

**Amendments relating to Blaine
Economic Development Project Plan of
the Blaine Economic Development
Authority, including establishment and
approval of the**

Tax Increment Financing Plan

for

**Tax Increment Financing
(Redevelopment) District No. 1-24**

(Rainbow Village Redevelopment Project)

City of Blaine, Minnesota

Prepared by

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SECTION I – Amendment of Project Plan for Blaine Economic Development Project

Section A Definitions

The terms defined below, for purposes hereof, shall have the following respective meanings, unless the context specifically requires otherwise. The term “development” includes redevelopment, and the term “developing” includes redeveloping.

“Board” means the Board of Commissioners, the governing body, of the EDA.

“City” means the City of Blaine, Minnesota.

“Council” means the City Council of the City, its governing body.

“Developer” means Roers Companies.

“Development” means the approximate 196 multifamily housing units as described.

“Development District” means Development District No. 1, initially established on August 20, 1981, as amended.

“Development Program” means the Development Program for the Development District, initially adopted on August 20, 1981, as amended.

“EDA” means the Blaine Economic Development Authority, established pursuant to the Enabling Act.

“Enabling Act” means (1) the Housing and Redevelopment Authority Act, as previously codified in Minnesota Statutes, Section 462.411 et seq., and as now codified in Minnesota Statutes, Sections 469.001 through 469.047, and (2) the Economic Development Authority Act, Minnesota Statutes, Sections 469.090 through 469.1082, including all powers provided or referenced therein, and as the same may be amended or supplemented.

“Project Area” means the Blaine Economic Development Project, including without limitation the areas of the City encompassed therein.

“Project Plan” means the plan for the development of the Project Area including the Redevelopment Plan and Development Program, all as amended from time to time.

“Redevelopment Plan” means the Redevelopment Plan for the Redevelopment Project, initially adopted on August 15, 1985, as amended.

“Redevelopment Project” means the Housing and Redevelopment Project No. 1, initially established on August 15, 1985, as amended.

“Tax Increment District” means any of the tax increment financing districts (as amended) established pursuant to the Tax Increment Act within the Project Area, including without limitation any such districts originally established within the Development District or the Redevelopment Project.

“Tax Increment Act” means Minnesota Statutes, Sections 469.174 through 469.1794, as amended or supplemented.

“Tax Increment Plans” means the tax increment financing plans, as amended, adopted pursuant to the Tax Increment Act for the Tax Increment Districts.

Section B Amendment of Project Plan and Project Area

The Project Plan is hereby amended to include the following additional goals, objectives, activities, and public improvement and development costs to be made or incurred within the Project Area and financed in whole or in part by tax increment or other revenues of the EDA. The Developer is expected to acquire and construct on the property located in Tax Increment Financing District No. 1-24 an approximate 196-unit residential rental housing project as redevelopment of the existing substandard building known as the former Rainbow grocery store as part of Rainbow Village Center (the “Development”).

The Project Plan is hereby amended to include all of the goals, objectives, activities, and public improvement and redevelopment costs to be made or incurred within the Project Area and financed in whole or in part by tax increment or other revenues of the EDA, as provided in this Section I, including without limitation a portion of the estimated costs of the Development as provided in Section K:

Section C Background and Purpose

The City established the Development District and adopted the Development Program pursuant to Minnesota Statutes, Sections 469.124 through 469.134, and established various Tax Increment Financing Districts within the Development District pursuant to the Tax Increment Act.

The Housing and Redevelopment Authority in and for the City of Blaine, Minnesota (the "HRA"), established the Redevelopment Project and adopted the Redevelopment Plan pursuant to Minnesota Statutes, Sections 469.001 through 469.047, and established various Tax Increment Financing Districts within the Redevelopment Project pursuant to the Tax Increment Act.

Pursuant to the Enabling Act, on December 29, 1988, the Council adopted an enabling resolution and thereby established the EDA. Pursuant to Section 469.094, Subdivision 2, of the Enabling Act, the City transferred to the EDA, and the EDA accepted from the City transfer of, the control, authority, and operation of the Development District and the Redevelopment Project, including the existing Tax Increment Districts therein, thereby empowering the EDA to exercise all of the powers that the City and the HRA could exercise with respect to the Development District and the Redevelopment Project, respectively, subject to the covenant and pledge by the EDA to perform the terms, conditions, and covenants of all bond indentures and other agreements executed for the security of any bonds issued and any other activities undertaken with respect to the Development District and the Redevelopment Project, respectively.

