

**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 Housing 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:

"Act" means the Housing and Redevelopment Act, Minnesota Statutes, sections 469.001 through 469.047, both inclusive and the Economic Development Act, Minnesota Statutes sections 469.090 through 469.1082, both inclusive.

"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 Housing 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 V.

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 Housing District

Pursuant to the TIF Act, the City seeks to create the Knox and American TIF District and adopt a TIF Plan for the TIF District. The City will review the TIF Plan prior to City adoption. The Knox and American TIF District is a Housing District.

Housing districts are a type of tax increment financing district that consist of a project intended for occupancy, in part, by persons or families of low and moderate income. Low and moderate income is defined in federal, state, and municipal legislation. A project does not qualify if more than 20% of the square footage of buildings that receive assistance from tax increments consist of commercial, retail or other nonresidential use.

In addition, housing districts are subject to various income limitations and requirements for residential property. For owner occupied residential property, 95% of the housing units must be initially purchased and occupied by individuals whose family income is less than or equal to the income requirements for qualified mortgage bond projects under section 143(f) of the Internal Revenue Code. For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code.

The TIF District meets the above qualifications for these reasons:

1. The planned improvements consist of the following:
 - a. Approximately 248 total units, for which the following will apply:
 - o 248 unit affordable housing apartment complex with at least 20% (49) of the rental units will be occupied by persons with incomes no greater than 50% of county median income
2. At least 80% of the proposed development will be used for residential purposes.
3. The City will require in the development agreement that the income limitations for the rental units in the apartment building will apply for the duration of the TIF District.

Tax increments derived from a housing district must be used solely to finance the cost of housing projects as defined in section 469.174, subd. II and 469.176 of the TIF Act. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the City may be included in the cost of a housing project. The City anticipates using tax increment revenues to finance a portion of the extraordinary costs associated with providing the affordable housing units.

Section H Duration of the TIF District

Housing districts may remain in existence 25 years from the date of receipt 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 2 parcels containing underutilized buildings that will be demolished prior to development. 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
04-027-24-23-0023	HAYS PENN AVENUE 6th ADDITION, LOT 2, BLOCK 1
04-027-24-24-0006	HAYS PENN AVENUE 2 ND ADDITION, LOT 2, BLOCK 1

It is anticipated 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 located within the proposed TIF District (listed with address of 1901 American Blvd W and parcel id 04-027-24-24-0006) and intends to sell the property to a private party for redevelopment into apartment rental units.

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 underutilized buildings that will be demolished to allow for new development to occur. Redevelopment plans for the site include the removal of the existing structures, construction of new infrastructure and other necessary public improvements and subsequent new development of an approximate 248-unit apartment rental complex with some affordable units and structured parking. In order to comply with Minnesota Statutes for designation of a Housing TIF District, at least 20% of the units will be restricted for persons or families with incomes at or below 50% of area median income. The Authority has identified significant costs in addition to the affordable housing, 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 the provision of affordable housing, 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 housing district.

See Section G of this document for the reasons and facts supporting this finding.

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

The proposed development is expected to consist of approximately 248 total apartment units. The City's finding that the proposed development would be unlikely to occur solely through private investment within the reasonably foreseeable future is based on an analysis of the project pro forma and other materials submitted to the City by the developer. These documents have indicated that the reduction in annual revenues due to the lower rents associated with providing affordable housing units will result in returns that are not sufficient to support development, thereby making this housing development infeasible without public assistance. In addition, there are significant redevelopment costs associated with acquisition of existing structures, demolition, installation of new infrastructure and structured parking. Therefore, the developer has indicated in communications with the City and submitted financial data that the development as proposed would not move forward without tax increment assistance.

- (3) The TIF Plan conforms to the general plan for development or redevelopment of the City as a whole.

The reasons and facts supporting this finding are that the City Council of the City has found the TIF plan consistent with the general plan for development of the city as a whole and will generally complement and serve to implement policies adopted in the City's comprehensive plan.

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

Through the implementation of the TIF Plan, the City will provide an impetus for an affordable apartment complex, which complements the overall housing needs of the City and helps support other private types of development by providing a range of housing opportunities for residents and workers within the City.

