

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: June 15, 2009
Item No.: 11.a

Department Approval



City Manager Approval



Item Description: **Public Hearing for Proposed Tax Increment Financing (TIF) District No. 18 (Har Mar Apartments TIF District) within Development District No. 1**

1 **1.0 BACKGROUND**

2 On March 11, 2009, Aeon (the developer), the owners of the Har Mar Apartments, submitted a
3 formal request to the City to consider the establishment of a housing tax increment financing
4 (TIF) district on its parcel. The purpose of this request is to create a funding source to fill the
5 projected financial gap in the second phase of its initiative to revitalize this aging apartment
6 complex. As the Phase 2 project is proposed, Aeon would construct a new 48-unit apartment
7 building consisting of a combination of affordable two- and three-bedroom units with
8 underground parking. In its pro forma submitted as part of the TIF application, the developer
9 identified a \$913,610 financial gap remaining after exhausting other funding sources.

10
11 While Aeon does not anticipate beginning construction on the new building until 2011, the
12 developer has requested the creation of the TIF district at this time in order to capture the new
13 value created through both the Phase 1 and Phase 2 elements of its project. The rehabilitation of
14 the existing buildings (Phase 1), which received final land use approvals on June 8, 2009, is
15 anticipated to commence during the 2009 construction season.

16
17 TIF is a financing tool available to local units of government to assist with “public costs” of
18 private development using future property tax revenue as the funding sources. To generate tax
19 increment, a TIF district must be established, which identifies the parcels whose future taxes will
20 be collected, and, after a public hearing, a TIF plan is adopted by the City Council identifying
21 how much increment will be generated in future tax increment based on a development scenario,
22 the use of these funds, and the possible impacts to other taxing jurisdictions. A housing TIF
23 district can collect increment for 25 years after the collection of the first increment (26 total
24 years).

25
26 The State of Minnesota created housing TIF districts to help cities finance affordable housing
27 projects and has created affordability tests to qualify projects for this type of district. Rental
28 housing must meet one of the three affordability tests, which are:

- 29 ▪ 20-50 test: 20 percent of the units are occupied by individuals whose incomes are
30 50 percent or less of the area median income

- 31 ▪ 40-60 test: 40 percent of the units are occupied by individuals whose incomes are
- 32 60 percent or less of the area median income
- 33 ▪ 50-80 test: 50 percent of the units are occupied by individuals whose incomes are
- 34 80 percent or less of the area median income

35
36 In order to create a TIF district, the City must follow the process that is prescribed in Minnesota
37 Statute 469.175. The following is the list of required tasks and the date accomplished.

- 38 • Set Public Hearing Date: April 20, 2009 (Resolution 10703)
- 39 • Notification to County Commissioner: April 8, 2009
- 40 • Impact letter and draft TIF Plan to County and School District: May 14, 2009
- 41 • Public hearing notice: June 2, 2009 (published in *Roseville Review*)
- 42 • Hold public hearing: June 15, 2009
- 43 • Adopt TIF plan: July 13, 2009 (tentative)

44
45 Springsted, the City’s financial consultant, has reviewed the detailed project information
46 provided by the developer to determine if the project qualifies as a housing TIF district and
47 developed a TIF plan for the proposed district, including the “but-for” test and financial
48 projections. (See Attachment A to review the TIF Plan.)

49
50 A. Housing District Qualification: Springsted has determined that the 168 housing units
51 within proposed TIF District No. 18 will meet either meet the 20-50 test or the 40-60 test
52 with at least 20 percent of the units being affordable to persons at 50 percent of area
53 median income or 40 percent of the units being affordable to persons at 60 percent of
54 median income. The City will require formalization of the affordability mix as part of a
55 future development agreement.

56
57 B. But-For Test: Springsted has conducted the “but-for” analysis for this project and has
58 determined that it meets both statutory requirements. They conclude that the proposed
59 development would not reasonably be expected to occur solely through private
60 investment within the reasonably foreseeable future, and the increased market value of
61 the site that could reasonably be expected to occur without the use of tax increment
62 would be less than the increase in market value estimated to result from the proposed
63 development after subtracting the present value of the projected tax increments for the
64 maximum duration of the TIF District permitted by the TIF Plan.

65
66 C. Financial Projections: The 2009 assessed value for the Har Mar Apartments is
67 \$5,000,000. Based on the rehabilitation of the 120 one-bedroom units in the five existing
68 buildings and the construction of the new 48 two- and three-bedroom units, the estimated
69 market value is \$12.2 million, which is based on a preliminary review of proposed
70 development by a Ramsey County assessor. The \$7.2 million increase in market value
71 translates into approximately \$2.2 million of potential increment over the life of the
72 district.

73
74 If the City Council approves TIF District No. 18, the City will negotiate a development
75 agreement with Aeon on the terms for use of the funds generated in the district. As the developer
76 will not have a full understanding of its true financial gap until this project is awarded tax credits

77 through Minnesota Housing, staff does not anticipate bringing a development agreement forward
78 until the project receives these credits. The City's TIF Policy will set general parameters by
79 which to commence these negotiations. This policy advocates using the pay-as-you-go method of
80 financing, which means that the developer is responsible for finding upfront financing for the
81 project and that the City will reimburse the developer for eligible costs as the increment is
82 generated. This form of financing decreases the risk to the City as it is not relying on projected
83 future revenues to cover debt service on a City bond issuance. In addition, the policy also
84 outlines a 20-year term as the guideline length of repayment for low-to-moderate income
85 housing projects; however, the policy states that this term can be extended by the City Council to
86 protect community interest.

87 **2.0 POLICY OBJECTIVE**

88 By holding the public hearing on proposed TIF 18, the City Council is advancing the discussion
89 of affordable housing as advocated for through the goals and policies of the preliminarily
90 approved 2030 Comprehensive Plan.

91 **3.0 BUDGET IMPLICATIONS**

92 The establishment of TIF District No. 18 does not have an impact to the City's budget. The
93 existing market value of \$5 million, which includes the value of both buildings and land, will
94 continue to generate tax income for the City and other taxing jurisdictions over the life of the
95 district. The district will only capture value beyond that of the established base value.

96 **4.0 STAFF RECOMMENDATION**

97 Staff recommends that the City Council hold a public hearing on June 15, 2009, to take public
98 comment on proposed TIF District No. 18. Holding this hearing does not obligate the Council to
99 approve the district.

100 **5.0 REQUESTED COUNCIL ACTION**

101 Hold the required public hearing for proposed Tax Increment Financing District No. 18. No
102 further action is required at this time. Consideration of the establishment of the TIF
103 district will take place on July 13, 2009.

Prepared by: Jamie Radel, Economic Development Associate

Attachments: A: Development District No. 1
B: Tax Increment Financing Plan for Tax Increment Financing (Housing) District No. 18 within
Development District No. 1

104

City of Roseville, Minnesota

Development Program

for

Development District No. 1

Dated: June 9, 2009 (DRAFT)

Approved:

Prepared by:

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SECTION I

DEVELOPMENT PROGRAM FOR
DEVELOPMENT DISTRICT NO. 1
AS OF JUNE 15, 2009

The City of Roseville adopted a Development Program and created Development District No. 1 on October 13, 1982. At that time, Tax Increment Financing Districts No. 1 and No. 2 were also created within Development District No. 1 and Tax Increment Financing Plans were adopted. Subsequent to the initial tax increment financing activity in 1982 and continuing through 2005, Tax Increment Financing Districts Nos. 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, Hazardous Substance Subdistrict No. 11A, and Hazardous Substance Subdistrict No. 17A were created within Development District No. 1 and the appropriate Tax Increment Financing Plans were adopted and added to the Development Program. Additional tax increment financing activity within Development District No. 1 from 1995 through 2005 included the decertification of Tax Increment Financing Districts Nos. 2, 3, 4, 5, 6, 7, 8, 9, 14, and 15 and various modifications to the Development Program and the Tax Increment Financing Plans for the remaining Tax Increment Financing Districts Nos. 1, 10, 11, 12, 13, 16, and 17. All previous modifications and amendments to the Development Program and Tax Increment Financing Plans are hereby incorporated into this Restated Development Program.