Various amendments have been adopted respecting the Project Area, the Project Plan, and the Tax Increment Districts and Plans, including the establishment of additional Tax Increment Districts within the Project Area.

In maintaining the Project Area and carrying out the Project Plan it is the EDA's purpose, consistent with the stated purposes of the Council, to consolidate the City's development areas, goals, objectives, development costs, and activities to the fullest extent permitted by the Enabling Act and other applicable law. The Board and the Council found that through such consolidation the necessary development of the City can be accomplished more consistently, efficiently, and economically.

Pursuant to Section 469.094, Subdivision 2, of the Enabling Act, the EDA is authorized to exercise the powers of a city with respect to a development district under Minnesota Statutes, Sections 469.124 through 469.134, and the powers of a housing and redevelopment authority under Minnesota Statutes, Sections 469.001 through 469.047, among other powers, and it is the intention of the Council and the Board that the EDA shall exercise any and all of said powers as may be necessary or appropriate for the development of the Project Area in accordance with the Project Plan.

**SECTION II – ESTABLISHMENT OF THE TAX INCREMENT FINANCING PLAN
FOR TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 1-24**

Section D Statement of Objectives

The objectives which the EDA seeks to achieve through the implementation of this Tax Increment District and Plan are set out in the Project Plan for the Project Area, including the Redevelopment Plan and Development Program, all as amended from time to time, and as further provided in Section I above.

**Section E 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 Minnesota Statutes 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 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 the criteria listed in (1) above. The supporting facts and documentation for this determination will be retained by the City for the life of the TIF District and are available to the public upon request. An analysis was completed by LHB, Inc. to make this determination.

"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 municipality may not find that a building is structurally substandard without an interior inspection, unless it cannot 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 City, or was performed by a developer under a development agreement with the City;
- (3) the City found by resolution before such demolition or removal occurred that the building was structurally substandard and that the City intended to include the parcel in the TIF district; and
- (4) the City 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.

Section F Duration of the TIF District

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

Pursuant to Minnesota Statutes Section 469.175, Subdivision 1(b), the City specifies 2025 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 City may collect increment from the district through December 31, 2050 but anticipates that the TIF District could be decertified early (see Section R). All tax increments from taxes payable in the year the TIF District is decertified shall be paid to the City.

Section G Property to be Included in the TIF District

The TIF District is an area of land comprising of the parcel listed below and approximately 13 acres that is located within the Project Area. A map showing the boundaries of the TIF District is shown in Exhibit I.

Parcel ID Number Legal Description

31-31-23-31-0016 *	ALL OF BLOCKS 1, 2, & 6 MUIR'S NORTHTOWN 3RD ADD; TOG/W THAT PRT OF LOTS 8 & 9 AUD SUB NO 143 LYG SLY & ELY OF SD BLK 1 & LYG NLY OF SD BLK 6; ALSO TOG/W VAC TERRACE RD; EX RDS; SUBJ TO EASE OF REC
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** The parcel listed above will be split prior to development occurring and only a portion of the parcel will remain within the boundaries of the district.*

The area encompassed by the TIF District shall also include all streets and utility right-of-ways located upon or adjacent to the property described above.

Section H Property to be Acquired in the TIF District

The EDA may acquire and sell any or all of the property located within the TIF District. It will not be acquiring any property at this time but will be selling the property to the developer to facilitate development.

Section I Specific Development Expected to Occur Within the TIF District

The proposed project is anticipated to include redevelopment of a portion of the existing blighted building into a new multifamily housing building. The project as it is currently envisioned will require demolition of part of the existing Rainbow Village retail center. Once demolished, Roers Companies (the “developer”) plans to construct approximately 196 units within two horseshoe shaped, four story wood framed, flat roofed apartment buildings constructed over a one-story parking garage that will be partially below grade and connected in the middle by a single-story clubhouse/ amenity building. The apartments will consist of a mix of studio, one-, two- and three-bedroom units all with numerous high-end upgrades. The developer intends to include an amenity rich community to help foster a sense of community. The planned community amenities for this project include an approximate 1,000 SF fitness center, community lounge, enclosed heated parking, outdoor patio, coffee bar, pet spa and business center.

