

Pat

City of Falcon Heights
Regular Meeting of the City Council
City Hall
2077 W. Larpenteur Avenue
September 12, 2001

A G E N D A

- A. CALL TO ORDER: 7 p.m.
- B. ROLL CALL: GEHRZ___ LAMB___ KUETTEL___
LINDSTROM___ TALBOT___
PHILLIPS___ WORTHINGTON___
KNUTSON___ MAURER___ PROSSER___
- C. COMMUNITY FORUM
- D. APPROVAL OF MINUTES: none
PRESENTATION: NW Youth + Family Services
- E. PUBLIC HEARING: Establishment of TIF District 1-3
- F. CONSENT AGENDA:
 - 1. General disbursements through 9/5/01, \$217,746.63
Payroll, 8/16/01 to 8/31/01, \$10,467.46
 - 2. Licenses: Binder Heating and Air Condition, Inc., Lic. #01-824
 - 3. Step increase and title change for Dave Tretsven, Public Works
Maintenance Worker
 - 4. Authorize staff to award sidewalk replacement contract for 2001
 - 5. Request for approval of the Mayor and City Administrator to
negotiate a contract with an independent contractor to fill Eileen
Weber's position with the Mayor's Commission Against Drugs
(MCAD)

G. POLICY AGENDA:

1. Contract with Short Elliot Hendrickson, Inc. to do geotechnical analysis, hydrologic analysis, and geotechnical engineering in the Curtiss Field pond area
2. Consideration of Resolution 01-21 adopting the proposed 2002 general fund budget of \$1,349,783 and certified levy of \$860,313

H. INFORMATION AND ANNOUNCEMENTS:

Upcoming events:

October 13th, Fire Department Open House

Public Hearing
9/12/01

ITEM: **Public Hearing on the establishment of TIF District 1-3**

SUBMITTED BY: **Heather Worthington, City Administrator**

REVIEWED BY: **Jim Prosser, Ehlers and Associates, Inc.**
 Shelly Eldridge, Ehlers and Associates, Inc.

EXPLANATION:

Summary: The Council is being asked to hold a public hearing this evening to gather input from the community regarding the establishment of a tax increment financing district (1-3) for the redevelopment of the Southeast corner of Snelling and Larpenteur Avenues.

This TIF district would be created to facilitate the construction of a mixed use development on that site, including approximately 120 units of rental apartments, 60 senior apartments, 20 townhomes, and 10,000 square feet of retail space.

ATTACHMENTS:

- Letter to Commissioner Rafael Ortega, Chair, Ramsey County Board of Commissioners
- TIF district overview
- TIF Plan
- Resolution (for September 26, 2001 Council meeting)

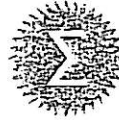
ACTION REQUESTED:

- Discussion
- Questions for consultants
- Open public hearing
- Gather community input
- Lay over public hearing to the September 26, 2001 meeting

JUL 30 2001

Agency

July 27, 2001



EHLERS
& ASSOCIATES INC

Commissioner Rafael Ortega, Board Chair
Ramsey County Board of Commissioners
220 Court House
15 West Kellogg Boulevard
St Paul, MN 55102

BY FAX AND BY REGULAR MAIL

Re: The City of Falcon Heights's ("City") proposed establishment of Tax Increment Financing District No. 1-3, within Development District No. 1, and the adoption of the Tax Increment Financing Plan.

The City of Falcon Heights has initiated the process of establishing a redevelopment tax increment financing district. The TIF district will be created to facilitate construction of a mixed use development, including approximately 120 unit rental apartments, 60 senior apartments, 20 townhomes and 10,000 square feet of retail, within the City of Falcon Heights.

If the County elects to use tax increments from the District to finance county road improvements pursuant to Minnesota Statutes, Section 469.175, Subd. 1a, the City must be notified within 45 days of the receipt of the proposed tax increment financing plan. A copy of the map for proposed Tax Increment Financing District No. 1-3 is enclosed for the County's review with regard to the road impacts. Please note that the City will be forwarding a copy of the tax increment financing plan to the County Board by August 13, 2001.

We would like to solicit your comments and offer to meet with you at your convenience, if you so desire. In addition, we invite you to attend the public hearing on the establishment of Tax Increment Financing District No. 1-3 on September 12, 2001, at approximately 7:00 P.M., or to direct any comments or questions that you may have to Heather Worthington (City of Falcon Heights) at 651-644-5050, or to me at 651-697-8503.

Thank you for your consideration in reviewing the enclosed proposal.

Sincerely,
EHLERS AND ASSOCIATES, INC.

Jim Prosser
Financial Advisor
Acting for and on behalf of the City of Falcon Heights, Minnesota

Enclosures

cc: Heather Worthington, City of Falcon Heights
Mary Ippel, Briggs and Morgan, P.A.
Shelly Eldridge, Ehlers & Associates, Inc.