This June 15, 2009 modification to the Development Program includes:

- (1) the creation of Tax Increment Financing District No. 18 within Development District No. 1 and the adoption and addition of its Tax Increment Financing Plan to the Development Program;

Attached to this Restated Development Program is Exhibit I-B, "Municipal Action Taken", which summarizes the City's tax increment activities within Development District No. 1 and its various Tax Increment Financing Districts. Also included is the following definitional section for reference and convenience. Please note that these terms shall, for purposes of this Restated Development Program, have the meanings herein specified, unless the context otherwise specifically requires:

"City" means the City of Roseville, Minnesota, a municipal corporation and political subdivision of the State of Minnesota.

"Comprehensive Plan" means the City's comprehensive plan which contains the objectives, policies, standards and programs to guide public and private land use, development, redevelopment and preservation for all lands and water within the City.

"Council" means the City Council of the City.

"County" means the County of Ramsey, Minnesota.

"Development District Act" or "City Development Districts Act" or "Act" means the statutory provisions of Minnesota Statutes, Sections 469.124 to 469.134, inclusive, as amended and supplemented from time to time.

"Development District No. 1" or "Development District" means the geographic area that was designated and created on October 13, 1982 pursuant to the Development District Act.

"Development Program" means the Development Program adopted on October 13, 1982 including all amendments and modifications adopted through June 20, 2005.

"Land Use Regulations" means all federal, state and local laws, rules, regulations, ordinances and plans relating to or governing the use or development of land in the County, including but not limited to environmental, zoning and building code laws and regulations.

"Port Authority Act" means the statutory provisions of Minnesota Statutes, Sections 469.48 to 469.068, inclusive, as amended and supplemented from time to time.

"Program" means the Restated Development Program for the Project Area.

"Project Area" means the real property located within the geographic boundaries of Development District No. 1.

"Restated Development Program" means this Program, which incorporates the Development Program as previously modified and as restated herein, for the Project Area and as it shall be modified or restated, from time to time hereafter, as defined in Minnesota Statutes, Section 469.125, subdivision 3.

"School District" means Independent School District No. 621 or Independent School District No. 623.

"State" means the State of Minnesota.

"Tax Increment Act" means the statutory provisions of Minnesota Statutes, sections 469.174 to 469.1799, inclusive, as amended and supplemented from time to time.

"Tax Increment Bonds" means the general obligation or revenue tax increment bonds issued and to be issued by the City to finance the public costs associated with the Project Area as stated in the Program and in the Tax Increment Plans for each of the Tax Increment Districts within the Project Area. The term "Tax Increment Bonds" shall also include any obligations issued to refund the Tax Increment Bonds.

"Tax Increment District" means any tax increment financing district presently established or to be established in the future within the Project Area.

"Tax Increment Plan" means the respective Tax Increment Financing Plan for each Tax Increment District located within the Project Area.

Section A Statement and Finding of Public Purpose

The Council of the City has determined that there was, and hereby reaffirms that there continues to be, a need for the City to take certain actions designed to encourage and facilitate the private sector to (1) recreate and reinforce a sense of residential place and security to create neighborhood cohesiveness through investment in neighborhood infrastructure and public improvements; (2) rehabilitate the existing housing stock and preserve existing residential neighborhoods wherever possible; (3) revitalize property to create a safe, attractive, comfortable, convenient and efficient area for residential use; (4) develop and redevelop underutilized, blighted, contaminated and unused land located within its corporate limits; (5) improve the tax base of the City, the County and the School District, thereby enabling them to better utilize existing public facilities and provide needed public services; (6) improve the general economy of the City, the County and the State; and, (7) provide additional employment opportunities for residents of the City and the surrounding area. Specifically, the City has determined and reaffirms that there is property within the City that is unused due to a variety of factors, including fragmented ownership, contamination or blighted improvements, which have resulted in a lack of private investment. Further, it was found and is reaffirmed that there are certain underutilized parcels of property within the City which are potentially more useful, productive and valuable than are being realized under existing conditions. As a result, the property is not providing adequate employment opportunities or living environments and is not contributing to the tax base and general economy of the City, the County, the School District and the State to its full potential.

Therefore, the Council has determined and hereby reaffirms that it is necessary to exercise its authority to develop, implement and finance a Program for improving the Project Area to (1) recreate and reinforce a sense of residential place and security to create neighborhood cohesiveness through investment in neighborhood infrastructure and public improvements; (2) rehabilitate the existing housing stock and preserve existing residential neighborhoods wherever possible; (3) revitalize property to create a safe, attractive, comfortable, convenient and efficient area for residential use; (4) facilitate clean up of contaminated properties; (5) improve and maintain the natural environment; (6) provide an impetus for private development and redevelopment; (7) maintain and increase employment; (8) utilize, enhance and supplement existing potential; and, (9) facilitate other activities as outlined in Section I, Subsection F.1. of the Program.

The Council has also determined and hereby reaffirms (1) that the proposed development or redevelopment would not occur solely through private investment in the foreseeable future; (2) that the Tax Increment Plans proposed herein are consistent with the Program; (3) that the Tax Increment Plans would afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Project Area by private enterprise; and (4) that the Program conforms to the Comprehensive Plan of the City.

The Council has further determined and hereby reaffirms that the welfare of the City, School District, County and State requires active promotion, attraction, encouragement and development of economically sound housing, industry and commerce to carry out its stated public purpose objectives.

Section B Statutory Authority

The Council has determined and hereby reaffirms that it continues to be desirable and in the public interest to designate a specific area within the corporate limits of the City as the Project Area and to establish, develop and implement a Program pursuant to the provisions of the Development District Act and the Port Authority Act (collectively, the "Acts"), as amended and supplemented from time to time.

Funding of the necessary activities and improvements in the Project Area shall be accomplished, in part, with any funds the Council has or may have available from any source, including funds made available by the City and through tax increment financing pursuant to the Tax Increment Act.

The Tax Increment Act authorizes the establishment of tax increment districts within the Project Area pursuant to the requirements set forth in Section 469.174. The Tax Increment Act also designates the types of tax increment districts and establishes the limitations and requirements that apply to activities and public improvements which can be financed for each type of tax increment district.

It is the intention of the City, notwithstanding the enumeration of specific goals and objectives in the Program, that the City shall have and enjoy with respect to the Project Area the full range of powers and duties conferred upon the City pursuant to the Acts, the Tax Increment Act, and such other legal authority as the City may have or enjoy from time to time.

Section C Property Description

The boundaries of the Project Area are coterminous with the corporate boundaries of the City and are illustrated on Exhibit I-A.

Section D Rehabilitation

For some projects, property owners within the Project Area will be encouraged to rehabilitate their properties to conform with the applicable State and local codes and ordinances, as well as any design standards. Potential owners who may purchase property within the Project Area from the City may be required to rehabilitate their properties as a condition of sale of land. The City will provide such rehabilitation assistance as may be available from federal, State, County, or local sources.

Section E Relocation

The City accepts its responsibility for providing for relocation, if and when applicable, pursuant to Minnesota Statutes and federal law.

Section F Development Program

1. Statement of Objectives. The Council originally determined, and its determinations are hereby reaffirmed, that the establishment of the Project Area and the adoption of the Program will provide the City with the ability to achieve certain public purpose goals not otherwise obtainable in the foreseeable future without City intervention in the normal development or redevelopment process. These public purpose goals include: (1) restoration and improvement of the tax base and tax revenue generating capacity of the Project Area; (2) increased employment opportunities; (3) realization of comprehensive planning goals; (4) removal of blighted conditions and environmental contamination; (5) preservation and enhancement of the natural environment of the community and implementation of the Natural Resource Management Plan dated June, 2002; and, (6) revitalization of the property within the Project Area to create an attractive, comfortable, convenient and efficient area for housing, industrial, commercial, and related uses.

