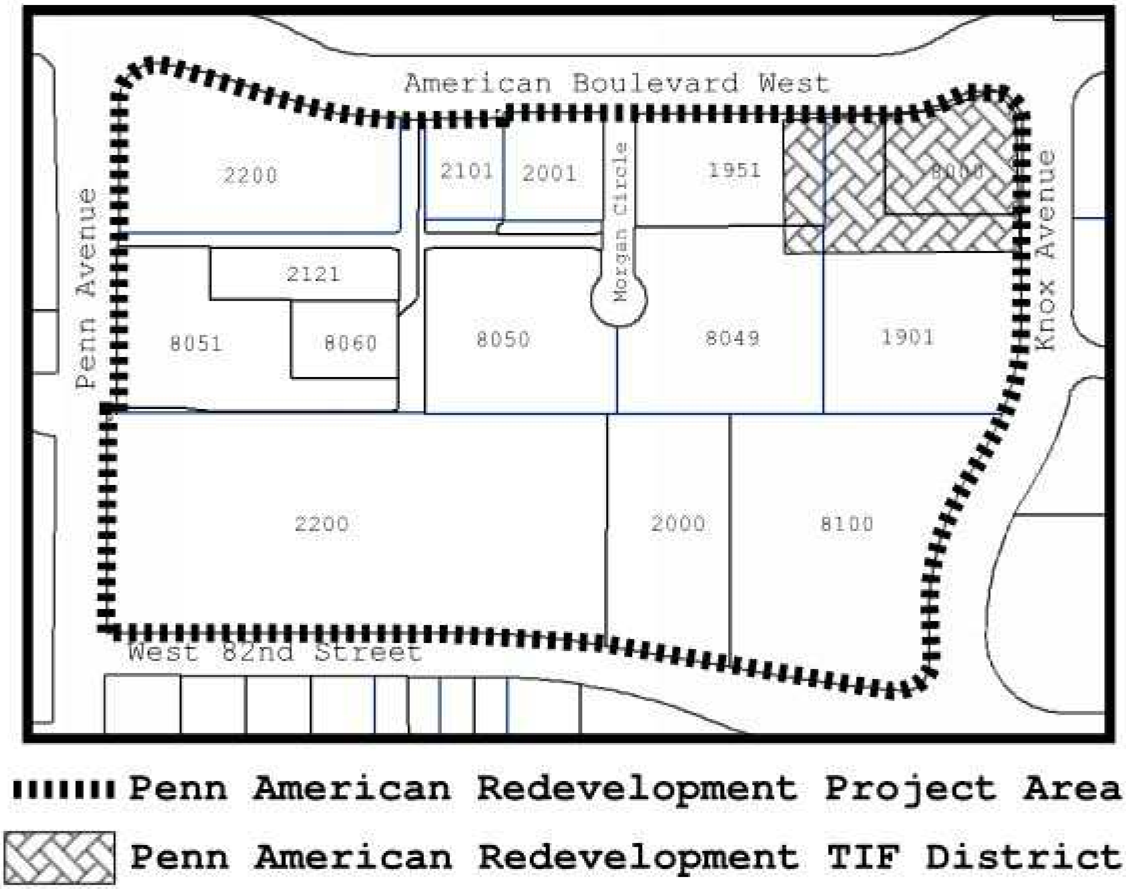
The County Auditor shall notify the Authority of all changes made to the original net tax capacity of the TIF District.

Section AD Filing TIF Plan, Financial Reporting and Disclosure Requirements

The Authority will file the TIF Plan, and any subsequent amendments thereto, with the Commissioner of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes, Section 469.175, subdivision 4A. The Authority will comply with all reporting requirements for the TIF District under Minnesota Statutes, Section 469.175, subdivisions 5 and 6.