It is anticipated that the EDA will use the tax increment revenues to finance a portion of the extraordinary redevelopment costs that are necessary for this project to proceed including acquisition, site development, demolition, utilities, parking, and other related redevelopment expenses. In addition, the EDA may use tax increment for related administrative expenses, and any other eligible expenditures associated with development of the site that may include additional necessary public improvements.

Construction of the project is expected to commence in 2023 and is expected to be 100% assessed and on the tax rolls as of January 2, 2025, for taxes payable in 2026.

At the time this document was prepared there were no signed construction contracts with regards to the above-described development.

Section J 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 City hired LHB. Inc. to inspect and evaluate the property within the proposed the District to be established by the City. 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 has been prepared for the City to retain on file in City offices for public inspection. The report contains the details of the findings summarized below regarding the substandard qualifications:

- The TIF District consists of one parcel that is occupied with 100 percent of the area of the proposed TIF District (exceeding the 70 percent coverage test);
- 100 percent (1 of 1) of the buildings in the proposed TIF District contain code deficiencies exceeding the 15 percent threshold;
- 100 percent of the buildings (1 of 1, which is greater than 50%) 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 foregoing conditions 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 TIF 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 blighted property found to be substandard and will be demolished following establishment of the TIF District. The City has identified significant and extraordinary costs including land acquisition, demolition, site grading and improvements, public improvements, utilities, and other eligible redevelopment improvements associated with redevelopment of the project site in conjunction with new development. The estimated total redevelopment costs for 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.

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 District area would occur. The existing buildings are currently substandard and it is highly unlikely that the improvements would be made on the property site without tax increment financing. 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 \$0 (for the reasons described above), except some unknown amount of appreciation.
- b. If the proposed development to be assisted with tax increment occurs in the District, the total increase in market value would be approximately \$94,288,121, including the value of the building (See Exhibit II).
- 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 \$11,056,077 (See Exhibit V).
- d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$83,232,044 (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. The development proposed to occur within the TIF District will afford maximum opportunity for the development of the applicable parcel consistent with the needs of the City and the removal of a substandard building. The development will increase the taxable market valuation of the City and provide additional housing options in the City.

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

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

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

Section K 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.

Estimated Public Costs	Estimated Amount
Land/Building acquisition	\$2,600,000
Site Improvements/Preparation costs	\$13,668,100
Utilities	\$0
Other public improvements	\$3,253,629
Construction of affordable housing	\$0
Administrative expenses	\$2,169,081
Total Estimated Public Costs	\$21,690,810
Interest expenses	\$0
Total Costs	\$21,690,810

The EDA 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 costs (\$21,690,810) do not increase. The EDA 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 L Estimated Sources of Revenue

Estimated Sources of Revenue	Estimated Amount
Tax Increment revenue	\$21,690,810
Interest on invested funds	
Total	\$21,690,810

The EDA anticipates providing financial assistance to the proposed development through pay-as-you-go financing in which the EDA will provide funding to the Developer to offset a portion of the project costs and collect annual increments to repay the note. As tax increments are collected from the TIF District in future years, a portion will be retained by the EDA and the remaining funds will be provided as reimbursement for certain identified costs as necessary within the TIF District to assist with financing the public costs incurred (see Section K).

The EDA 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 EDA 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. The projected tax increment report is included as Exhibit III.

Section M 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 \$21,690,810. The EDA currently plans to finance the improvement costs through pay-as-you-go financing. The EDA reserves the right to issue an interfund loan or 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 N 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, 2021, for taxes payable in 2022, is \$2,444,420. Upon establishment of the TIF District, it is estimated that the original net tax capacity of the TIF District will be \$30,555, upon reclassification as residential rental.

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 O 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.