LEADERS IN PUBLIC FINANCE

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of Independent Public Finance Advisors



City of Falcon Heights

Tax Increment Financing District No. 1-3

Proposed action:	The establishment of Tax Increment Financing District No. 1-3, located within Development District No. 1.																				
Type of TIF District:	A Redevelopment District																				
Parcel Numbers:	22-29-23-22-0041	22-29-23-22-0046	22-29-23-22-0051																		
	22-29-23-22-0042	22-29-23-22-0047	22-29-23-22-0059																		
	22-29-23-22-0043	22-29-23-22-0048	22-29-23-22-0060																		
	22-29-23-22-0044	22-29-23-22-0049	22-29-23-22-0061																		
	22-29-23-22-0045	22-29-23-22-0050																			
Location:	See the attached map																				
Proposed development:	The District is being created to facilitate construction of a mixed-use development including approximately 120 rental apartments, 60 senior apartments, 20 townhomes, and 10,000 square feet of retail, within the City of Falcon Heights.																				
Estimated annual tax increment:	The annual tax increment cannot be precisely estimated at this time because of the legislative changes in the property tax system. The Plan uses an estimate of \$545,670 if the tax rate is 106.995%. The actual tax increment will be based on property values and tax rates beginning in taxes payable 2003.																				
Proposed uses:	<p>The TIF Plan contains the following budget:</p> <table border="0"> <tr> <td>Building/Land Acquisition</td> <td>.....</td> <td>\$3,500,000</td> </tr> <tr> <td>Site Improvements/Preparations</td> <td>.....</td> <td>1,000,000</td> </tr> <tr> <td>Parking Facilities</td> <td>.....</td> <td>1,750,000</td> </tr> <tr> <td>Other Public Improvements</td> <td>.....</td> <td>213,500</td> </tr> <tr> <td>Interest</td> <td>.....</td> <td>7,150,000</td> </tr> <tr> <td>Administrative Costs (up to 10%)</td> <td>.....</td> <td>136,500</td> </tr> </table>			Building/Land Acquisition	\$3,500,000	Site Improvements/Preparations	1,000,000	Parking Facilities	1,750,000	Other Public Improvements	213,500	Interest	7,150,000	Administrative Costs (up to 10%)	136,500
Building/Land Acquisition	\$3,500,000																			
Site Improvements/Preparations	1,000,000																			
Parking Facilities	1,750,000																			
Other Public Improvements	213,500																			
Interest	7,150,000																			
Administrative Costs (up to 10%)	136,500																			
Form of financing:	A combination of inter-fund loans, grants, pay-as-you-go notes are the primary form of financing. The plan authorizes bond issue if the need arises.																				
Maximum duration:	The duration of the District will be 25 years after receipt of the first increment by the City (a total of 26 years). The date of receipt by the City of the first tax increment is expected to be 2003. It is estimated that the District would terminate after 2028, or when the Plan is satisfied. The City reserves the right to decertify the District prior to the legally required date.																				
Administrative fee:	Up to 10% of annual increment for eligible costs.																				
LGA/HACA penalty:	The 2001 Legislature <i>eliminated</i> the provisions for a reduction in state tax increment financing aid (RISTIFA) or the alternative qualifying local contribution.																				

TIF District Overview

3 Year Activity Rule
(§469.176 Subd. 1a)

At least one of the following activities must take place in the District within 3 years from the date of certification:

- bonds have been issued
- the authority has acquired property within the district
- the authority has constructed or caused to be constructed public improvements within the district

The estimated date whereby this activity must take place is August 2004.

4 Year Activity Rule
(§ 469.176 Subd 6)

After four years from the date of certification of the District one of the following activities must have been commenced on each parcel in the District:

- demolition
- rehabilitation
- renovation
- other site preparation (not including utility services such as sewer and water)

If the activity has not been started by the approximately August 2005, no additional tax increment may be taken from that parcel until the commencement of a qualifying activity

5 Year Rule
(§ 469.1763 Subd 3)

Within 5 years of certification revenues derived from tax increments must be expended or obligated to be expended. Tax increments are considered to have been expended on an activity within the District if one of the following occurs:

- the revenues are actually paid to a third party with respect to the activity
- bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party, the revenues are spent to repay the bonds, and the proceeds of the bonds either are reasonably expected to be spent before the end of the later of (i) the five year period, or (ii) a reasonable temporary period within the meaning of the use of that term under §. 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund
- binding contracts with a third party are entered into for performance of the activity and the revenues are spent under the contractual obligation
- costs with respect to the activity are paid and the revenues are spent to reimburse a pay for payment of the costs, including interest on unreimbursed costs.

Any obligations in the Tax Increment District made after approximately August 2006, will not be eligible for repayment from tax increments.