The Program objectives for the Project Area include the following:

- a. Revitalize property to create a safe, attractive, comfortable, convenient and efficient area for residential use.
- b. Create and reinforce a sense of residential place and security which creates neighborhood cohesiveness through City investment in neighborhood infrastructure and public improvements, including landscaping, park improvements, local street modifications to reduce traffic impacts, street construction or repaving, curb and gutter construction or replacement and streetlight installation or updating.
- c. Encourage infill development and redevelopment that is compatible in use and scale with surrounding neighborhoods.
- d. Rehabilitate existing housing stock and preserve existing residential neighborhoods wherever possible.
- e. Demolish and reconstruct, where necessary, aging residential buildings to preserve neighborhoods.
- f. Provide a link between seniors moving out of existing single family homes and young families seeking first time purchase options.
- g. Develop and promote housing programs that encourage the retention and attraction of young families with children.
- h. Provide alternate housing for seniors to enable them to remain a vital part of the community.

- i. Develop new housing in partnership with federal, state and regional agencies, non profit community groups and private sector development partners.
- j. Develop and promote programs that provide choice and diversity in housing stock to include a variety of affordable housing options.
- k. Provide information regarding the importance of quality and diverse housing opportunities and close-knit neighborhoods to foster a sense of community.
- l. Promote and secure the prompt development or redevelopment of certain property in the Project Area, which property is not now in productive use or in its highest and best use, in a manner consistent with the City's Comprehensive Plan, which will where practicable, mitigate existing adverse environmental conditions and cause a minimum adverse impact on the environment and thereby promote and secure the development or redevelopment of other land in the City.
- m. Promote and secure additional employment opportunities within the Project Area and the City for residents of the City and the surrounding area, thereby improving living standards, reducing unemployment and the loss of skilled and unskilled labor and other human resources in the City.
- n. Secure the increased valuation of property subject to taxation by the City, the School District, the County and other taxing jurisdictions in order to better enable such entities to pay for governmental services and programs required to be provided by them.
- o. Provide for the financing and construction of public improvements in the Project Area necessary for the orderly and beneficial development or redevelopment of the Project Area.
- p. Promote the concentration of new desirable residential, commercial, office, and other appropriate development or redevelopment in the Project Area so as to develop and maintain the area in a manner compatible with its accessibility and prominence in the City.
- q. Encourage local business expansion, improvement, development and redevelopment whenever possible.
- r. Encourage the renovation and expansion of historical structures.
- s. Eliminate physical deterrents to the development or redevelopment of the land.
- t. Create a desirable and unique character within the Project Area through quality land use alternatives and design quality in new and remodeled buildings.
- u. Encourage and provide maximum opportunity for private development or redevelopment of existing areas and structures which are compatible with the Program.

v. Create viable environments which will facilitate and enable the construction, upgrading and maintaining of housing stock, maintaining housing health and safety quality standards, and maintaining and strengthening individual neighborhoods.

w. Stimulate private activity and investment to stabilize, enhance and balance the City's housing supply.

x. Eliminate code violations, remediate environmental contamination and eliminate nuisance and other negative conditions that adversely affect neighborhoods or are obstacles to the objectives of the Program.

y. Remove substandard structures.

2. Revitalization Project Proposals and Public Facilities. Revitalization within the Project Area must be financially feasible, marketable and compatible with longer range City development plans. The following activities represent the development activities that may occur within the Project Area.

- a. clearance and redevelopment
- b. rehabilitation of remaining buildings
- c. relocation of buildings and inhabitants of buildings
- d. vacation of rights-of-way
- e. dedication of new rights-of-way and pedestrian walkways
- f. construction and expansion of commercial and industrial buildings
- g. land acquisition
- h. soil improvement and site preparation
- i. installation or replacement of public improvements
- j. environmental cleanup
- k. water retention measures including ponds, infiltration systems and rain gardens

3. Open Space to be Created. Open space may be created for the purpose of enhancing housing developments through the development of open space and pedestrian walkways, the installation of special landscaping on residential and public properties, and the creation of recreational facilities, including parks and walkways, to improve the quality of life, transportation and physical facilities.

4. Environmental Controls. To the extent proposed development or redevelopment raises environmental concerns, all municipal actions, public improvements and private development or redevelopment shall be carried out in a manner consistent with applicable environmental standards or approvals.

5. Private Development and Reuse of Property. The Program goals and objectives are to be achieved in a cost efficient and timely manner by assisting and encouraging the private sector whenever reasonably possible. Generally, the City will proceed by contracting with the private sector (developer, builder, user, owner and so forth) for the reuse of land or building that is part of the Project Area. The City may acquire any property, real or personal, that is necessary or

convenient for the implementation of the Program. The City will acquire property if it believes there is a likelihood that the property can be reused in the foreseeable future and if the City can identify sources of revenue to pay for such property. Generally, the City will enter into a contract with the private sector for the reuse of the property. However, there may be parcels that are so important to a proposed redevelopment or reuse that the City may find it difficult or impractical to enter into any contract without first owning or having control of the parcel, either through negotiation or by use of eminent domain. The City may also acquire, from willing sellers or by use of eminent domain, parcels as part of a long-term redevelopment effort. In such instances, the acquisition should meet a stated Program goal or objective, revenues should have been identified to pay for them and the parcels should be held only until sufficient parcels have been acquired to allow Program goals and objectives to be implemented.

Section G Administration

The City Manager shall serve as Administrator of the Project Area pursuant to the provisions of the Development District Act, provided however that such powers may only be exercised at the direction of the Council. No action taken by the Administrator shall be effective without Council authorization.

A developer or redeveloper may be any person, business, corporation (for-profit or non-profit) or government unit, including the City. A developer or redeveloper may initiate a plan and participate with the City in the development or redevelopment thereof.

Section H Parcels to be Acquired

The City may acquire any of the parcels illustrated on Exhibit I-A by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the objectives of the Program.

Section I Public Improvement Costs

The estimated public improvement costs and the amount of bonded indebtedness, including interest thereon, to be incurred within the Project Area for the benefit of the Project Area and its Tax Increment Districts are set forth in the individual Tax Increment Financing Plans.

Section J Sources of Revenue

Anticipated revenue sources to assist in the financing of the public improvement costs located within the Tax Increment Districts and the Project Area include (1) general obligation and/or revenue tax increment obligations with interest; (2) the direct use of tax increments; (3) the borrowing of available funds, including without limitation interest-bearing City short-term or long-term loans; (4) interfund loans or advances; (5) interfund transfers, both in and out; (6) land sale or lease proceeds; (7) levies; (8) grants from any public or private source; (9) developer payments; (10) loan repayments or other advances originally made with tax increments as permitted by Minnesota Statutes; and (11) any other revenue source derived from the City's activities within the Project Area as required to finance the costs as set forth in each of the Tax Increment Financing Plans. All revenues are available for all tax increment eligible expenses within the Project Area as allowed by Minnesota Statutes.