It is anticipated the request for certification of the District will occur prior to June 30, 2023, and the local tax rates for taxes levied in 2022 and payable in 2023 will apply, for which the County Auditor shall certify as the original tax capacity rate of the TIF District. The payable 2023 rates are not available at the time of drafting of the TIF Plan. For purposes of estimating the tax increment generated by the TIF District, the sum of the local tax rates for taxes levied in 2021 and payable in 2022 is 102.776% are shown below:

<u>Taxing Jurisdiction</u>	<u>2021/2022 Local Tax Rate</u>
City of Blaine	35.113%
Anoka County	29.605%
ISD #16	33.380%
Other	<u>4.678%</u>
Total	102.776%

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

The EDA anticipates that 100% of the redevelopment will be completed by December 31, 2024, creating a total tax capacity for TIF District No. 1-24 of \$594,825 as of January 2, 2025. The first full year of tax increment is estimated to be \$579,934 payable in 2026. A complete schedule of estimated tax increment from the TIF District is shown in Exhibit III.

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 estimates shown in this TIF Plan assume that residential rental class rates remain at 1.25% of the estimated taxable 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 City 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 City elects method (b), or Minnesota Statutes Section 469.177, Subdivision 3(b).

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 Q 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 EDA 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 K) and County administrative costs associated with the TIF District (see Section T);
- (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 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 R 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 EDA 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 S 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 E 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 EDA anticipates that a portion of the tax increments may be spent outside of the TIF District (including allowable administrative expenses); and reserves the right to allow for tax increment pooling from the TIF District in the future.

Section T Limitation on Administrative Expenses

Administrative expenses are defined as all costs of the EDA 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 U Limitation on Property Not Subject to Improvements - Four Year Rule

If after four years from certification of the TIF District no demolition, rehabilitation, renovation of property or other site preparation, including 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 EDA 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 EDA or owner of the parcel subsequently commences any of the above activities, the EDA 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 V 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 EDA 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 \$21,769,182.
2. To the extent the facility in the proposed TIF District generates any public cost impacts on city-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the district, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the District. The EDA does not anticipate issuing tax increment revenue bonds in conjunction with this project but reserves the right to issue bonds as necessary to facilitate development.

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 \$7,070,283.
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 \$6,270,693.
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 W Prior Planned Improvements

The EDA 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 X Development Agreements

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

The EDA anticipates entering into an agreement with the Developer relating to the project but does not anticipate acquiring any property located within the TIF District.

Section Y Assessment Agreements

The EDA 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 EDA does not anticipate entering into an assessment agreement.

Section Z 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; determination to capitalize interest on the debt if it was not part of original plan; increase in that portion of the captured net tax capacity to be retained by the EDA; increase in the total estimated public costs; or designation of additional property to be acquired by the EDA 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 EDA 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 EDA 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 AA Administration of the Tax Increment Financing Plan

Upon adoption of the TIF Plan, the EDA shall submit a copy of such plan to the Minnesota Department of Revenue. The EDA 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 EDA 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 EDA 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 EDA 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 EDA 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;