The previous summary contains an overview of the basic elements of the proposed Tax Increment Financing Plan for Tax Increment Financing District No. 1-3. More detailed information on each of these topics can be found in the complete TIF Plan.

TIF District Overview

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 1-3, as required pursuant to *Minnesota Statutes, Section 469.175, Subdivision 3* are as follows:

1. *Finding that Tax Increment Financing District No. 1-3 is a redevelopment district as defined in M.S., Section 469.174, Subd. 10(a)(1).*

The District consists of 14 parcels, with plans to redevelop the area for housing and retail purposes. At least 70 percent of the area in the parcels in the District are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance (See Appendix F of the TIF plan).

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 1-3 permitted by the Plan.*

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: This finding is supported by the fact that the redevelopment proposed in this plan meets the City's objectives for redevelopment. Due to the high cost of redevelopment on the parcels currently occupied by substandard buildings, the limited amount of commercial/industrial property for expansion adjacent to the existing project, the incompatible land uses at close proximity, and the cost of financing the proposed improvements, this project is feasible only through assistance, in part, from tax increment financing. The developer was asked for and provided a letter and a proforma as justification that the developer would not have gone forward without tax increment assistance, included in the reports on file at the City.

The increased market value of the site that could reasonable 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 Plan: The City supported this finding on the grounds that the cost of site and public improvements and utilities add to the total redevelopment cost. Historically, site and public improvements costs in this area have made redevelopment infeasible without tax increment assistance. This site has been marketed for at least 10 years without success. Therefore, the City reasonably determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

A comparative analysis of estimated market values both with and without establishment of the District and the use of tax increments has been performed as described above. If all development which is proposed to be assisted with tax increment were to occur in the District, the total increase in market value would be up to \$24,598,000. The present value of tax increments from the District is estimated to be \$6,055,499. It is the Council's finding that no development with a market value of greater than \$-0- would occur without tax increment assistance in this district within 25 years. This finding is based upon evidence from general past experience with the high cost of land assembly, site and public improvements, and utilities in the general area of the District (see Cashflow in Appendix D of the TIF Plan).

TIF District Overview

3. *Finding that the Tax Increment Financing Plan for Tax Increment Financing District No. 1-3 conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The Planning Commission reviewed the Plan and found that the Plan conforms to the general development plan of the City.

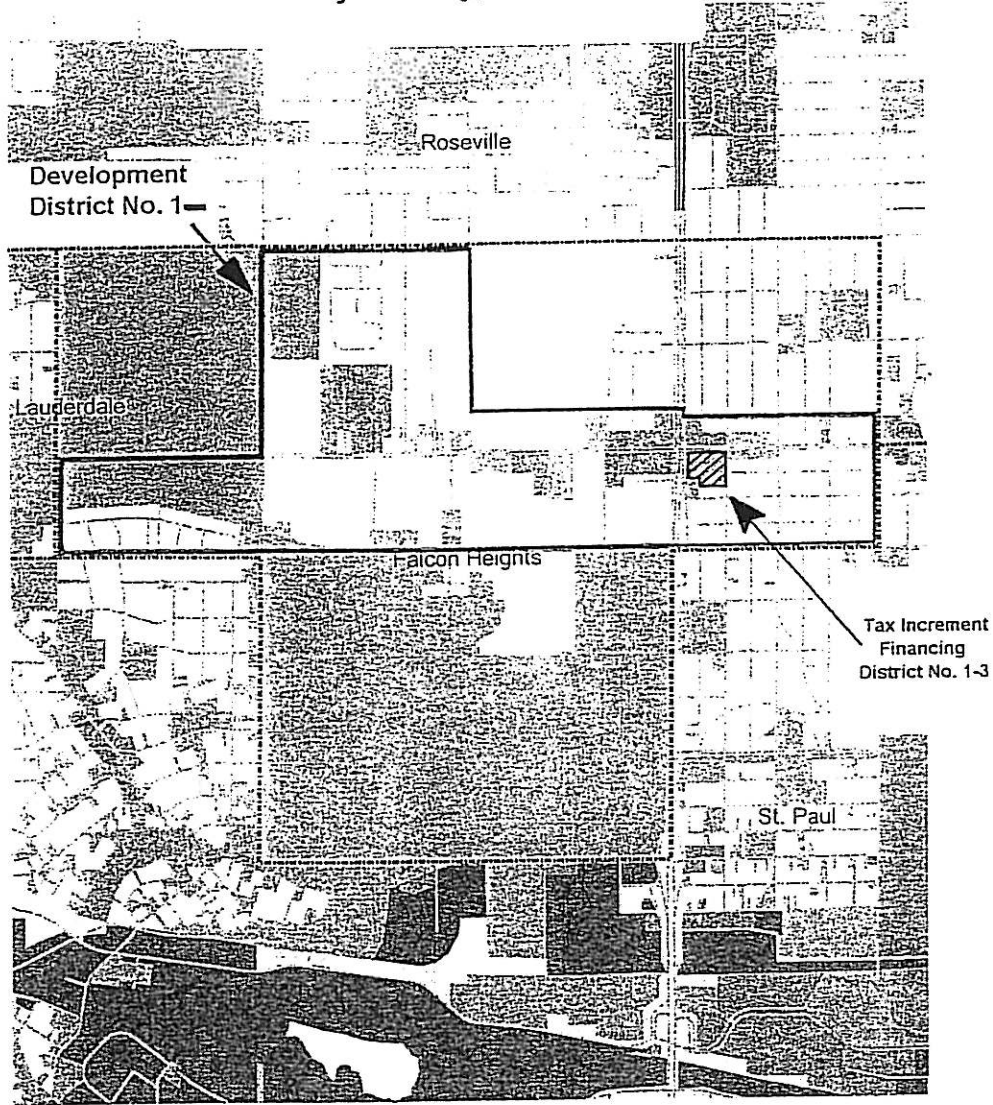
4. *Finding that the Tax Increment Financing Plan for Tax Increment Financing District No. 1-3 will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 1 by private enterprise.*