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 Improvements/Preparation costs	\$2,000,000
Utilities	\$1,500,000
Other public improvements	\$3,600,000
Other Housing Improvements	\$8,638,244

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Interest payments	\$0
Administrative expenses	\$928,329
Total	\$18,666,573

The Authority anticipates using tax increment to the extent available to finance affordable housing costs, 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 (\$18,666,573) 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	\$18,566,573
Interest on invested funds	\$100,000
Land Sale Proceeds	\$0
Other	\$0
Total	\$18,666,573

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 \$18,666,573. The Authority plans to request that the City issue general obligation bonds to reimburse the Authority for the acquisition of a portion of the land within the TIF District. The Authority currently plans to finance the public improvements and affordable housing costs 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 \$3,775,000 based on estimated land value of \$18/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 \$47,188. 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 tax capacity 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 tax capacity 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 of 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.

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

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

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.

The County Auditor shall certify to the City the amount of captured net tax capacity each year. The City may choose to retain any or all of this amount. It is the City'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 City 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 one or more pay-as-you-go notes, 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 the county board involved waives this requirement. Tax increments shall not be used to circumvent levy limitations applicable to the City.

Tax increment derived from the TIF District must be used solely to finance the cost of housing projects (including administrative expenses and public improvement costs) as defined in Section 469.174, Subdivision 11 of the Tax Increment Act and subject to the requirements set forth in Section 469.1761 of the Tax Increment Act.

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. Further, tax increments may not be used to finance: a commons area used as a public park; facilities used for social or recreational purposes (whether public or private); or publicly-owned facilities used for conference purposes; provided that tax increment may be used for a privately owned conference facility, and for parking structures whether public or privately owned and whether or not they are ancillary to one of the otherwise prohibited uses described above.

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 than 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

Beginning with the sixth year after certification of the TIF District, 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 City 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

As permitted under Minnesota Statutes, Section 469.1763, subdivision 2(b) and subdivision 3(a)(5), any expenditures of increment from the TIF District to pay the cost of a “housing project” as defined in Minnesota Statutes, Section 469.174, subd. 11 will be treated as an expenditure within the district for the purposes of the “pooling rules” and the “five year rule”. The City does not currently anticipate that tax increments will be spent outside the TIF District (except allowable administrative expenses), but such expenditures are expressly authorized in this TIF Plan.

The Authority does not expect that allowable pooling expenditures will be made outside of the TIF District, but 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 proposed development within the TIF District;
- (3) relocation benefits paid to, or services provided for, persons or businesses residing or located within the TIF District; or
- (4) amounts used to pay interest on, fund a reserve for, or sell at a discount, tax increment bonds.

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 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 City 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 City or owner of the parcel subsequently commences any of the above activities, the City 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 City 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 \$18,633,654.
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 \$3,578,821.
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 \$6,692,546.
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 housing district, more than 10% 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 acquired property within the TIF District, equal to more than 10% of the property within the Project Area. The Authority has requested that the City issue tax increment bonds to reimburse the Authority for such purchase. Prior to the issuance of tax increment bonds, the Authority shall enter into an agreement with a developer regarding development within the TIF District setting forth the Authority's recourse if the development does not occur.

Section AA Assessment Agreements

The City may, upon entering into a development agreement, also enter into an assessment agreement with any person, 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; increase in the amount of bonded indebtedness to be incurred; increase in the amount of capitalized interest; increase in that portion of the captured net tax capacity to be retained by the City; increase in the total estimated capital and administrative costs; or designation of additional property to be acquired by the City 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 City 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 City 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 City shall submit a copy of such plan to the Minnesota Department of Revenue and the Office of the State Auditor. The City 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 City shall

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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 City 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 City 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:

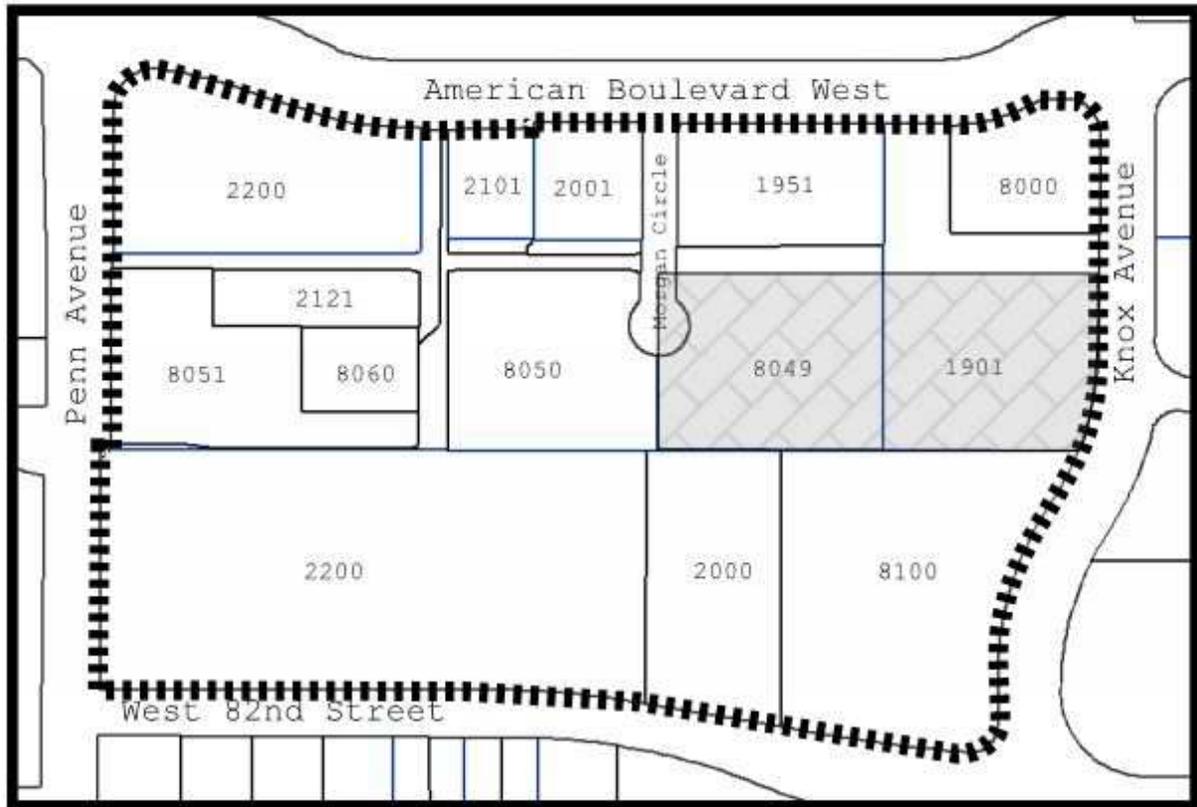
- (1) prior to July 1, the City shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to ensure that the new value will be recorded in a timely manner.
- (2) if the County Auditor receives the request for certification of a new TIF District, 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 the TIF District is classified as an economic development district, then the original net tax capacity shall be increased by the amount of the annual adjustment factor; and
 - (d) 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 City 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 City 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 (HOUSING) DISTRICT
AND PENN AND AMERICAN REDEVELOPMENT PLAN



----- Penn American Redevelopment Project Area

▨ Penn American Housing TIF District

Projected Tax Increment Report

**Housing and Redevelopment Authority of and for the City of Bloomington, Minnesota
 Tax Increment Financing (Housing) District
 Knox & American: Proposed Apartment Project
 Draft TIF Plan Exhibits: Based on 250 unit apt at \$140k/unit total \$35M**