MAP OF DEVELOPMENT DISTRICT NO. 1

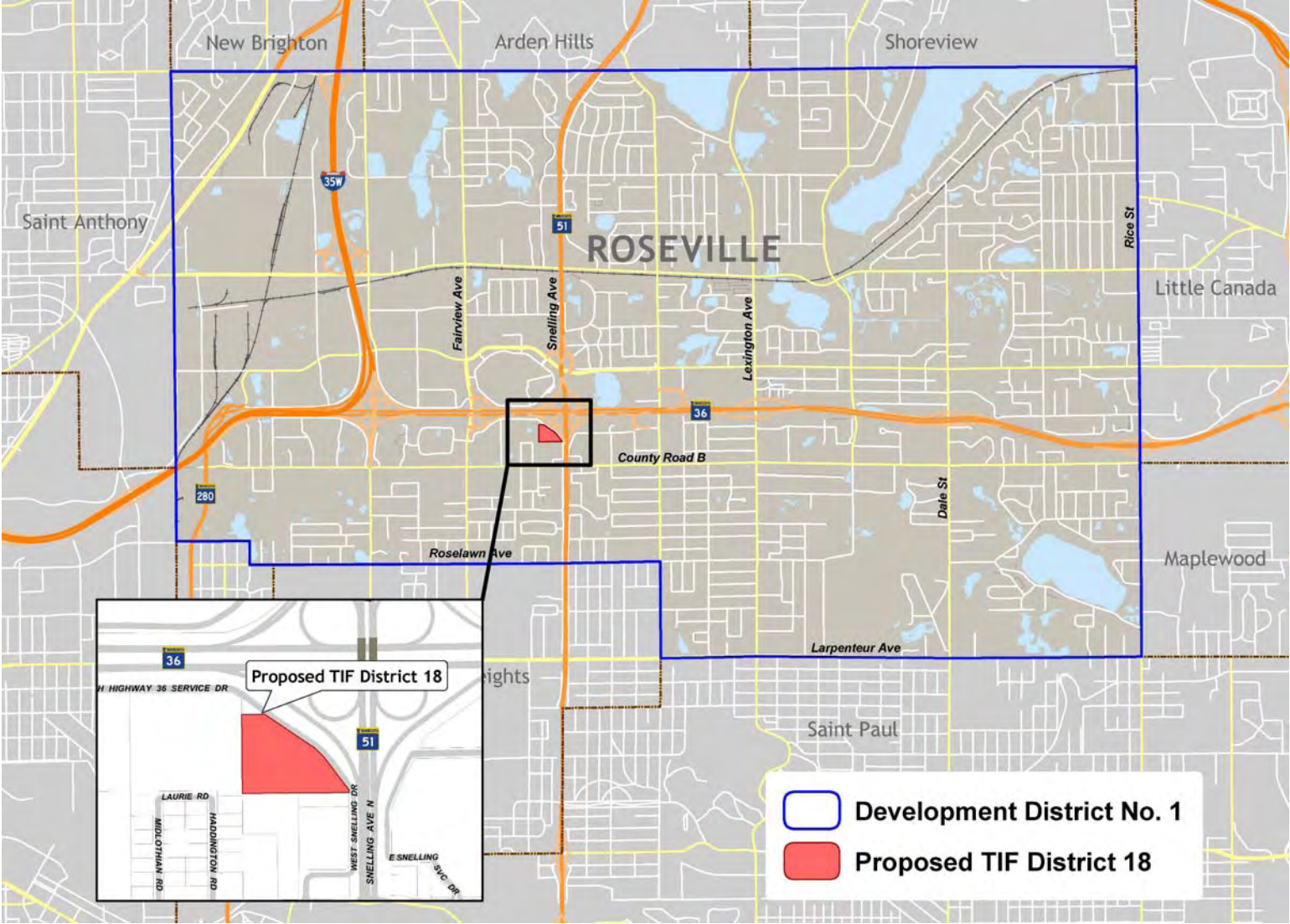


EXHIBIT I-B

MUNICIPAL ACTION TAKEN

The following municipal actions were taken in connection with the tax increment financing activities of the City of Roseville pursuant to Minnesota Statutes, Sections 469.001 to 469.047, 469.048 to 469.068, 469.124 to 469.134, and 469.174 to 469.1799, inclusive, as amended and supplemented from time to time:

October 13, 1982: Creation of Development District No. 1 and adoption of a Development Program; creation of Redevelopment District No. 1 as a redevelopment tax increment district and adoption of a Tax Increment Financing Plan; creation of Redevelopment District No. 2 as a redevelopment tax increment district and adoption of a Tax Increment Financing Plan.

May 9, 1983: Modification of the Development Program Development District No. 1 and Tax Increment Financing Plans for Redevelopment Districts No. 1 and No. 2 to reflect increased project expenses.

September 24, 1984: Creation of [Municipal] Development District No. 3 and adoption of a Development Program; creation of Tax Increment Financing District No. 3 as a redevelopment district and adoption of a Tax Increment Financing Plan.

December 16, 1985: Modification of the Development Program Development District No. 1 to include the area of Development District No. 3/Tax Increment Financing District No. 3; modification of the Tax Increment Financing Plan for Tax Increment Financing District No. 1 (previously referred to as Redevelopment District No. 1) to reflect the addition of forty two parcels, increased project expenses and the deletion of ten parcels; modification of the Tax Increment Financing Plan for Tax Increment Financing District No. 2 (previously referred to as Redevelopment District No. 2) to reflect the addition of three parcels and the deletion of twelve parcels; creation of Tax Increment Financing District No. 4 as a redevelopment district and adoption of a Tax Increment Financing Plan.

July 14, 1986: Modification of the Development Program for Development District No. 1; creation of Tax Increment Financing District No. 5 as a redevelopment district and adoption of a Tax Increment Financing Plan.

January 12, 1987: Modification of the Development Program for Development District No. 1; creation of Tax Increment Financing District No. 6 as a housing district and adoption of a Tax Increment Financing Plan; creation of Tax Increment Financing District No. 7 as a redevelopment district and adoption of a Tax Increment Financing Plan; creation of Tax Increment Financing District No. 8 as an economic development district and adoption of a Tax Increment Financing Plan.

July 13, 1987: Modification of the Development Program for Development District No. 1; creation of Tax Increment Financing District No. 9 as a redevelopment district and adoption of a Tax Increment Financing Plan.

October 1988: Creation of Tax Increment Financing District No. 10 as a redevelopment district and adoption of a Tax Increment Financing Plan.

October 23, 1989: Modification of the Development Program for Development District No. 1 and Tax Increment Financing Plans for Tax Increment Financing Districts No. 1 through No. 10.

March 26, 1990: Modification of the Development Program for Development District No. 1 and Tax Increment Financing Plans for Tax Increment Financing Districts No. 1 through No. 10; creation of Tax Increment Financing District No. 11 as a redevelopment district and adoption of a Tax Increment Financing Plan;

creation of Tax Increment Financing District No. 12 as a redevelopment district and adoption of a Tax Increment Financing Plan.

September 10, 1990: Modification of the Tax Increment Financing Plans for Tax Increment Financing districts No. 1 through No. 12.

December 10, 1990: Creation of a Redevelopment Project Area and adoption of a Redevelopment Plan to exercise housing and redevelopment authority powers; creation of Industrial Development District No. 1 and adoption of an Industrial Development Plan to exercise port authority powers.

December 17, 1990: Modification of the Tax Increment Financing Plans for Tax Increment Financing Districts No. 1 through No. 12 to reflect increased project costs within Development District No. 1.

July 8, 1992: Modification of the Tax Increment Financing Plans for Tax Increment Financing Districts No. 1 through No. 12.

September 23, 1991: Modification of the Development Program for Development District No. 1; the Redevelopment Plan for the Redevelopment Project Area and the Industrial Development District No. 1 Plan for Industrial Development District No. 1 to reflect increased geographic areas.

April 26, 1993: Modification of the Development Program for Development District No. 1; creation of Tax Increment Financing District No. 13 as a redevelopment district and adoption of a Tax Increment Financing Plan.

February 28, 1994: Modification of the Development Program for Development District No. 1; creation of Tax Increment Financing District No. 14 as a redevelopment district and adoption of a Tax Increment Financing Plan.

April 11, 1994: Modification of the Tax Increment Financing Plans for Tax Increment Financing Districts No. 1 through No. 13 to reflect increased project costs.

September 26, 1994: Creation of Tax Increment Financing District No. 11A as a hazardous substance subdistrict and adoption of a Tax Increment Financing Plan.

June 12, 1995: Modification of the Development Program for Development District No. 1; creation of Tax Increment Financing District No. 16 as a redevelopment district and adoption of a Tax Increment Financing Plan.

December 31, 1997: Decertification of Tax Increment Financing District No. 8.

December 16, 1996: Modification of the Development Program for Development District No. 1 and the Tax Increment Financing Plans for Tax Increment Financing Districts No. 1 through No. 14 and No. 16 to reassert the powers of Minnesota Statutes, Sections 469.124 through 469.134.

March 24, 1997: Modification of the Development Program for Development District No. 1; creation of Tax Increment Financing District No. 15 as a redevelopment district and adoption of a Tax Increment Financing Plan.

November 27, 2000: Modification of the Tax Increment Financing Plan for Tax Increment Financing District No. 2 to reflect the elimination of eight parcels; modification of the Tax Increment Financing Plan for Tax Increment Financing District No. 10 to reflect the elimination of six parcels; decertification of Tax Increment Financing Districts No. 5, No. 6, No. 7 and No. 9; modification of the Tax Increment Financing Plans for Tax Increment Financing Districts No. 1 through No. 7 and No. 9 through No. 11 to reflect increased project costs.