The project to be assisted by the District will result in increased employment in the City and the State of Minnesota, the renovation of substandard properties, increased tax base of the State and add a high quality development to the City.

Through the implementation of the Plan, the City will increase the availability of safe and decent life-cycle housing in the City.

TIF District Overview

City of Falcon Heights
Ramsey County, Minnesota



- | | | |
|---------------------------------------|--------------------------|--|
| Single-Family Residential | Public and Semi-Public | Vacant and Agricultural Lands |
| Multifamily Residential | Major Four Lane Highways | Industrial Parks not developed |
| Commercial | Airports | Public and Semi-Public not developed |
| Industrial | Open Water Bodies | Highways |
| Public Industrial | Parks and Recreation | Local Roads (Source: The Lawrence Group) |
| Extractive - gravel pits and quarries | Farmsteads | Municipal Boundaries |



April 2009



Metropolitan Council
Improve regional competitiveness in a global economy

Draft as of September 4, 2001

**MODIFICATION TO THE DEVELOPMENT PROGRAM
FOR DEVELOPMENT DISTRICT NO. 1**

and the

TAX INCREMENT FINANCING PLAN

for the establishment of

**TAX INCREMENT FINANCING DISTRICT NO. 1-3
(a redevelopment district)**

within

DEVELOPMENT DISTRICT NO. 1

CITY OF FALCON HEIGHTS
RAMSEY COUNTY
STATE OF MINNESOTA

Public Hearing: September 12, 2001
Adopted:



EHLERS
& ASSOCIATES INC

Prepared by: EHLERS & ASSOCIATES, INC.
3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105
651-697-8500 fax: 651-697-8555 www.ehlers-inc.com

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**SECTION I - MODIFICATION TO THE DEVELOPMENT PROGRAM
FOR DEVELOPMENT DISTRICT NO. 1**

Foreword

The following text represents a Modification to the Development Program for Development District No. 1. This modification represents a continuation of the goals and objectives set forth in the Development Program for Development District No. 1. Generally, the substantive changes include the addition of Tax Increment Financing District No. 1-3.

For further information, a review of the Development Program for Development District No. 1 recommended. It is available from the City Administrator at the City of Falcon Heights. Other relevant information is contained in the Tax Increment Financing Plans for the Tax Increment Financing Districts located within Development District No. 1.

SECTION II - TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 1-3

Subsection 2-1. Foreword

The City of Falcon Heights (the "City"), staff and consultants have prepared the following information to expedite the establishment of Tax Increment Financing District No. 1-3 ("the District"), a redevelopment tax increment financing district, located in Development District No. 1.

Subsection 2-2. Statutory Authority

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the City has certain statutory powers pursuant to *Minnesota Statutes ("M.S."), 469.124 through 469.134*, inclusive, as amended, and *M.S., Sections 469.174 through 469.179*, inclusive, as amended (the "Tax Increment Financing Act" or "TIF Act"), to assist in financing public costs related to this project.

This Section contains the Tax Increment Financing Plan (the "Plan") for Tax Increment Financing District No. 1-3. Other relevant information is contained in the Modification to the Development Program for Development District No. 1.

Subsection 2-3. Statement of Objectives

The District currently consists of 14 parcels of land and adjacent and internal rights-of-way. The District is being created to facilitate construction of a mixed-use development including approximately 120 rental apartments, 60 senior apartments, 20 townhomes, and 10,000 square feet of retail, within the City of Falcon Heights. Contracts for this have not been entered into at the time of preparation of this Plan, but development is likely to occur in the fall of 2002. This Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 1.

The activities contemplated in the Modification to the Development Program and the Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of Development District No. 1 and the District.

