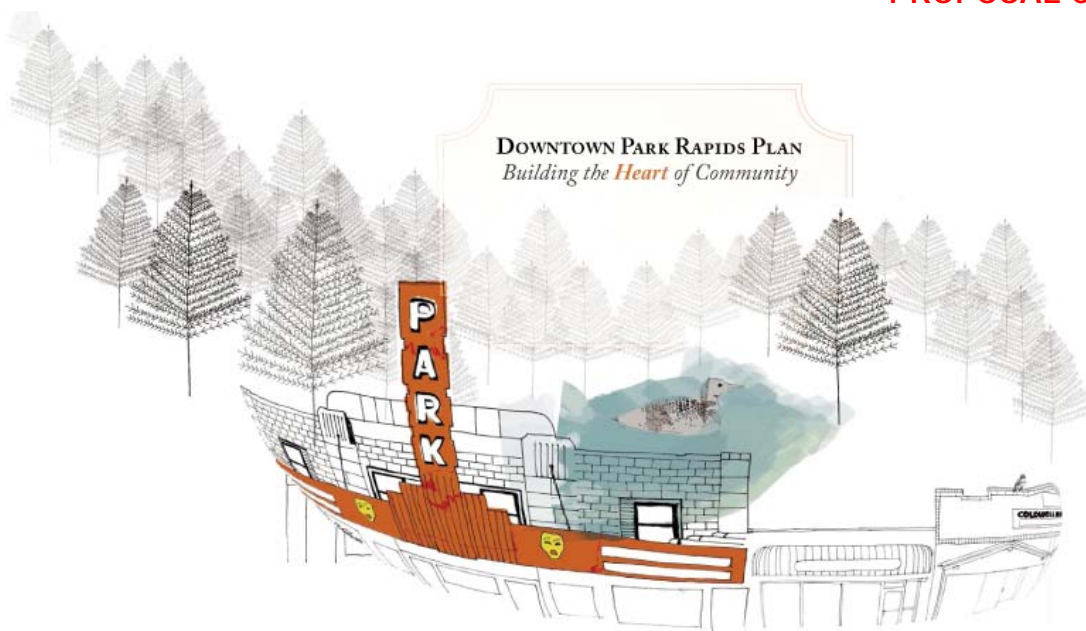


Tax Increment Financing Plan

Proposed Armory Square Redevelopment
Park Rapids, Minnesota

PROPOSAL COPY



Submitted by:

CITY OF PARK RAPIDS
REDEVELOPMENT TAX INCREMENT FINANCING
DISTRICT 10

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CITY OF PARK RAPIDS
REDEVELOPMENT TAX INCREMENT FINANCING
DISTRICT 10

I. Designation of a Redevelopment Tax Increment Financing District

“Redevelopment District” as defined by MN Statute 469.174 Sub division 10 (a) means a type of tax increment financing district within which 70 percent of the area of the district is occupied by buildings, streets, paved or gravel parking lots, or similar structures, and more than 50 percent of the buildings are structurally substandard to a degree requiring substantial renovation or clearance.

The Park Rapids City Council has evaluated condition of the structures located at 203 Park Avenue South, (Parcel ID 32.37.05500) and 102 West Second Street (Parcel ID 32.37.07011) and has determined through investigation and findings of fact that the former national guard armory building and adjacent structure meet the eligibility criteria for the establishment of a Redevelopment Tax Increment Financing District, and by resolution #2010-14 of the City Council has authorized the city administrator to establish this TIF district through the appropriate legal process.

This finding of fact was made through an extensive and comprehensive public review process, including workshop meetings, public hearings, site reviews by the appropriate building and planning officials, and the public hearing planning & zoning commission process. An extensive record of documentation and review of the current dilapidated conditions of the proposed Redevelopment District has been placed in the public record, and has clearly demonstrated the “but for” analysis required to support the designation of a redevelopment district.

A Phase I Environmental Site Assessment revealed several possible sources of environmental contamination, including mercury, lead, PCBs, Asbestos containing materials (ACM), and possible soil and ground water contamination related to petroleum storage on site. The site has remained vacant for 17 years due to several limitations:

- Parking: Virtually no off street parking is available.
- ADA access: There is no grade level entrance or egress.
- Energy Consumption: The building is not insulated and can not be heated.
- Fire Safety: There is no emergency lighting or fire safety equipment.
- HVAC: There is no ventilation or air conditioning system.
- Plumbing: The existing facilities are inadequate for a modern public use.