Annual Period Ending (1)	Total Market Value (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity (4)	Retained Captured Net Tax Capacity (5)	Times: Tax Capacity Rate (4) (6)	Annual Gross Tax Increment (7)	Less: State Aud. Deduction 0.360% (8)	Subtotal Net Tax Increment (9)	Less: Admin. Retainage 5.00% (10)	Annual Net Revenue (11)	P.V. Annual Net Rev. To 06/30/17 4.00%
12/31/17	3,775,000	47,188	47,188	0	126.282%	0	0	0	0	0	0
12/31/18	3,775,000	47,188	47,188	0	126.282%	0	0	0	0	0	0
12/31/19	3,775,000	47,188	47,188	0	126.282%	0	0	0	0	0	0
12/31/20	36,050,000	414,575	47,188	367,388	126.282%	463,944	1,670	462,274	23,114	439,160	360,958
12/31/21	37,131,500	427,012	47,188	379,825	126.282%	479,650	1,727	477,923	23,896	454,027	358,824
12/31/22	38,245,445	439,823	47,188	392,635	126.282%	495,827	1,785	494,042	24,702	469,340	356,660
12/31/23	39,392,808	453,017	47,188	405,830	126.282%	512,490	1,845	510,645	25,532	485,113	354,467
12/31/24	40,574,593	466,608	47,188	419,420	126.282%	529,652	1,907	527,745	26,387	501,358	352,247
12/31/25	41,791,830	480,606	47,188	433,419	126.282%	547,330	1,970	545,360	27,268	518,092	350,004
12/31/26	43,045,585	495,024	47,188	447,837	126.282%	565,537	2,036	563,501	28,175	535,326	347,738
12/31/27	44,336,953	509,875	47,188	462,687	126.282%	584,291	2,103	582,188	29,109	553,079	345,452
12/31/28	45,667,061	525,171	47,188	477,984	126.282%	603,607	2,173	601,434	30,072	571,362	343,145
12/31/29	47,037,073	540,926	47,188	493,739	126.282%	623,503	2,245	621,258	31,063	590,195	340,823
12/31/30	48,448,185	557,154	47,188	509,967	126.282%	643,996	2,318	641,678	32,084	609,594	338,486
12/31/31	49,901,631	573,869	47,188	526,021	126.282%	664,269	2,391	661,878	33,094	628,784	335,713
12/31/32	51,398,680	591,085	47,188	543,897	126.282%	686,844	2,473	684,371	34,219	650,152	333,771
12/31/33	52,940,640	608,817	47,188	561,630	126.282%	709,237	2,553	706,684	35,334	671,350	331,397
12/31/34	54,528,860	627,082	47,188	579,894	126.282%	732,302	2,636	729,666	36,483	693,183	329,014
12/31/35	56,164,725	645,894	47,188	598,707	126.282%	756,059	2,722	753,337	37,667	715,670	326,622
12/31/36	57,849,667	665,271	47,188	618,084	126.282%	780,528	2,810	777,718	38,886	738,832	324,224
12/31/37	59,585,157	685,229	47,188	638,042	126.282%	805,732	2,901	802,831	40,142	762,689	321,821
12/31/38	61,372,712	705,786	47,188	658,599	126.282%	831,692	2,994	828,698	41,435	787,263	319,413
12/31/39	63,213,893	726,960	47,188	679,772	126.282%	858,430	3,090	855,340	42,767	812,573	317,002
12/31/40	65,110,310	748,769	47,188	701,581	126.282%	885,971	3,189	882,782	44,139	838,643	314,589
12/31/41	67,063,619	771,232	47,188	724,044	126.282%	914,337	3,292	911,045	45,552	865,493	312,174
12/31/42	69,075,528	794,369	47,188	747,181	126.282%	943,555	3,397	940,158	47,008	893,150	309,759
12/31/43	71,147,794	818,200	47,188	771,012	126.282%	973,650	3,505	970,145	48,507	921,638	307,346
12/31/44	73,282,228	842,746	47,188	795,558	126.282%	1,004,647	3,617	1,001,030	50,052	950,978	304,932
12/31/45	75,480,694	868,028	47,188	820,840	126.282%	1,036,574	3,732	1,032,842	51,642	981,200	302,522
						\$18,633,654	\$67,081	\$18,566,573	\$928,329	\$17,638,244	\$8,639,103

(1) Total estimated market value based on information provided by assessing (250 apartments at \$140,000 per unit) for a total of \$35,000,000 and 3% annual market value inflator
 (2) Total net tax capacity based on residential rental class rates of 1.25% and low-income residential rental rates of 0.75%
 (3) Original net tax capacity rate based on estimates provided by assessing of \$18/SF for land
 (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 (Housing) District

Knox & American: Proposed Apartment Project

Draft TIF Plan Exhibits: Based on 250 unit apt at \$140k/unit total \$35M

Taxing Jurisdiction	Without Project or TIF District		With Project and TIF District					
	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	\$820,840	111,781,884	45.572%	0.337%	374,072
Hennepin County	1,466,181,043	45.356%	1,466,181,043	820,840	1,467,001,883	45.331%	0.025%	372,092
ISD #271	108,990,396	24.254%	108,990,396	820,840	109,811,236	24.073%	0.181%	197,598
Other (2)	---	10.763%	---	820,840	---	10.763%	---	---
Totals		126.282%				125.738%	0.544%	

* **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 0.544% (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.

Penn and American Redevelopment Plan