December 17, 2001: Decertification of Tax Increment Financing Districts No. 2, No. 3, No. 4, No. 14 and No. 15.

December 8, 2003: Modification of the Tax Increment Financing Plan for Tax Increment Financing District No. 12 to reflect increased project expenses, increased bonded indebtedness and increased sources of revenues.

June 20, 2005: Modification of the Tax Increment Financing Plan for Tax Increment Financing District No. 11 to reflect the elimination of twenty-one parcels; modification of the Tax Increment Financing Plan for Hazardous Substance Subdistrict No. 11A to reflect the elimination of twenty-one parcels; creation of Tax Increment Financing District No. 17 as a redevelopment district and adoption of a Tax Increment Financing Plan; creation of Hazardous Substance Subdistrict No. 17A and adoption of a Tax Increment Financing Plan; restatement of the Development Program for Development District No. 1 and modification of the Tax Increment Financing Plans for Tax Increment Financing Districts No. 1, 10, 11, 12, 13, and 16.

June 15, 2009: Modification of the Development Program for Development District No. 1; creation of Tax Increment Financing District No. 18 as a housing district and adoption of a Tax Increment Financing Plan.

City of Roseville, Minnesota

Tax Increment Financing Plan

for

Tax Increment Financing (Housing) District No. 18

Within

Development District No. 1

(Har Mar Apartments Project)

Dated: June 9, 2009 (DRAFT)

Approved:

Prepared by:

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Section A Definitions

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

"Authority" means the Roseville Housing and Redevelopment Authority, Minnesota.

"City" means the City of Roseville, 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 Ramsey County, Minnesota.

"Development District" means the City's Development District No. 1 in the City, originally created October 13, 1982, which is described in the corresponding Development Program.

"Development Program" means the Restated Development Program for the Development District dated June 20, 2005.

"Project Area" means the geographic area of the Development District.

"School District" means Roseville Area School District No. 623, Minnesota.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1799, both inclusive.

"TIF District" means Tax Increment Financing (Housing) District No. 18.

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

Section B Statement and Finding of Public Purpose

See Section A of the Development Program for the Development District.

Section C Statutory Authorization

See Section B of the Development Program for the Development District.

Section D Statement of Objectives

See Section F.1. of the Development Program for the Development District.

Section E Designation of Tax Increment Financing District as a Housing District

Pursuant to the TIF Act, the City seeks to create TIF District No. 18 and adopt a TIF Plan for the TIF District. The Authority will review the TIF Plan prior to City adoption. TIF District No. 18 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. No owner-occupied housing units.
 - b. 168 rental units, for which one of the following will apply:
 - o at least 20% of the rental units will be occupied by persons with incomes no greater than 50% of area median income
 - o at least 40% of the rental units will be occupied by persons with incomes no greater than 60% of area median income
2. No improvements are planned other than housing.
3. The City will require in the development agreement that the income limitations for all rental units apply for the duration of the TIF District.

Tax increment revenues derived from a housing district must be used solely to finance the cost of housing projects as defined above. 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.

Section F Duration of the TIF District

Housing 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.

The City elects to receive increment beginning in tax payable year 2013 pursuant to Minnesota Statutes, Section 469.175, subdivision 1(a)(8)(b). The City reserves the right to allow the TIF District to remain in existence the maximum duration allowed by law, through the year 2038. The City will decertify TIF District No. 18 once the projected increment has been received to fulfill the existing TIF District obligations. 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 approximate 5.42-acre area of land located within the Project Area. A map showing the location of the TIF District is shown in Exhibit I. The boundaries, area, and parcel encompassed by the TIF District are described below:

<u>Parcel ID Number</u>	<u>Legal Description</u>
09-29-23-44-0247 *	The south 7 acres of the NE Quarter of the SE Quarter of the SE Quarter (NE¼ of SE¼ of SE¼), Section Nine (9), Township Twenty-Nine (29), Range Twenty-Three (23), according to the Government Survey thereof, all subject to roadway easements.

*The parcel listed above will be replatted; as a result new parcel ID numbers and legal descriptions will replace that listed above.

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.

Section H Property to be Acquired in the TIF District

The City may acquire and sell any or all of the property located within the TIF District. The City does not anticipate acquiring any such property at this time, but may reimburse developers for the cost of such acquisition.

Section I Specific Development Expected to Occur Within the TIF District

The proposed project includes the redevelopment of the Har Mar Apartments project. The project is expected to be completed in two phases. Phase 1 shall consist of the complete rehabilitation of 120 existing one-bedroom apartment units within five buildings. Phase 2 shall consist of the construction of 48 two-and three-bedroom apartment units within one building. Phase 1 shall also include the subdivision, reconfiguration and redevelopment of the site, which will reduce surface parking, maximize green space, and connect the buildings through landscaping and improved walkways.

The proposed project will transform a blighted, semi-vacant property into a 168-total-unit apartment community for persons and families of low to moderate income. The project will comply with the Tax Increment Financing (Housing) District income requirements for rental property (i.e., either 20% of the units must be rented to persons whose income is 50% or less of area median income or 40% must be rented to persons 60% or less of area median income).

Ten of the 168 rehabilitated and constructed apartments will provide housing for individuals experiencing long-term homelessness and who earn less than 30% of the area median income (AMI). Ninety-six one-bedroom units will be restricted for persons or families who earn less than 60% AMI. The remaining 12 one-bedroom units will be unrestricted at market rate. All of the 48 two-and three-bedroom units will be restricted for those earning less than 60% AMI. Therefore the project will comply with the provisions of a Housing TIF District whereby at least 40% of the units will be restricted for persons with 60% or less AMI.

The City anticipates using tax increment revenues to finance a portion of the rehabilitation and construction costs, through property acquisition, associated with Phase 2 of the project as well as related administrative expenses to reduce the cost of providing affordable housing in the City, as described further in Section K.

Phase 1 of the project is expected to commence construction in summer of 2009 and be completed by August 2010; Phase 2 of the project is expected to commence construction in April 2010, and be completed by March 2011. Partial assessments are anticipated on January 2, 2011, and the fully completed project will be 100% assessed and on the tax rolls as of January 2, 2012, for taxes payable in 2013.

At the time this document was prepared there were no signed development 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 housing district;

See Section E 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, and the increased market value of the site that could reasonably be expected to occur without the use of tax increment would be less than the increase in 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.

The proposed development is a rental housing project consisting of the rehabilitation of approximately 120 units and the new construction of approximately 48 units in the City of Roseville. All but 12 of the total units rehabilitated will be affordable to persons at or below 60% of the area median income. The City has reviewed project information submitted by the proposed developer showing that the cost of providing low-to-moderate income housing makes the proposed development infeasible without some level of assistance.

Creating high-quality affordable housing in the proposed TIF district area entails the acquisition and subdivision of the existing property, complete rehabilitation of the existing buildings, the construction of new affordable housing and improvements to related infrastructure. Phase 1 and Phase 2 will be financed separately with each phase securing an allocation of low-income housing tax credits. Although Phase 1 of the project has secured funding from multiple additional sources, Phase 2 funding is not anticipated to leverage as many additional funding sources and shows a financing gap to be filled with TIF. Therefore, it is believed that Phase 2 would not happen "But-For" the TIF. Furthermore, the funding entities participating in the Phase 1 financing require the completion of Phase 2 of the Project, which constructs the 48 new affordable family-sized units. Therefore, we conclude that the proposed Project (Phases 1 and 2) would not happen "But-For" the TIF.

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 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. Without the TIF District, the City has no reason to expect that the rehabilitation and new construction would occur without assistance similar to that provided in this plan. [If we are to agree with the assumption] that the proposed project maximizes the site density, then it is reasonable to assume that no development will occur that will create a greater market value than that which is proposed in this project. Therefore, the City concludes as follows:

- 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, beyond a small amount attributable to appreciation in land value.
- b. If all development occurs as proposed, the total increase in market value would be approximately \$16,917,395, which includes a 2.5% annual market value inflator.
- c. The present value of tax increment revenues from the District for the maximum duration of as permitted by the TIF Plan is estimated to be \$938,650 (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 \$15,978,745 (the amount in clause b less the amount in clause c) without tax increment assistance.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments assumes no development will occur on the site without assistance. The site is controlled by a developer that only anticipates creating an affordable housing project requiring assistance. We assume the estimated market value without creation of the district would only increase at most by an incremental inflationary amount. The increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the TIF District and the use of tax increments.