The following figures are included in Attachment Tab 1:

- Site Location Map
- Site Sketch
- Photographs

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II. Establishing A Tax Increment Financing Plan

1. Permitted Use of Tax Increment Revenues in a Redevelopment District

MN Statute 469.176 Subdivision 4j provides that at least 90 percent of the revenue derived from the tax increments from a redevelopment district must be used to finance the cost of correcting conditions that allow designation as a redevelopment district. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, the removal of hazardous substances or remediation necessary to development of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site, as well as allocated administrative expenses and the cost of preparation of the development action response plan.

Consistent with the requirements of 469.176 subd 4j, at least 90 percent of the tax increments realized by the proposed redevelopment will be applied to eligible costs to rehabilitate the existing structures within the redevelopment district.

2. Statement of Objectives

Because there is often no incentive for the private sector to redevelop old industrial, residential or commercial property when undeveloped parcels of land are available, public sector investment is required to induce private development of these difficult sites. Therefore, Minnesota Statutes allow the designation of a Tax Increment Financing District to assist with complex and costly redevelopment projects that might not occur without public financial assistance.

The objective of Redevelopment Tax Increment District 10 for the City of Park Rapids is to facilitate redevelopment of the District which is otherwise highly unlikely to occur in the foreseeable future due to the distressed condition of the site.

3. Identification of parcels

Redevelopment Tax Increment District 10 consists of the following parcels:

| | |
|-----------------------|--|
| Parcel ID 32.37.05500 | (former National Guard Armory) |
| Parcel ID 32.37.07011 | (former City of Park Rapids Fire Hall) |

A parcel map of the proposed district boundary is included in Attachment Tab 2.

4. Proposed Development Activity

Project Description

“Armory Square” is an adaptive reuse of a 24,000 square foot vacant armory building located in downtown Park Rapids. The site is currently used as an unheated storage warehouse, and has limited development potential due to several serious deficiencies. These deficiencies include:

- A lack of off street parking,
- Inadequate ADA access to the building,
- The presence of asbestos, and other hazardous materials,
- There is no modern safety equipment, such as automatic fire sprinklers,
- The building is grossly energy inefficient and needs complete modernization.

Landmark Potential

The RDG Downtown Revitalization Plan recognized the Armory as “strongly contributing” to the historic character of downtown Park Rapids. Although the Armory building is one of the most prominent features of the downtown landscape, it makes no economic contribution to employment, commerce, or housing development in its current use. Redevelopment as a landmark attraction would have positive “spill-over” effects. A complete narrative of the project proposal is included in Attachment Tab 3.

Cost of the project

A rehabilitation project to address the deficiencies of the structure and bring the building into compliance with modern building codes, health and safety standards, and amenities suitable for commercial and public occupancy is estimated to cost approximately _____ Dollars. Adaptive redevelopment of this extent is not viable commercially or economically sound without tax increment financing assistance.

Armory Square will serve as the anchor development in a broader economic revitalization effort, with the potential to become a regional tourism and commercial attraction, which would create positive “spill-over” effects into the adjacent neighborhoods. This would improve the overall downtown business climate, and create dramatic new opportunities for downtown housing and increased employment.

Integrated Mixed Use Facility - Civic Center / Community Theater / Commercial Anchor

A successful redevelopment plan for the Armory block will be achieved by integrating commercial use, civic use, and an arts venue to create a landmark destination location, as a regional attraction and commercial draw, marketed as “Armory Square”- located in the Arts & Heritage District, in beautiful downtown Park Rapids, Minnesota.

Project Schedule

The project schedule will depend upon the level of resources that are available. Rehabilitation of the armory itself can be broken down into phases also, by isolating various areas of the building, and working on the various challenges. After an initial phase of basic remediation, the interior spaces of Armory Square will be phased into use as the demand and resources allow. Basic remediation should be complete by October 2010, and initial occupancy of the rehabilitated portions of the structure should be available by June 2011.

Designated Developer

The project developer is Echopoint Design & Development, LLC.
P.O. Box 411 Park Rapids Minnesota 56470.