Subsection 2-4. Development Program Overview

1. Property to be Acquired - Selected property located within the District may be acquired by the City and is further described in this Plan.
2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.
3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the City may sell to a developer selected properties that they may acquire within the District or may lease land or facilities to a developer.
4. The City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public streets work within the District.

Subsection 2-5. Description of Property in the District and Property To Be Acquired

The District encompasses all property and adjacent rights-of-way identified by the parcels listed below. See the map in Appendix B for further information on the location of the District.

Parcel Numbers

22-29-23-22-0041	22-29-23-22-0045	22-29-23-22-0049	22-29-23-22-0060
22-29-23-22-0042	22-29-23-22-0046	22-29-23-22-0050	22-29-23-22-0061
22-29-23-22-0043	22-29-23-22-0047	22-29-23-22-0051	
22-29-23-22-0044	22-29-23-22-0048	22-29-23-22-0059	

Subsection 2-6. Classification of the District

The City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.179*, as amended, inclusive, finds that the District, to be established, is a redevelopment district pursuant to *M.S., Section 469.174, Subd. 10(a)(1)* as defined below:

- (a) *"Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:*
- (1) *parcels consisting of 70 percent of the area in the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or*
 - (2) *The property consists of vacant, unused, underused, inappropriately used, or infrequently used rail yards, rail storage facilities or excessive or vacated railroad rights-of-way; or*
 - (3) *tank facilities, or property whose immediately previous use was for tank facilities, as defined in Section 115C, Subd. 15, if the tank facility:*
 - (i) *have or had a capacity of more than one million gallons;*
 - (ii) *are located adjacent to rail facilities; or*
 - (iii) *have been removed, or are unused, underused, inappropriately used or infrequently used..*
- (b) *For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.*
- (c) *A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the*

site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard...

- (d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) if all of the following conditions are met:
- (1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;
 - (2) the substandard building was demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;
 - (3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building and that after demolition and clearance the authority intended to include the parcel within a district; and
 - (4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by § 469.177, subdivision 1, paragraph (h).
- (e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, or other improvements unless 15 percent of the area of the parcel contains improvements.
- (f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

In meeting the statutory criteria the City relies on the following facts and findings:

- The District is a redevelopment district consisting of 14 parcels.
- An inventory shows that parcels consisting of 70 percent of the area in the District are occupied by buildings, streets, utilities or other improvements.
- An inspection of the buildings located within the District finds that more than 50 percent of the buildings are structurally substandard as defined in the TIF Act. (See Appendix F).

Pursuant to 469.176 Subd. 7, the District does not contain any parcel or part of a parcel that qualified under the provisions of Section 273.111 or 273.112 of Chapter 473H for taxes payable in any of the five calendar years before the filing of the request for certification of the District.

Subsection 2-7. Duration of the District

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration of the District must be indicated within the Plan. Pursuant to *M.S., Section 469.176, Subd. 1b*, the duration of the District will be 25 years after receipt of the first increment by the City (a total of 26 years). The date of receipt by the City of the first tax increment is expected to be 2003. Thus, it is estimated that the District, including any modifications of the Plan for subsequent phases or other changes, would terminate after 2028, or when the Plan is satisfied. If increment is received in 2002, the term of the District will be 2027. The City reserves the right to decertify the District prior to the legally required date.

Subsection 2-8. Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity Value/Increment and Notification of Prior Planned Improvements

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2000 for taxes payable 2001.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2002) the amount by which the original value has increased or decreased as a result of:

1. change in tax exempt status of property;
2. reduction or enlargement of the geographic boundaries of the district;
3. change due to adjustments, negotiated or court-ordered abatements;
4. change in the use of the property and classification;
5. change in state law governing class rates; or
6. change in connection with previously issued building permits.

In any year in which the current Net Tax Capacity value of the District declines below the ONTC, no value will be captured and no tax increment will be payable to the City.

The original local tax rate for the District will be the local tax rate for taxes payable 2001, assuming the request for certification is made before June 30, 2001. The Original Tax Capacity and the Original Local Tax Rate for the District appear in the table on the following page.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 1, upon completion of the project, will annually approximate tax increment revenues as shown in the table below. The City requests 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2003. The project tax capacity listed is an estimate of values when the project is completed.

Project Estimated Tax Capacity upon Completion (PTC)	563,712	
Original Estimated Net Tax Capacity(ONTC)	53,716	
Estimated Captured Tax Capacity (CTC)	509,996	
Original Local Tax Rate	106.995%	Pay 2001
Estimated Annual Tax Increment(CTC x Local Tax Rate)	545,670	
Percent Retained by the City	100%	

Pursuant to *M.S., Section 469.177, Subd. 4*, the City shall, after due and diligent search, accompany its request for certification to the County Auditor or its notice of the District enlargement pursuant to *M.S., Section 469.175, Subd. 4*, with a listing of all properties within the District or area of enlargement for which building permits have been issued during the eighteen (18) months immediately preceding approval of the Plan by the municipality pursuant to *M.S., Section 469.175, Subd. 3*. The County Auditor shall increase the original net tax capacity of the District by the net tax capacity of improvements for which a building permit was issued.