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

The reasons and facts supporting this finding are that the TIF District is properly zoned, and the TIF Plan has been approved by the City Planning Commission 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.

The reasons and facts supporting this finding are that the development activities are necessary so that development and redevelopment by private enterprise can occur within the Project Area.

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.

Land/Building acquisition	\$913,610
Site Improvements/Demolition costs	0
Installation of public utilities	0
Streets and sidewalks	0
Bond/Note principal	0
Bond/Note interest, inc. capitalized interest	1,027,207
Administrative expenses	219,461
Other –Potential Affordable Housing Costs	59,337
Total	\$2,219,615

The City 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 is not increased.

Section L Estimated Sources of Revenue

Tax Increment revenue	\$2,194,615
Interest on invested funds	25,000
Bond/Note proceeds	0
Real estate sales	0
Other	0
Total	\$2,219,615

The City anticipates providing financial assistance to the proposed development on a pay-as-you-go technique. Under the pay-as-you-go scenario, future tax increments received from the property within the TIF District are distributed to the developer/owner as reimbursement for public costs incurred (see Section K).

The City 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 City 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 M Estimated Amount of Bonded Indebtedness

The City does not anticipate issuing tax increment bonds to finance the estimated public costs of the TIF District. However it reserves the right to issue an amount that would not exceed \$1,005,000 (\$913,610 plus 10% overage).

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, 2008, for taxes payable in 2009, is \$5,000,000. Upon establishment of the TIF District, and subsequent reclassification of a portion of the property to rental from affordable rental, it is estimated that the original net tax capacity of the TIF District will be approximately \$39,286.

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.

The sum of all local tax rates that apply to property in the TIF District, for taxes levied in 2008 and payable in 2009, was 89.848% as shown below. The County Auditor shall certify this amount as the original tax capacity rate of the TIF District.

<u>Taxing Jurisdiction</u>	<u>Final 2008/2009 Local Tax Rate</u>
City of Roseville	24.545%
Ramsey County	46.546%
SD # »#623	10.624%
Other	8.133%
Total	89.848%

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

The City anticipates that the project will be completed by December 31, 2012 creating a total tax capacity for TIF District No. 18 of \$99,289 as of January 2, 2013. The captured tax capacity as of that date is estimated to be \$60,003 and the first full year of tax increment is estimated to be \$53,911 payable in 2014. A complete schedule of estimated tax increment from the TIF District is shown in Exhibit III.

The estimates shown in this TIF Plan assume that affordable rental housing class rates remain at 0.75% of the estimated market value, market rate rental housing class rates remain at 1.25% of the estimated market value, and assume a 2.5% annual increase 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.

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. Exhibit III 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 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, including any eligible pooling projects, (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 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 S 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.

Section T Limitation on Administrative Expenses

Administrative expenses are defined as all costs of the City 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 city staff time used to establish and administer the TIF District, the 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 estimated public costs authorized by the TIF Plan or (b) 10% of the total tax increment expenditures for the project.

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, 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 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 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 \$2,202,544.
2. To the extent the project in the proposed TIF District No. 18 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.
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 **\$260,438**.
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 **\$1,141,034**.
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. To our knowledge neither entity has adopted standard questions in a written policy on information requested for fiscal and economic implications.

Section W Prior Planned Improvements

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

The City anticipates entering into an agreement for development, but does not anticipate acquiring any property located within the TIF District.

Section Y Assessment Agreements

The City 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 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 City does not anticipate entering into an assessment agreement at this time.

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, increase in that portion of the captured net tax capacity to be retained by the City, increase in the total estimated public 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 AA 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. 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 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:

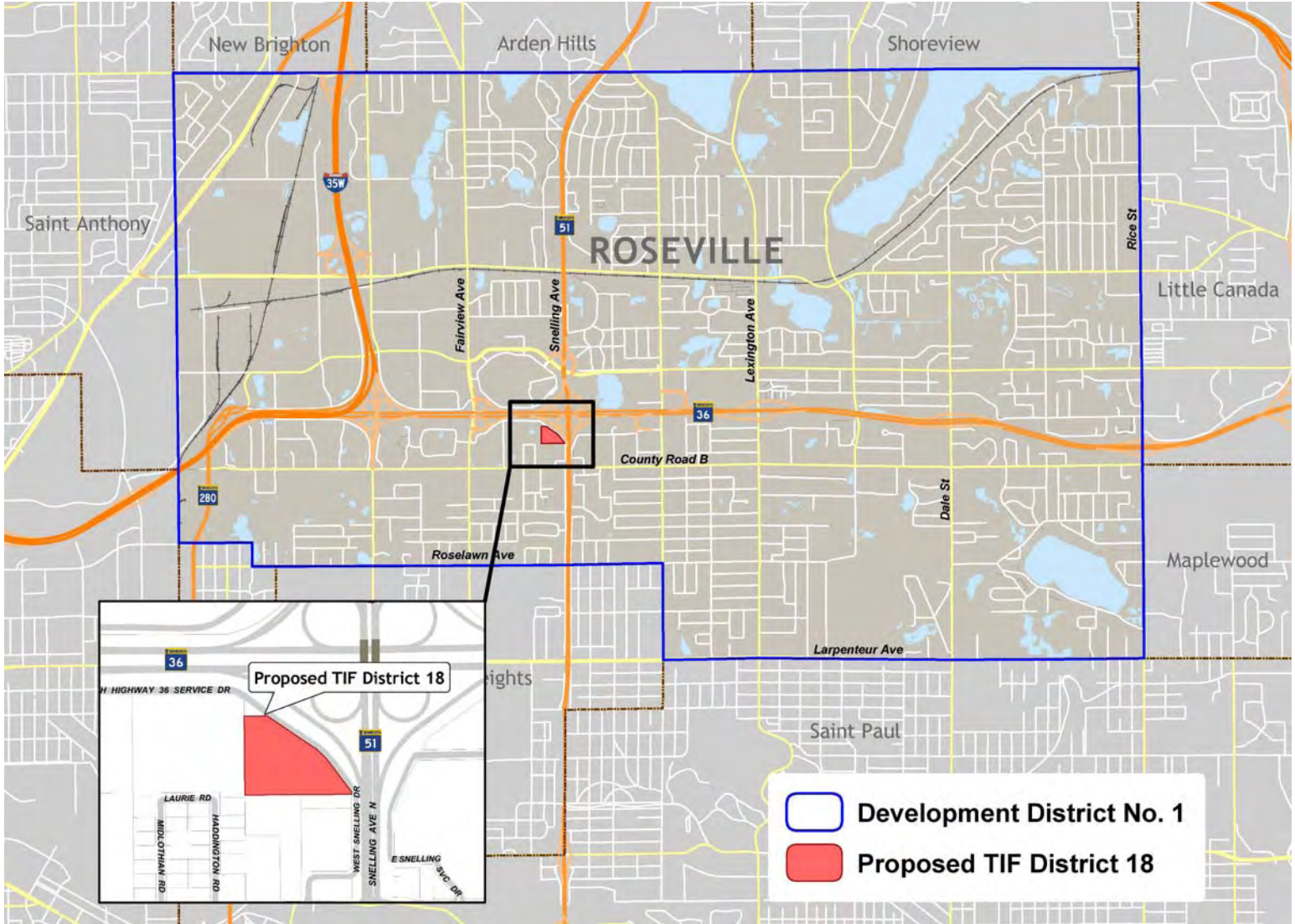
- (1) prior to July 1, the City shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to insure that the new value will be recorded in a timely manner.
- (2) if the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.
- (3) each year the County Auditor shall certify the amount of the original net tax capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:
 - (a) the value of property that changes from tax-exempt to taxable shall be added to the original net tax capacity of the TIF District. The reverse shall also apply;
 - (b) the original net tax capacity may be modified by any approved enlargement or reduction of the TIF District;
 - (c) if laws governing the classification of real property cause changes to the percentage of estimated market value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the original net tax capacity and the retained captured net tax capacity of the TIF District.