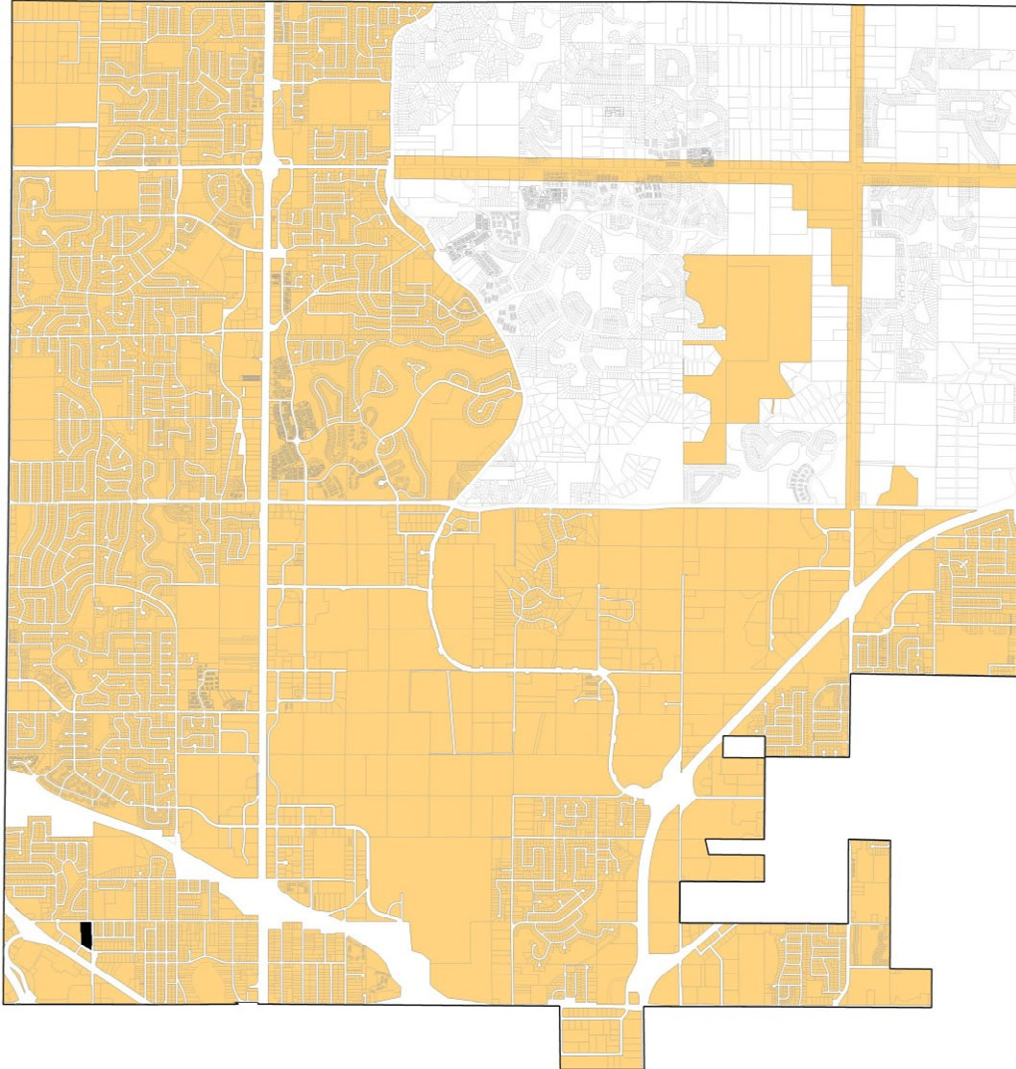
- (b) the original net tax capacity may be modified by any approved enlargement or reduction of the TIF District;
- (c) if laws governing the classification of real property cause changes to the percentage of estimated market value to be applied for property tax purposes, then the resulting increase 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 EDA of all changes made to the original net tax capacity of the TIF District.

Section AB Filing TIF Plan, Financial Reporting and Disclosure Requirements

The EDA 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 EDA will comply with all reporting requirements for the TIF District under Minnesota Statutes, Section 469.175, subdivisions 5 and 6.

**Map of
Tax Increment Financing (Redevelopment) District No. 1-24
within Development District No. 1**



 Proposed TIF District No. 1-24 within Development District No. 1



Assumptions Report

City of Blaine, Minnesota
Tax Increment Financing (Redevelopment) District No. 1-24
Rainbow Village Redevelopment
Final Draft TIF Plan Exhibits: 196 units new construction

Type of Tax Increment Financing District	Redevelopment
Maximum Duration of TIF District	25 years from 1st increment Assume 1st Increment is 2023

Projected Certification Request Date	06/30/23
Decertification Date	12/31/50 (26 Years of Increment)

	<u>2023/2024</u>
Base Estimated Market Value*	2,444,420
Parcel ID: 31-31-23-31-0016	

* Portion of total value of parcel

Original Net Tax Capacity	30,555
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	Assessment/Collection Year			
	2023/2024	2024/2025	2025/2026	2026/2027
Base Estimated Market Value	\$2,444,420	\$2,444,420	\$2,444,420	\$2,444,420
Estimated Increase in Value - New Construction	0	20,655,580	45,141,580	46,569,160
Total Estimated Market Value	2,444,420	23,100,000	47,586,000	49,013,580
Total Net Tax Capacity	\$30,555	\$288,750	\$594,825	\$612,670