Original Tax Capacity of the District:

The current tax capacity of the proposed district is relatively low, due to the tax exempt status of one parcel, and the distressed condition of the armory parcel, which is assessed for the market value of the land, but the assessed value of the building in its present condition is zero.

Armory Square Redevelopment District 10 (Proposed) Tax Increment Financing Plan

| Tax Assessment | Current Condition |
|-----------------------------|-------------------|
| Parcel ID 32.37.05500 | |
| Land | \$126,000 |
| Building | \$0 |
| Total Parcel | \$126,000 |
| | |
| Parcel ID 32.37.07011 | |
| Land | \$56,700 |
| Building | \$83,500 |
| Total Parcel | \$140,200 |
| | |
| TOTAL TIF DISTRICT | \$266,200 |
| | |
| Net Tax Capacity | Current Condition |
| Parcel ID 32.37.05500 | \$2,786 |
| Parcel ID 32.37.07011 | \$0 |
| TOTAL PROPOSED TIF DISTRICT | \$2,786 |

Estimated Tax Capacity at Completion

At project completion the redevelopment district will include both tax exempt and taxable commercial property as part of an integrated mixed use development including, for profit commercial business, charitable institutions and educational facilities, civic and other non profit uses, some of which are expected to have tax exempt status.

| | | |
|--------------------------------------|---------------|-------------------------|
| Armory Square Redevelopment District | (Proposed) | |
| Tax Increment Financing Plan | | |
| | Proposed | |
| Tax Assessment | Redevelopment | |
| Parcel ID 32.37.05500 | | |
| Land | \$126,000 | |
| Building | \$1,400,000 | |
| Total Parcel | \$1,526,000 | |
| Parcel ID 32.37.07011 | | |
| Land | \$56,700 | |
| Building | \$130,000 | |
| Total Parcel | \$186,700 | |
| TOTAL TIF DISTRICT | \$1,712,700 | |
| | Proposed | |
| Net Tax Capacity | Redevelopment | |
| Parcel ID 32.37.05500 | \$24,100 | (commercial/tax exempt) |
| Parcel ID 32.37.07011 | \$0 | (tax exempt) |
| TOTAL PROPOSED TIF DISTRICT | \$24,100 | |

Type of District & Duration

The type of district proposed is a redevelopment district with duration of 25 years.

5. Statement of Impact on Taxing Jurisdictions

The proposed redevelopment district is within the existing commercial district of downtown Park Rapids, and the project area is grossly under utilized in its present use. A higher and more intensive use of the property is appropriate in the context of its prominent location. The incremental impact on taxing jurisdictions of a higher and more intense use of the project area within this already developed area of the City will have negligible impacts on the taxing jurisdictions.

CITY OF PARK RAPIDS
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III. Consultations, Comment and Filing

Before formation of Redevelopment Tax Increment Financing District 10, the City of Park Rapids herein provides the county auditor and clerk of the school board with the proposed tax increment financing plan for the district and the City’s estimate of the fiscal and economic implications of the proposed tax increment financing district. This information is hereby provided to the county auditor and clerk of the school board at least 30 days before the public hearing to adopt the plan for consultation and comment. (See section IV).

1. Economic Implications of the Tax Increment Financing District

The fiscal and economic impact attributable to the designation of Redevelopment Tax Increment Financing District 10 will not result in a reduction in the bonding capacity for the City of Park Rapids, nor will it reduce the amount of revenue available to the city for debt service and general operating levies to the city. The city elects to fund the tax increment financing assistance to the project through a pay-as-you-go financing plan. The city may elect to retain 10% of the tax increment available to pay for administrative costs associated with annual reporting requirements. The net tax increment financing assistance for the project is _____ Dollars. The Development Agreement and Interfund Loan Agreement are included in Attachment Tab 4.

The estimated impacts as a result of the designation of the proposed redevelopment district are enumerated as follows:

2. Estimated Total Amount of Tax Increment

The estimated total amount of the tax increment generated by the project is the discounted present value of the annual increments over the duration of the district.

| ESTIMATED TAX INCREMENT | Low Estimate | High Estimate |
|---|-----------------|------------------|
| Armory Square (mixed use commercial/tax exempt) | \$1,500,000 | \$2,000,000 |
| <u>Total Annual Taxes</u> | \$21,250 | \$28,500 |
| State of MN portion | \$6,630 | \$8,892 |
| Local Portion | \$14,620 | \$19,608 |
| | | |
| Armory Square (100% commercial) | \$1,500,000 | \$2,000,000 |
| <u>Total Annual Taxes</u> | \$42,500 | \$57,000 |
| State of MN portion | \$13,319 | \$17,892 |
| Local Portion | \$29,181 | \$39,108 |