MAP OF PROPOSED TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT

WITHIN PENN AND AMERICAN REDEVELOPMENT PROJECT



Assumptions Report

Housing and Redevelopment Authority of and for the City of Bloomington, Minnesota
Tax Increment Financing (Redevelopment) District
Knox & American: Proposed Commercial/Retail Redevelopment
Draft TIF Plan Exhibits: Based on 125 room hotel with $85k/unit total $10.625M

Type of Tax Increment Financing District	Redevelopment
Maximum Duration of TIF District	25 years from 1st increment Assume 1st Increment is 2020

Projected Certification Request Date	06/30/17	
Decertification Date	12/31/45	(26 Years of Increment)

	2017/2018	2018/2019	2019/2020	2020/2021
Base Estimated Market Value*	2,307,000	$2,307,000	$2,307,000	$2,307,000
Parcel IDS: 04-027-24-24-0006				
04-027-24-24-0005				
04-027-24-23-0023				
04-027-24-23-0022				
Original Net Tax Capacity	46,140	$46,140	46,140	46,140

** Values provided by City following relcassification of property from tax exempt to taxable*

	Assessment/Collection Year			
	2017/2018	2018/2019	2019/2020	2020/2021
Base Estimated Market Value	$2,307,000	$2,307,000	$2,307,000	$2,307,000
Estimated Increase in Value - New Construction	0	0	8,318,000	8,636,750
Total Estimated Market Value	2,307,000	2,307,000	10,625,000	10,943,750
Total Net Tax Capacity	$46,140	$46,140	$165,610	$218,125

	Payable 2016
City of Bloomington	45.909%
Hennepin County	45.356%
ISD #271	24.254%
Other - incl. Watershed 1	10.763%
Local Tax Capacity Rate	126.282%
Frozen Tax Capacity Rate	126.282%

	2018/2019	2019/2020	2020/2021
Fiscal Disparities Contribution From TIF District	32.5935%	32.5935%	32.5935%
Administrative Retainage Percent (maximum = 10%)	5.00%		
Pooling Percent	0.00%		

<u>Bonds</u>			<u>Projected Loan Information</u>	
Bonds Dated	NA		Loan Dated	06/30/17
Bond Issue @ 0.00% (NIC)	NA		Loan Rate	4.00%
Eligible Project Costs	NA		Loan Amount	$4,060,000
Present Value Date & Rate	06/30/17	4.00%	PV Amount	$2,735,102

<u>Notes</u>
Assumes no changes to future class rates or tax rates.
Assumes annual market value inflator of 3%.
Total market value of completed project estimated to be $10.625M as provided by City assessing as follows:
 125 room hotel valued at $85,000 per room
 Assume Phase I completed by December 31, 2018 for taxes payable 2020
Assume first year will be 2020 and final year would be 2045
Election to delay receipt of first increment by up to 4 years

Projected Tax Increment Report

Housing and Redevelopment Authority of and for the City of Bloomington, Minnesota
Tax Increment Financing (Redevelopment) District
Knox & American: Proposed Commercial/Retail Redevelopment
Draft TIF Plan Exhibits: Based on 125 room hotel with $85k/unit total $10.625M