	Payable 2022
City of Blaine	35.113%
Anoka County	29.605%
ISD #16	33.380%
Other	4.678%
Local Tax Capacity Rate	102.776%
Estimated Frozen Tax Capacity Rate	102.776%

	<u>2024/2025</u>
Fiscal Disparities Contribution From TIF District	NA
Administrative Retainage Percent (maximum = 10%)	10.00%
Pooling Percent	15.00%

<u>Bonds</u>		<u>Projected Pay-as-you-go Note</u>	
Bonds Dated	NA	Note Dated	02/01/24
Bond Issue @ 0.00% (NIC)	NA	Note Rate	4.00%
Eligible Project Costs	NA	Note Amount	\$8,000,000
Present Value Date & Rate	02/01/24	4.50% PV Amount	\$8,353,623

Notes

Assumes no changes to future class rates and tax rates
Includes 3% annual market value inflator to allow for future growth

Projected Tax Increment Report

City of Blaine, Minnesota
Tax Increment Financing (Redevelopment) District No. 1-24
Rainbow Village Redevelopment
Final Draft TIF Plan Exhibits: 196 units new construction

Annual Period Ending (1)	Total Market Value ⁽¹⁾ (2)	Total Net Tax Capacity ⁽²⁾ (3)	Less: Original Net Tax Capacity ⁽³⁾ (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: Adm./Pooling Retainage 25.00% (10)	Annual Net Revenue (11)	P.V. Annual Net Rev. To 02/01/24 4.50%
12/31/23	2,444,420	30,555	30,555	0	102.776%	0	0	0	0	0	0
12/31/24	2,444,420	30,555	30,555	0	102.776%	0	0	0	0	0	0
12/31/25	23,100,000	288,750	30,555	258,195	102.776%	265,362	955	264,407	66,102	198,305	182,261
12/31/26	47,586,000	594,825	30,555	564,270	102.776%	579,934	2,088	577,846	144,462	433,384	381,169
12/31/27	49,013,580	612,670	30,555	582,115	102.776%	598,274	2,154	596,120	149,030	447,090	376,290
12/31/28	50,483,987	631,050	30,555	600,495	102.776%	617,164	2,222	614,942	153,736	461,206	371,455
12/31/29	51,998,507	649,981	30,555	619,426	102.776%	636,621	2,292	634,329	158,582	475,747	366,667
12/31/30	53,558,462	669,481	30,555	638,926	102.776%	656,662	2,364	654,298	163,575	490,723	361,922
12/31/31	55,165,216	689,565	30,555	659,010	102.776%	677,304	2,438	674,866	168,717	506,149	357,224
12/31/32	56,820,173	710,252	30,555	679,697	102.776%	698,565	2,515	696,050	174,013	522,037	352,572
12/31/33	58,524,778	731,560	30,555	701,004	102.776%	720,464	2,594	717,870	179,468	538,402	347,966
12/31/34	60,280,521	753,507	30,555	722,951	102.776%	743,020	2,675	740,345	185,086	555,259	343,407
12/31/35	62,088,937	776,112	30,555	745,556	102.776%	766,253	2,759	763,494	190,874	572,620	338,894
12/31/36	63,951,605	799,395	30,555	768,840	102.776%	790,183	2,845	787,338	196,835	590,503	334,429
12/31/37	65,870,153	823,377	30,555	792,822	102.776%	814,830	2,933	811,897	202,974	608,923	330,010
12/31/38	67,846,258	848,078	30,555	817,523	102.776%	840,217	3,025	837,192	209,298	627,894	325,638
12/31/39	69,881,645	873,521	30,555	842,965	102.776%	866,366	3,119	863,247	215,812	647,435	321,313
12/31/40	71,978,095	899,726	30,555	869,171	102.776%	893,299	3,216	890,083	222,521	667,562	317,035
12/31/41	74,137,437	926,718	30,555	896,163	102.776%	921,040	3,316	917,724	229,431	688,293	312,805
12/31/42	76,361,561	954,520	30,555	923,964	102.776%	949,614	3,419	946,195	236,549	709,646	308,621
12/31/43	78,652,407	983,155	30,555	952,600	102.776%	979,044	3,525	975,519	243,880	731,639	304,484
12/31/44	81,011,980	1,012,650	30,555	982,094	102.776%	1,009,357	3,634	1,005,723	251,431	754,292	300,393
12/31/45	83,442,339	1,043,029	30,555	1,012,474	102.776%	1,040,580	3,746	1,036,834	259,209	777,625	296,350
12/31/46	85,945,609	1,074,320	30,555	1,043,765	102.776%	1,072,740	3,862	1,068,878	267,220	801,658	292,353
12/31/47	88,523,977	1,106,550	30,555	1,075,994	102.776%	1,105,864	3,981	1,101,883	275,471	826,412	288,402
12/31/48	91,179,697	1,139,746	30,555	1,109,191	102.776%	1,139,982	4,104	1,135,878	283,970	851,908	284,498
12/31/49	93,915,088	1,173,939	30,555	1,143,383	102.776%	1,175,124	4,230	1,170,894	292,724	878,170	280,639
12/31/50	96,732,540	1,209,157	30,555	1,178,602	102.776%	1,211,319	4,361	1,206,958	301,740	905,218	276,826
						\$21,769,182	\$78,372	\$21,690,810	\$5,422,710	\$16,268,100	\$8,353,623