Total Redevelopment District TIF
(NPV)

3. Estimated Impact on Public Services

a. Police

The City of Park Rapids maintains a police force 8 sworn officers: 1 investigator, 1 chief, 1 school liaison officer, 1 K-9 officer and 4 patrol officers. The Park Rapids police department provides protection, public safety, and emergency response services far beyond the normal requirements of a city of 3500 people due to the intense use of the area by tourists and seasonal residents. The police department budget comprises 40% of the City's operating budget and is an important community asset. The proposed redevelopment is well within the current capacity of the police services available to the City of Park Rapids.

b. Fire Protection

The community of Park Rapids is served by a volunteer fire department station approximately six blocks south of the proposed development. The redevelopment district consists of existing concrete, masonry and steel frame construction. The proposed redevelopment will remove environmental contaminants at the site and will modernize all the fire protection and public safety equipment at the buildings to comply with current building codes. The resulting development should have a negligible, or perhaps even a somewhat positive impact in improving public safety within the redevelopment district.

c. Schools

The proposed redevelopment is oriented to commercial use within existing structures in an area zoned for high intensity public use. The proposed development creates no new housing or student population that would impact the school district.

d. Public infrastructure

The proposed redevelopment district is adjacent to State Highway 71 on the East and Second Street on the West, a municipally owned street. Highway 71 is a heavily traveled trunk highway connecting North Central Minnesota North to the Canadian border, and South the Iowa Border. The proposed redevelopment would have a negligible impact on the capacity of State Highway 71. The proposed development will create an increase in the demand for parking along West and East Second Street due to the higher intensity use that is proposed. The City of Park Rapids has adopted a parking abatement proposal, and has received funds from the Department of Employment and Economic Development to reconfigure parking on Second Street from parallel parking to diagonal parking to increase the amount of public parking available to serve the anticipated increase in demand. The site is otherwise grossly under utilized, considering it is located in the downtown commercial district, is zoned appropriately for the proposed use, and adequate public infrastructure is currently available to serve the proposed development.

4. Estimated Total Increment attributable to County Levies

The estimated total increment attributable to County Levies over the duration of the district is approximately _____Dollars.

5. Estimated Total Increment Attributable to School District Levies

The estimated total increment attributable to School District Levies over the duration of the district is approximately _____Dollars.

IV. Notice and Public Hearing

The City of Park Rapids intends to hold a public hearing hereon upon publishing a notice in a newspaper of general circulation in the city at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice includes a map of the proposed redevelopment district. At this hearing the City of Park Rapids shall make the following findings, and set forth in writing the reasons and supporting facts for each determination:

1. Findings of Fact

(i) The proposed development or redevelopment is not reasonably expected to occur solely through private investment within the reasonably foreseeable future.

(ii) The increased market value of the site that could be reasonably expected to occur without use of the tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan.

(iii) The proposed redevelopment and Tax Increment Financing Plan conforms to the City’s comprehensive plan development plan.

(iv)The Tax Increment Financing Plan affords the maximum opportunity for the redevelopment of the project by private enterprise.

2. Statement and Reasons Supporting the Findings of Fact

Estimated increase in market value without the use of tax increment financing
Estimated increase in market value as a result of tax increment financing
Present value of the projected tax increments for the duration of the plan

3. Date of the Public Hearing.

The scheduled date of the public hearing is: _____

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V. State Filing

Upon adoption by the City of Park Rapids, the Tax Increment Financing Plan for Redevelopment District 10 within the City of Park Rapids will be filed with the Minnesota Commissioner of Revenue and with the Minnesota State Auditor requesting certification and registration of the district within 60 after the public hearing, along with a copy of the development plan for the project area.

Submitted by:

Prepared by:

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LOCATION MAP



The Proposed Redevelopment District is located at 203 South Park Avenue and 102 West Second Street within the City Limits of Park Rapids, Minnesota. The redevelopment district contains two parcels.

- Parcel ID 32.37.05500
- Parcel ID 32.37.07011

The site is 100% covered by existing structures and improvements.