The City has reviewed the area to be included in the District and determined that no building permits have been issued during the 18 months immediately preceding approval of the Plan by the City.

Subsection 2-9. Sources of Revenue/Bonded Indebtedness

Public improvement costs, acquisition, relocation, utilities, parking facilities, streets and sidewalks, and site preparation costs and other costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The City reserves the right to use other sources of revenue legally applicable to the City and the Plan, including, but not limited to, special assessments, general property taxes, state aid for road maintenance and construction, proceeds from the sale of land, other contributions from the developer and investment income, to pay for the estimated public costs.

The City reserves the right to incur bonded indebtedness or other indebtedness as a result of the Plan. As presently proposed, the project will be financed primarily by a pay-as-you-go note. Additional indebtedness may be required to finance other authorized activities. The total principal amount of bonded indebtedness or other indebtedness related to the use of tax increment financing will not exceed \$13,700,000 without a modification to the Plan pursuant to applicable statutory requirements.

This provision does not obligate the City to incur debt. The City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City. The City may also finance the activities to be undertaken pursuant to the Plan through loans from funds of the City or to reimburse the developer on a "pay-as-you-go" basis for eligible costs paid for by a developer. The City reserves the right to refund any of the \$13,700,000 that may be issued.

The estimated sources of funds for the District are contained in the table on the following page.

SOURCES OF FUNDS	TOTAL
Tax Increment	\$13,650,000
Interest Revenue	\$100,000
PROJECT REVENUES	\$13,750,000
Interfund Loans	\$13,700,000
Transfers	\$13,700,000
Bond Proceeds	\$13,700,000
Refunding Bond Proceeds	\$27,400,000

Subsection 2-10. Uses of Funds

Currently under consideration for the District is a proposal to facilitate construction of a mixed-use development including approximately 120 rental apartments, 60 senior apartments, 20 townhomes, and 10,000 square feet of retail. The City has determined that it will be necessary to provide assistance to the project for certain costs. The City has studied the feasibility of the development or redevelopment of property in and around the District. To facilitate the establishment and development or redevelopment of the District, this Plan authorizes the use of tax increment financing to pay for the cost of certain eligible expenses. The estimate of public costs and uses of funds associated with the District is outlined in the following table.

USES OF FUNDS	TOTAL
Land/Building Acquisition	\$3,500,000
Site Improvements/Preparation	\$1,000,000
Public Utilities	\$0
Parking Facilities	\$1,750,000
Streets and Sidewalks	\$0
Other Public Improvements	\$213,500
Interest	\$7,150,000
Administrative Costs (up to 10%)	\$136,500
PROJECT COSTS TOTAL	\$13,750,000
Interfund Loans	\$13,700,000
Transfers	\$13,700,000
Bond Principal	\$13,700,000
Refunding Bond Principal	\$27,400,000

The above budget is organized according to the OSA reporting forms.

Estimated costs associated with the District are subject to change among categories without a modification to this Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory requirements. Pursuant to *M.S., Section 469.1763, Subd. 2*, no more than 25 percent of the tax increment paid by property within the District will be spent on activities related to development or redevelopment outside of the District but within the boundaries of Development District No. 1, (including administrative costs, which are considered to be spent outside of the District) subject to the limitations as described in this Plan.

Subsection 2-11. State Tax Increment Financing Aid (Local Contribution)

The 2001 Legislature eliminated the provisions for a reduction in state tax increment financing aid (RISTIFA) or the alternative qualifying local contribution.

Subsection 2-12. Fiscal Disparities Election

Pursuant to *M.S., Section 469.177, Subd. 3*, the City may elect one of two methods to calculate fiscal disparities. If the calculations pursuant to *M.S., Section 469.177, Subd. 3, clause a*, (outside the District) are followed, the following method of computation shall apply:

- (1) The original net tax capacity and the current net tax capacity shall be determined before the application of the fiscal disparity provisions of Chapter 276A or 473F. Where the original net tax capacity is equal to or greater than the current net tax capacity, there is no captured net tax capacity and no tax increment determination. Where the original net tax capacity is less than the current net tax capacity, the difference between the original net tax capacity and the current net tax capacity is the captured net tax capacity. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured net tax capacity of the authority.*
- (2) The county auditor shall exclude the retained captured net tax capacity of the authority from the net tax capacity of the local taxing districts in determining local taxing district tax rates. The local tax rates so determined are to be extended against the retained captured net tax capacity of the authority as well as the net tax capacity of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district tax rates or (B) the original local tax rate to the retained captured net tax capacity of the authority is the tax increment of the authority.*

The City shall submit to the County Auditor at the time of the request for certification which method of computation of fiscal disparities the City elected.