* election to delay receipt of first increment until up to 2025 (up to 4 years from approval date)

(1) Total estimated market value based on 196 units

preliminary and subject to further review. Includes 3% annual market value inflator

(2) Total net tax capacity based on residential rental class rate of 1.25%

(3) Original net tax capacity based on 2020/2021 existing property value

(4) Total local combined tax rate available for taxes payable 2022

Estimated Impact on Other Taxing Jurisdictions Report

City of Blaine, Minnesota

Tax Increment Financing (Redevelopment) District No. 1-24

Rainbow Village Redevelopment

Final Draft TIF Plan Exhibits: 196 units new construction

Taxing Jurisdiction	Without Project or TIF District		With Project and TIF District					
	2021/2022 Taxable Net Tax Capacity (1)	2021/2022 Local Tax Rate	2021/2022 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 Blaine	87,148,955	35.113%	87,148,955	\$1,178,602	88,327,557	34.644%	0.469%	408,320
Anoka County	410,710,668	29.605%	410,710,668	1,178,602	411,889,270	29.520%	0.085%	347,927
ISD #16	46,239,848	33.380%	46,239,848	1,178,602	47,418,450	32.550%	0.830%	383,639
Other (2)	---	4.678%	---	1,178,602	---	4.678%	---	---
Totals		102.776%				101.393%	1.383%	

*** 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 1.383% (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 4.55% of the total tax rate.

Market Value Analysis Report

City of Blaine, Minnesota

Tax Increment Financing (Redevelopment) District No. 1-24

Rainbow Village Redevelopment

Final Draft TIF Plan Exhibits: 196 units new construction

<u>Assumptions</u>			
Present Value Date		08/01/23	
P.V. Rate - Gross T.I.		4.50%	
Increase in EMV With TIF District		\$94,288,120	
Less: P.V of Gross Tax Increment		11,056,077	
Subtotal		\$83,232,043	
Less: Increase in EMV Without TIF		0	
Difference		\$83,232,043	
	Year	Annual Gross Tax Increment	Present Value @ 4.50%
1	2025	265,362	241,224
2	2026	579,934	504,706
3	2027	598,274	498,022
4	2028	617,164	491,624
5	2029	636,621	485,285
6	2030	656,662	479,007
7	2031	677,304	472,789
8	2032	698,565	466,632
9	2033	720,464	460,536
10	2034	743,020	454,501
11	2035	766,253	448,529
12	2036	790,183	442,619
13	2037	814,830	436,770
14	2038	840,217	430,984
15	2039	866,366	425,260
16	2040	893,299	419,598
17	2041	921,040	413,999
18	2042	949,614	408,462
19	2043	979,044	402,986
20	2044	1,009,357	397,573
21	2045	1,040,580	392,221
22	2046	1,072,740	386,931
23	2047	1,105,864	381,702
24	2048	1,139,982	376,534
25	2049	1,175,124	371,428
26	2050	1,211,319	366,381
		\$21,769,182	\$11,056,077