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

Section AB 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 TAX INCREMENT FINANCING (HOUSING) DISTRICT NO. 18
AND
MAP OF DEVELOPMENT DISTRICT NO. 1



Assumptions Report

City of Roseville, Minnesota
Tax Increment Financing (Housing) District No. 18
Proposed Har Mar Apartments Project
TIF Plan Exhibits: \$12.2M EMV - Full 25+ years

Type of Tax Increment Financing District	Housing
Maximum Duration of TIF District	25 years from 1st increment
Projected Certification Request Date	06/30/09
Decertification Date	12/31/38 (26 Years of Increment)

	2008/2009			
Assessment/Collection Year				
	2009/2010	2010/2011	2011/2012	2012/2013
Base Estimated Market Value	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Estimated Decrease in Value - Bldg Demo		(\$0)	(\$0)	(\$0)
Estimated Increase in Value - New Construction	0	0	3,721,865	5,352,835
Total Estimated Market Value	5,000,000	5,000,000	8,721,865	10,352,835
Total Net Tax Capacity	\$39,286	\$39,286	\$69,036	\$81,359

City of Roseville	24.545%			
Ramsey County	46.546%			
ISD #623	10.624%			
Other	8.133%			
Local Tax Capacity Rate	89.848%		2008/2009	
Fiscal Disparities Contribution From TIF District			NA	
Administrative Retainage Percent (maximum = 10%)			10.00%	
Pooling Percent			0.00%	

<u>Bonds</u>		<u>Note (Pay-As-You-Go)</u>	
Bonds Dated	NA	Note Dated	02/01/10
Bond Issue @ 0.00% (NIC)	\$0	Note Rate	4.50%
Eligible Project Costs	\$0	Note Amount	\$913,610
Present Value Date & Rate	06/30/09	4.50% PV Amount	\$909,776
Present Value Date & Rate	06/30/09	5.00% PV Amount	\$841,743

Notes
 Calculation assumes no changes to future tax rates, class rates, or market values.
 Construction schedule: Phase 1 25% renovated by Dec. 31, 2009 and 100% by Dec. 31, 2010.
 Phase 2 40% constructed by Dec. 31, 2011 and 100% by Dec. 31, 2012.
 Payable 2009 Tax Rates and Class Rates were provided by Ramsey County.
 Total project value of \$12.2M as provided by Ramsey County Assessor.
 Base value of \$5.0M for taxes payable 2009 - expected to be frozen for life of district.
 includes a 2.5% market value inflator.

Projected Tax Increment Report

City of Roseville, Minnesota
 Tax Increment Financing (Housing) District No. 18
 Proposed Har Mar Apartments Project
 TIF Plan Exhibits: \$12.2M EMV - Full 25+ years

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 (6)	Annual Gross Tax Increment (7)	Less: State Aud. Deduction 0.360% (8)	Subtotal Gross Tax Increment (9)	Less: Admin. Retainage 10.00% (10)	Annual Net Revenue (11)	P.V. Annual Net Rev. To 06/30/09 4.50%
12/31/09		39,286	39,286	0	89.848%	0	0	0	0	0	0
12/31/10	5,000,000	39,286	39,286	0	89.848%	0	0	0	0	0	0
12/31/11	5,000,000	39,286	39,286	0	89.848%	0	0	0	0	0	0
12/31/12	8,721,865	69,036	39,286	0	89.848%	0	0	0	0	0	0
12/31/13	10,352,835	81,359	39,286	42,074	89.848%	37,802	136	37,666	3,767	33,899	28,112
12/31/14	12,731,041	99,289	39,286	60,003	89.848%	53,911	194	53,717	5,372	48,345	38,365
12/31/15	13,049,317	101,771	39,286	62,485	89.848%	56,142	202	55,940	5,594	50,346	38,233
12/31/16	13,375,550	104,315	39,286	65,029	89.848%	58,428	210	58,218	5,822	52,396	38,076
12/31/17	13,709,938	106,923	39,286	67,637	89.848%	60,771	219	60,552	6,055	54,497	37,897
12/31/18	14,052,687	109,596	39,286	70,310	89.848%	63,173	227	62,946	6,295	56,651	37,699
12/31/19	14,404,004	112,336	39,286	73,050	89.848%	65,634	236	65,398	6,540	58,858	37,481
12/31/20	14,764,104	115,144	39,286	75,859	89.848%	68,158	245	67,913	6,791	61,122	37,247
12/31/21	15,133,207	118,023	39,286	78,737	89.848%	70,744	255	70,489	7,049	63,440	36,994
12/31/22	15,511,537	120,974	39,286	81,688	89.848%	73,395	264	73,131	7,313	65,818	36,728
12/31/23	15,899,325	123,998	39,286	84,712	89.848%	76,112	274	75,838	7,584	68,254	36,448
12/31/24	16,296,808	127,098	39,286	87,812	89.848%	78,898	284	78,614	7,861	70,753	36,155
12/31/25	16,704,228	130,275	39,286	90,990	89.848%	81,752	294	81,458	8,146	73,312	35,849
12/31/26	17,121,834	133,532	39,286	94,247	89.848%	84,679	305	84,374	8,437	75,937	35,534
12/31/27	17,549,880	136,871	39,286	97,585	89.848%	87,678	316	87,362	8,736	78,626	35,208
12/31/28	17,988,627	140,292	39,286	101,007	89.848%	90,752	327	90,425	9,043	81,382	34,873
12/31/29	18,438,343	143,800	39,286	104,514	89.848%	93,904	338	93,566	9,357	84,209	34,530
12/31/30	18,899,301	147,395	39,286	108,109	89.848%	97,134	350	96,784	9,678	87,106	34,180
12/31/31	19,371,784	151,079	39,286	111,794	89.848%	100,444	362	100,082	10,008	90,074	33,823
12/31/32	19,856,078	154,856	39,286	115,571	89.848%	103,838	374	103,464	10,346	93,118	33,460
12/31/33	20,352,480	158,728	39,286	119,442	89.848%	107,316	386	106,930	10,693	96,237	33,092
12/31/34	20,861,292	162,696	39,286	123,410	89.848%	110,882	399	110,483	11,048	99,435	32,719
12/31/35	21,382,825	166,763	39,286	127,478	89.848%	114,536	412	114,124	11,412	102,712	32,342
12/31/36	21,917,395	170,933	39,286	131,647	89.848%	118,282	426	117,856	11,786	106,070	31,961
12/31/37	22,465,330	175,206	39,286	135,920	89.848%	122,122	440	121,682	12,168	109,514	31,578
12/31/38	23,026,963	179,586	39,286	140,300	89.848%	126,057	454	125,603	12,560	113,043	31,192
						\$2,202,544	\$7,929	\$2,194,615	\$219,461	\$1,975,154	\$909,776

* Delay receipt of increment until 2013 due to delayed construction

Estimated Impact on Other Taxing Jurisdictions Report

City of Roseville, Minnesota
Tax Increment Financing (Housing) District No. 18
Proposed Har Mar Apartments Project
TIF Plan Exhibits: \$12.2M EMV - Full 25+ years

Taxing Jurisdiction	Without Project or TIF District		With Project and TIF District					
	2008/2009 Taxable Net Tax Capacity (1)	2008/2009 Local Tax Rate	2008/2009 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 Roseville	9,145,388	24.545%	9,145,388	\$135,920	9,281,308	24.186%	0.359%	32,873
Ramsey County	123,546,836	46.546%	123,546,836	135,920	123,682,756	46.495%	0.051%	63,196
ISD #623	63,060,104	10.624%	63,060,104	135,920	63,196,024	10.601%	0.023%	14,409
Other (2)	---	8.133%	---	135,920	---	8.133%	---	---
Totals		89.848%				89.415%	0.433%	

*** 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 0.433% (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 is negligible since they represent only 9.05% of the total tax rate.