The City will choose to calculate fiscal disparities by clause a.

According to *M.S., Section 469.177, Subd. 3*:

- (c) The method of computation of tax increment applied to a district pursuant to paragraph (a) or (b) shall remain the same for the duration of the district, except that the governing body may elect to change its election from the method of computation in paragraph (a) to the method in paragraph (b).*

Subsection 2-13. Business Subsidies

Pursuant to M.S. Statutes 116J.993, Subdivision 3, the following forms of financial assistance are not considered a business subsidy:

- (1) a business subsidy of less than \$25,000;
- (2) assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) redevelopment property polluted by contaminants as defined in section 116J.552, subdivision 3;
- (5) assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50% of the total cost;
- (6) assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- (7) assistance for housing;
- (8) assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under 469.174, subdivision 23;
- (9) assistance for energy conservation;
- (10) tax reductions resulting from conformity with federal tax law;
- (11) workers' compensation and unemployment compensation;
- (12) benefits derived from regulation;
- (13) indirect benefits derived from assistance to educational institutions;
- (14) funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501 (c) (3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- (15) assistance for a collaboration between a Minnesota higher education institution and a business;
- (16) assistance for a tax increment financing soils condition district as defined under section 469.174, subdivision 19;
- (17) redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
- (18) general changes in tax increment financing law and other general tax law changes of a principally technical nature.
- (19) Federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
- (20) Funds from dock and wharf bonds issued by a seaway port authority;
- (21) Business loans and loan guarantees of \$75,000 or less; and
- (22) Federal loan funds provided through the United States Department of Commerce, Economic Development Administration.

The City is providing tax increment financing, in part, for the purpose of economic development and job growth and therefore the provisions of *M.S., Section 116J.993 to 116J.994*, which states that a local unit of government granting financial assistance to a business for economic development or job growth purposes, including tax increment financing, must establish business subsidy criteria and approve a business subsidy agreement with the business receiving the assistance, applies.

Subsection 2-14. County Road Costs

Pursuant to *M.S., Section 469.175, Subd. 1a*, the county board may require the City to pay for all or part of the cost of county road improvements if the proposed development to be assisted by tax increment will, in the judgement of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs and if the road improvements are not scheduled within the next five years under a capital improvement plan or within five years under another county plan.

In the opinion of the City and consultants, the proposed development outlined in this Plan will have little or no impact upon county roads. If the county elects to use increments to improve county roads, it must notify the City within forty-five days of receipt of this Plan.

Subsection 2-15. Estimated Impact on Other Taxing Jurisdictions

The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the Plan would occur without the creation of the District. However, the City has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is \$0. The estimated fiscal impact of the District would be as follows if the "but for" test was not met:

IMPACT ON TAX BASE			
	<u>2000/2001 Total Net Tax Capacity</u>	<u>Estimated Captured Tax Capacity (CTC) Upon Completion</u>	<u>Percent of CTC to Entity Total</u>
Ramsey County	419,554,880	509,996	0.1216%
City of Falcon Heights	3,414,123	509,996	14.9378%
Roseville ISD No. 623	56,607,795	509,996	0.9009%

IMPACT ON TAX RATES				
	<u>2000/2001 Extension Rates</u>	<u>Percent of Total</u>	<u>CTC</u>	<u>Potential Taxes</u>
Ramsey County	42.166%	39.41%	509,996	215,045
City of Falcon Heights	16.357%	15.29%	509,996	83,420
Roseville ISD No. 623	41.129%	38.44%	509,996	209,756
Other	<u>7.343%</u>	<u>6.86%</u>	<u>509,996</u>	<u>37,449</u>
Total	106.995%	100.00%		545,670

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the 2000/Pay 2001 rate. The total net capacity for the entities listed above are based on Pay 2001 figures. The District will be certified under the actual 2001/Pay 2002 rates, which were unavailable at the time this Plan was prepared.

Subsection 2-16. Supporting Documentation

Pursuant to *M.S. Section 469.175 Subd 1a, clause 7* the Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S. Section 469.175 Subd 3, clause (2)*. A list of reports and studies that support the authority's finding are on file at the City.

Subsection 2-17. Definition of Tax Increment Revenues

Pursuant to *M.S., Section 469.174, Subd. 25*, tax increment revenues derived from a tax increment financing district include all of the following potential revenue sources:

1. taxes paid by the captured net tax capacity, but excluding any excess taxes, as computed under *M.S., Section 469.177*;
2. the proceeds from the sale or lease of property, tangible or intangible, purchased by the authority with tax increments;
3. repayments of loans or other advances made by the authority with tax increments; and
4. interest or other investment earnings on or from tax increments.