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SITE PLAN



The Shaded area represents the two structures currently located within the proposed Redevelopment District.

REDEVELOPMENT TAX INCREMENT FINANCING
DISTRICT 10

Site Photographs



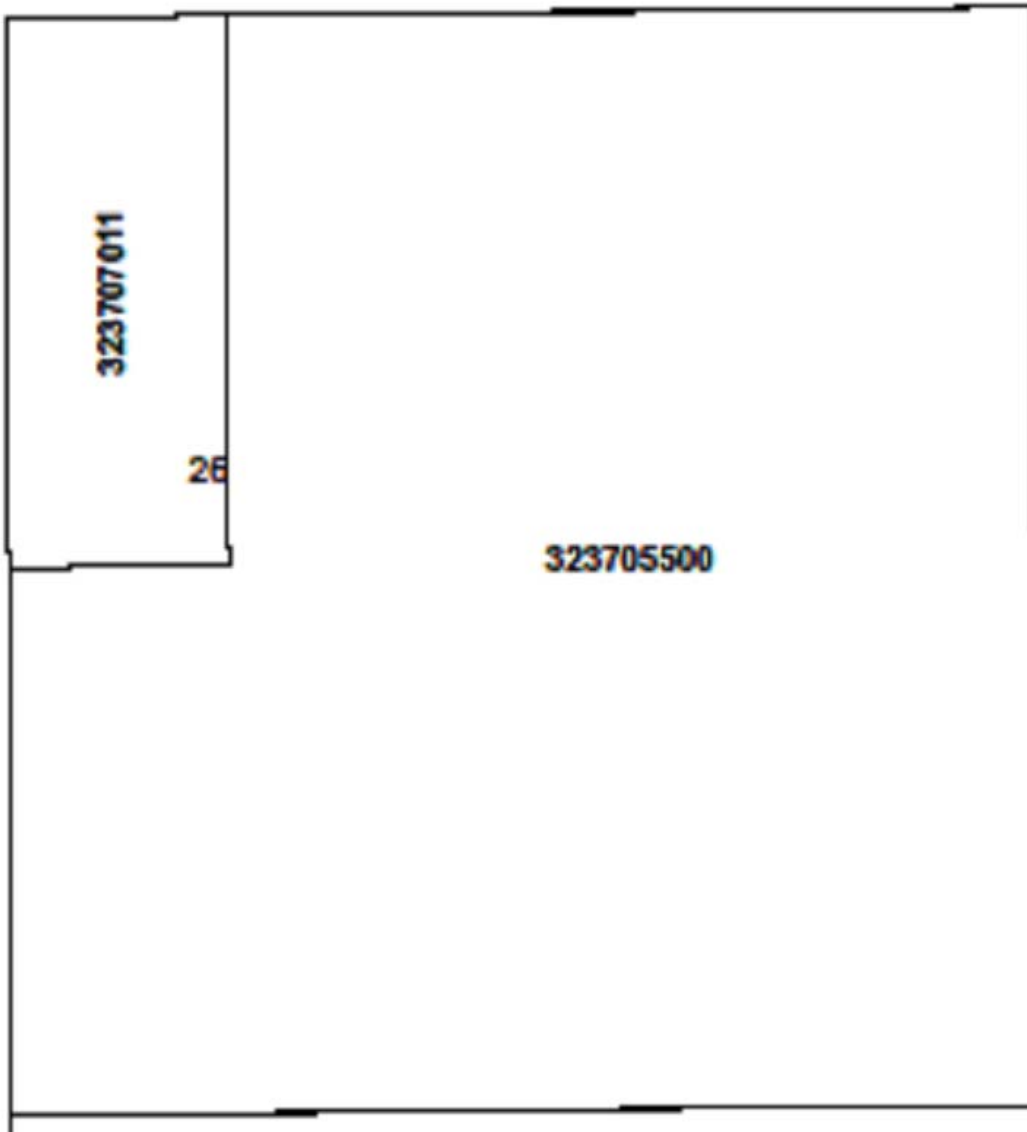
Park Rapids Armory



CITY OF PARK RAPIDS

REDEVELOPMENT TAX INCREMENT FINANCING
DISTRICT 10

PROPOSED DISTRICT BOUNDARY
AND PARCEL
MAP



The District is bounded by parcels 32.37.05500 and 32.37.07011