Market Value Analysis Report

**City of Roseville, Minnesota
 Tax Increment Financing (Housing) District No. 18
 Proposed Har Mar Apartments Project
 TIF Plan Exhibits: \$12.2M EMV - Full 25+ years**

<u>Assumptions</u>				
	Present Value Date			06/30/09
	P.V. Rate - Gross T.I.			5.00%
<hr/>				
	Increase in EMV With TIF District			\$16,917,395
	Less: P.V of Gross Tax Increment			938,650
	Subtotal			\$15,978,745
	Less: Increase in EMV Without TIF			0
	Difference			\$15,978,745
<hr/>				
		Annual	Present	
		Gross Tax	Value @	
	Year	Increment	5.00%	
	<hr/>			
1	2013	37,802		30,719
2	2014	53,911		41,723
3	2015	56,142		41,381
4	2016	58,428		41,015
5	2017	60,771		40,628
6	2018	63,173		40,223
7	2019	65,634		39,800
8	2020	68,158		39,362
9	2021	70,744		38,910
10	2022	73,395		38,446
11	2023	76,112		37,971
12	2024	78,898		37,486
13	2025	81,752		36,992
14	2026	84,679		36,492
15	2027	87,678		35,985
16	2028	90,752		35,473
17	2029	93,904		34,958
18	2030	97,134		34,438
19	2031	100,444		33,916
20	2032	103,838		33,392
21	2033	107,316		32,867
22	2034	110,882		32,342
23	2035	114,536		31,817
24	2036	118,282		31,293
25	2037	122,122		30,771
26	2038	126,057		30,250
		\$2,202,544		\$938,650

Projected Pay-As-You-Go Note Report

City of Roseville, Minnesota
 Tax Increment Financing (Housing) District No. 18
 Proposed Har Mar Apartments Project
 TIF Plan Exhibits: \$12.2M EMV - Full 25+ years

Note Date: 02/01/10
 Note Rate: 4.50%
 Amount: \$913,610

Date (1)	Principal (2)	Interest (3)	P & I (4)	Semi-Annual Net Revenue (5)	Capitalized Interest (6)	Loan Balance Outstanding (7)
02/01/10	0.00	0.00	0.00	0.00	0.00	913,610.00
08/01/10	0.00	0.00	0.00	0.00	20,556.23	913,610.00
02/01/11	0.00	0.00	0.00	0.00	21,018.74	934,166.23
08/01/11	0.00	0.00	0.00	0.00	21,491.66	955,184.97
02/01/12	0.00	0.00	0.00	0.00	21,975.22	976,676.63
08/01/12	0.00	0.00	0.00	0.00	22,469.67	998,651.85
02/01/13	0.00	0.00	0.00	0.00	22,975.23	1,021,121.52
08/01/13	0.00	16,949.50	16,949.50	16,949.50	6,542.68	1,044,096.75
02/01/14	0.00	16,949.50	16,949.50	16,949.50	6,689.89	1,050,639.43
08/01/14	382.59	23,789.91	24,172.50	24,172.50	0.00	1,057,329.32
02/01/15	391.20	23,781.30	24,172.50	24,172.50	0.00	1,056,946.73
08/01/15	1,400.50	23,772.50	25,173.00	25,173.00	0.00	1,056,555.53
02/01/16	1,432.01	23,740.99	25,173.00	25,173.00	0.00	1,055,155.03
08/01/16	2,489.23	23,708.77	26,198.00	26,198.00	0.00	1,053,723.02
02/01/17	2,545.24	23,652.76	26,198.00	26,198.00	0.00	1,051,233.79
08/01/17	3,653.01	23,595.49	27,248.50	27,248.50	0.00	1,048,688.55
02/01/18	3,735.20	23,513.30	27,248.50	27,248.50	0.00	1,045,035.54
08/01/18	4,896.24	23,429.26	28,325.50	28,325.50	0.00	1,041,300.34
02/01/19	5,006.41	23,319.09	28,325.50	28,325.50	0.00	1,036,404.10
08/01/19	6,222.55	23,206.45	29,429.00	29,429.00	0.00	1,031,397.69
02/01/20	6,362.56	23,066.44	29,429.00	29,429.00	0.00	1,025,175.14
08/01/20	7,637.72	22,923.28	30,561.00	30,561.00	0.00	1,018,812.58
02/01/21	7,809.57	22,751.43	30,561.00	30,561.00	0.00	1,011,174.86
08/01/21	9,144.28	22,575.72	31,720.00	31,720.00	0.00	1,003,365.29
02/01/22	9,350.03	22,369.97	31,720.00	31,720.00	0.00	994,221.01
08/01/22	10,749.40	22,159.60	32,909.00	32,909.00	0.00	984,870.98
02/01/23	10,991.26	21,917.74	32,909.00	32,909.00	0.00	974,121.58
08/01/23	12,456.57	21,670.43	34,127.00	34,127.00	0.00	963,130.32
02/01/24	12,736.84	21,390.16	34,127.00	34,127.00	0.00	950,673.75
08/01/24	14,272.92	21,103.58	35,376.50	35,376.50	0.00	937,936.91
02/01/25	14,594.06	20,782.44	35,376.50	35,376.50	0.00	923,663.99
08/01/25	16,201.93	20,454.07	36,656.00	36,656.00	0.00	909,069.93
02/01/26	16,566.47	20,089.53	36,656.00	36,656.00	0.00	892,868.00
08/01/26	18,251.72	19,716.78	37,968.50	37,968.50	0.00	876,301.53
02/01/27	18,662.38	19,306.12	37,968.50	37,968.50	0.00	858,049.81
08/01/27	20,426.78	18,886.22	39,313.00	39,313.00	0.00	839,387.43
02/01/28	20,886.39	18,426.61	39,313.00	39,313.00	0.00	818,960.65
08/01/28	22,734.33	17,956.67	40,691.00	40,691.00	0.00	798,074.26
02/01/29	23,245.85	17,445.15	40,691.00	40,691.00	0.00	775,339.93
08/01/29	25,182.38	16,922.12	42,104.50	42,104.50	0.00	752,094.08
02/01/30	25,748.99	16,355.51	42,104.50	42,104.50	0.00	726,911.70
08/01/30	27,776.84	15,776.16	43,553.00	43,553.00	0.00	701,162.71
02/01/31	28,401.82	15,151.18	43,553.00	43,553.00	0.00	673,385.87
08/01/31	30,524.86	14,512.14	45,037.00	45,037.00	0.00	644,984.05
02/01/32	31,211.67	13,825.33	45,037.00	45,037.00	0.00	614,459.19
08/01/32	33,435.93	13,123.07	46,559.00	46,559.00	0.00	583,247.52
02/01/33	34,188.24	12,370.76	46,559.00	46,559.00	0.00	549,811.59
08/01/33	36,516.97	11,601.53	48,118.50	48,118.50	0.00	515,623.35
02/01/34	37,338.61	10,779.89	48,118.50	48,118.50	0.00	479,106.38
08/01/34	39,777.73	9,939.77	49,717.50	49,717.50	0.00	441,767.77
02/01/35	40,672.72	9,044.78	49,717.50	49,717.50	0.00	401,990.04
08/01/35	43,226.36	8,129.64	51,356.00	51,356.00	0.00	361,317.32
02/01/36	44,198.95	7,157.05	51,356.00	51,356.00	0.00	318,090.96
08/01/36	46,872.43	6,162.57	53,035.00	53,035.00	0.00	273,892.01
02/01/37	47,927.06	5,107.94	53,035.00	53,035.00	0.00	227,019.58
08/01/37	50,727.42	4,029.58	54,757.00	54,757.00	0.00	179,092.52
02/01/38	51,868.79	2,888.21	54,757.00	54,757.00	0.00	128,365.10
08/01/38	54,800.33	1,721.17	56,521.50	56,521.50	0.00	76,496.31
02/01/39	21,695.98	488.16	22,184.14	22,184.14	0.00	21,695.98
	\$1,057,329	\$883,487.32	\$1,940,816.64	\$1,940,816.64	\$143,719.32	0.00
			Surplus Tax Increment	34,337.36		
			Total Net Revenue	\$1,975,154.00		