Annual Period Ending (1)	Total Market Value [1] (2)	Total Net Tax Capacity [2] (3)	Less: Original Net Tax Capacity [3] (4)	Less: Fiscal Disp. @ 32.5935% (5)	Retained Captured Net Tax Capacity (6)	Times: Tax Capacity Rate [4] (7)	Annual Gross Tax Increment (8)	Less: State Aud. Deduction 0.360% (9)	Subtotal Net Tax Increment (10)	Less: Admin. Retainage 5.00% (11)	Annual Net Revenue (12)	P.V. Annual Net Rev. To 06/30/17 4.00%
12/31/17	2,307,000	46,140	46,140	0	0	126.282%	0	0	0	0	0	0
12/31/18	2,307,000	46,140	46,140	0	0	126.282%	0	0	0	0	0	0
12/31/19	2,307,000	46,140	46,140	0	0	126.282%	0	0	0	0	0 *	0
12/31/20	10,625,000	211,750	46,140	53,978	111,632	126.282%	140,971	507	140,464	7,023	133,441	109,679
12/31/21	10,943,750	218,125	46,140	56,056	115,929	126.282%	146,398	527	145,871	7,294	138,577	109,519
12/31/22	11,272,063	224,691	46,140	58,196	120,355	126.282%	151,987	547	151,440	7,572	143,868	109,328
12/31/23	11,610,224	231,454	46,140	60,400	124,914	126.282%	157,744	568	157,176	7,859	149,317	109,104
12/31/24	11,958,531	238,421	46,140	62,671	129,610	126.282%	163,674	589	163,085	8,154	154,931	108,852
12/31/25	12,317,287	245,596	46,140	65,010	134,446	126.282%	169,781	611	169,170	8,459	160,711	108,571
12/31/26	12,686,806	252,986	46,140	67,418	139,428	126.282%	176,072	634	175,438	8,772	166,666	108,263
12/31/27	13,067,410	260,598	46,140	69,899	144,559	126.282%	182,552	657	181,895	9,095	172,800	107,930
12/31/28	13,459,432	268,439	46,140	72,455	149,844	126.282%	189,226	681	188,545	9,427	179,118	107,574
12/31/29	13,863,215	276,514	46,140	75,087	155,287	126.282%	196,100	706	195,394	9,770	185,624	107,193
12/31/30	14,279,112	284,832	46,140	77,798	160,894	126.282%	203,180	731	202,449	10,122	192,327	106,792
12/31/31	14,707,485	293,400	46,140	80,591	166,669	126.282%	210,473	758	209,715	10,486	199,229	106,370
12/31/32	15,148,709	302,224	46,140	83,467	172,617	126.282%	217,985	785	217,200	10,860	206,340	105,929
12/31/33	15,603,171	311,313	46,140	86,429	178,744	126.282%	225,722	813	224,909	11,245	213,664	105,471
12/31/34	16,071,266	320,675	46,140	89,481	185,055	126.282%	233,691	841	232,850	11,643	221,207	104,994
12/31/35	16,553,404	330,318	46,140	92,624	191,554	126.282%	241,899	871	241,028	12,051	228,977	104,502
12/31/36	17,050,006	340,250	46,140	95,861	198,249	126.282%	250,353	901	249,452	12,473	236,979	103,994
12/31/37	17,561,506	350,480	46,140	99,195	205,145	126.282%	259,061	933	258,128	12,906	245,222	103,473
12/31/38	18,088,351	361,017	46,140	102,629	212,248	126.282%	268,030	965	267,065	13,353	253,712	102,938
12/31/39	18,631,002	371,870	46,140	106,167	219,563	126.282%	277,269	998	276,271	13,814	262,457	102,390
12/31/40	19,189,932	383,049	46,140	109,810	227,098	126.282%	286,784	1,032	285,752	14,288	271,464	101,831
12/31/41	19,765,630	394,563	46,140	113,563	234,859	126.282%	296,585	1,068	295,517	14,776	280,741	101,260
12/31/42	20,358,599	406,422	46,140	117,429	242,853	126.282%	306,680	1,104	305,576	15,279	290,297	100,680
12/31/43	20,969,357	418,637	46,140	121,410	251,087	126.282%	317,078	1,141	315,937	15,797	300,140	100,090
12/31/44	21,598,437	431,219	46,140	125,511	259,568	126.282%	327,788	1,180	326,608	16,330	310,278	99,491
12/31/45	22,246,391	444,178	46,140	129,734	268,303	126.282%	338,819	1,220	337,599	16,880	320,719	98,884
							$5,935,902	$21,368	$5,914,534	$295,728	$5,618,806	$2,735,102

** election to delay receipt of first increment until taxes payable 2020 (maximum delay per current statutory requirements)*
(1) Total estimated market value based on information provided by assessing (125 room hotel at $85,000 per room) for a total of $10,625,000 and 3% annual market value inflator
(2) Total net tax capacity based on commercial-industrial class rates of 1.5% up to $150,000 of value and 2% for value above $150,000.
(3) Original net tax capacity value based on estimates provided by assessing of $22/SF for land, based on site being tax-exempt until redevelopment occurs
(4) Total local combined tax rate for taxes payable 2016

Estimated Impact on Other Taxing Jurisdictions Report

Housing and Redevelopment Authority of and for the City of Bloomington, Minnesota
Tax Increment Financing (Redevelopment) District
Knox & American: Proposed Commercial/Retail Redevelopment
Draft TIF Plan Exhibits: Based on 125 room hotel with $85k/unit total $10.625M

	Without Project or TIF District		With Project and TIF District					
Taxing Jurisdiction	2015/2016 Taxable Net Tax Capacity (1)	2015/2016 Local Tax Rate	2015/2016 Taxable Net Tax Capacity (1) +	Projected Retained Captured Net Tax Capacity =	New Taxable Net Tax Capacity	Hypothetical Adjusted Local Tax Rate (*)	Hypothetical Decrease In Local Tax Rate (*)	Hypothetical Tax Generated by Retained Captured N.T.C. (*)
City of Bloomington	110,961,044	45.909%	110,961,044	$268,303	111,229,347	45.798%	0.111%	122,878
Hennepin County	1,466,181,043	45.356%	1,466,181,043	268,303	1,466,449,346	45.348%	0.008%	121,669
ISD #271	108,990,396	24.254%	108,990,396	268,303	109,258,699	24.194%	0.060%	64,914
Other (2)	---	10.763%	---	268,303	---	10.763%	---	---
Totals		126.282%				126.103%	0.179%	

* **Statement 1:** If the projected Retained Captured Net Tax Capacity of the TIF District was hypothetically available to each of the taxing jurisdictions above, the result would be a lower local tax rate (see Hypothetical Adjusted Tax Rate above) which would produce the same amount of taxes for each taxing jurisdiction. In such a case, the total local tax rate would decrease by 0.179% (see Hypothetical Decrease in Local Tax Rate above). The hypothetical tax that the Retained Captured Net Tax Capacity of the TIF District would generate is also shown above.

Statement 2: Since the projected Retained Captured Net Tax Capacity of the TIF District is not available to the taxing jurisdictions, then there is no impact on taxes levied or local tax rates.

(1) Taxable net tax capacity = total net tax capacity - captured TIF - fiscal disparity contribution, if applicable.
(2) The impact on these taxing jurisdictions has not been calculated. They represent 8.52% of the total tax rate.

Market Value Analysis Report

Housing & Redevelopment Authority of and for the City of Bloomington, MN
Tax Increment Financing (Redevelopment) District
Knox & American: Proposed Commercial/Retail Redevelopment
Draft TIF Plan Exhibits: Based on 125 room hotel with $85k/unit total $10.625M

Assumptions	
Present Value Date	06/30/17
P.V. Rate - Gross T.I.	4.00%

Increase in EMV With TIF District	$19,939,391
Less: P.V of Gross Tax Increment	3,094,406
Subtotal	$16,844,985
Less: Increase in EMV Without TIF	0
Difference	$16,844,985

	Year	Annual Gross Tax Increment	Present Value @ 4.00%
1	2020	140,971	124,086
2	2021	146,398	123,907
3	2022	151,987	123,690
4	2023	157,744	123,438
5	2024	163,674	123,152
6	2025	169,781	122,833
7	2026	176,072	122,485
8	2027	182,552	122,109
9	2028	189,226	121,705
10	2029	196,100	121,275
11	2030	203,180	120,821
12	2031	210,473	120,344
13	2032	217,985	119,845
14	2033	225,722	119,326
15	2034	233,691	118,787
16	2035	241,899	118,230
17	2036	250,353	117,656
18	2037	259,061	117,066
19	2038	268,030	116,460
20	2039	277,269	115,841
21	2040	286,784	115,208
22	2041	296,585	114,563
23	2042	306,680	113,906
24	2043	317,078	113,238
25	2044	327,788	112,561
26	2045	338,819	111,874
		$5,935,902	$3,094,406

Report of Inspection Procedures and Results for Determining Qualifications of a Tax Increment Financing District as a Redevelopment District

Penn and American Redevelopment Plan