Subsection 2-18. Modifications to the District

In accordance with *M.S., Section 469.175, Subd. 4*, any:

1. reduction or enlargement of the geographic area of Development District No. 1 or the District;
2. increase in amount of bonded indebtedness to be incurred, including a determination to capitalize interest on debt if that determination was not a part of the original plan, or to increase or decrease the amount of interest on the debt to be capitalized;
3. increase in the portion of the captured net tax capacity to be retained by the City;
4. increase in total estimated tax increment expenditures; or
5. designation of additional property to be acquired by the City,

shall be approved upon the notice and after the discussion, public hearing and findings required for approval of the original Plan.

Pursuant to *M.S. Section 469.175 Subd. 4(b)*, the geographic area of the District may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor. If a redevelopment district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of *M.S., Section 469.174, Subd. 10*, paragraph (a), clauses (1) to (5), must be documented in writing and retained. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcel(s) from Development District No. 1 or the District and (2) (A) the current net tax capacity of the parcel(s) eliminated from the District equals or exceeds the net tax capacity of those parcel(s) in the District's original net tax capacity or (B) the City agrees that, notwithstanding *M.S., Section 469.177, Subd. 1*, the original net tax capacity will be reduced by no more than the current net tax capacity of the parcel(s) eliminated from the District.

The City must notify the County Auditor of any modification that reduces or enlarges the geographic area of Development District No. 1 or the District. Modifications to the District in the form of a budget modification or an expansion of the boundaries will be recorded in the Plan.

Subsection 2-19. Administrative Expenses

In accordance with *M.S., Section 469.174, Subd. 14, and M.S., Section 469.176, Subd. 3*, administrative expenses means all expenditures of the City, *other than*:

1. amounts paid for the purchase of land;
2. amounts paid to contractors or others providing 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; or
4. amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to *M.S., Section 469.178*; or
5. amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in sections 1 to 3.

For districts for which the request for certification were made before August 1, 1979, or after June 30, 1982, administrative expenses also include amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants. Tax increment may be used to pay any **authorized and documented** administrative expenses for the District up to but not to exceed 10 percent of the total tax increment expenditures authorized by the Plan or the total tax increment expenditures for Development District No. 1, whichever is less.

Pursuant to *M.S., Section 469.176, Subd. 4h*, tax increments may be used to pay for the county's actual administrative expenses incurred in connection with the District. The county may require payment of those expenses by February 15 of the year following the year the expenses were incurred.

Pursuant to *M.S., Section 469.177, Subd. 11*, the county treasurer shall deduct an amount equal to 0.25 percent of any increment distributed to the City and the county treasurer shall pay the amount deducted to the state treasurer for deposit in the state general fund to be appropriated to the State Auditor for the cost of financial reporting of tax increment financing information and the cost of examining and auditing authorities' use of tax increment financing.

Subsection 2-20. Limitation of Increment

Pursuant to *M.S., Section 469.176, Subd. 1a*, no tax increment shall be paid to the City for the District after three (3) years from the date of certification of the Original Net Tax Capacity value of the taxable property in the District by the County Auditor unless within the three (3) year period:

- (a) bonds have been issued in aid of the project containing the district pursuant to *M.S., Section 469.178*, or any other law, except revenue bonds issued pursuant to *M.S., Sections 469.152 to 469.165*, or
- (b) the City has acquired property within the District, or
- (c) the City has constructed or caused to be constructed public improvements within the District.

The bonds must be issued, or the City must acquire property or construct or cause public improvements to be constructed by approximately September, 2004 and report such actions to the County Auditor.

The tax increment pledged to the payment of bonds and interest thereon may be discharged and the District may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or redemption date.

Pursuant to *M.S., Section 469.176, Subd. 6:*

if, after four years from the date of certification of the original net tax capacity of the tax increment financing district pursuant to M.S., Section 469.177, no demolition, rehabilitation or renovation of property or other site preparation, including qualified improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel and the original net tax capacity of that parcel shall be excluded from the original net tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation or renovation or other site preparation on that parcel including qualified improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district. For purposes of this subdivision, qualified improvements of a street are limited to (1) construction or opening of a new street, (2) relocation of a street, and (3) substantial reconstruction or rebuilding of an existing street.

The City or a property owner must improve parcels within the District by approximately September, 2005 and report such actions to the County Auditor.

Subsection 2-21. Use of Tax Increment

The City hereby determines that it will use 100 percent of the captured net tax capacity of taxable property located in the District for the following purposes:

1. to pay the principal of and interest on bonds issued to finance a project;
2. to finance, or otherwise pay the cost of redevelopment of the Development District No. 1 pursuant to the *M.S., Sections 469.048 to 469.068*;
3. to pay for project costs as identified in the budget set forth in the Plan;
4. to finance, or otherwise pay for other purposes as provided in *M.S., Section 469.176, Subd. 4*;
5. to pay principal and interest on any loans, advances or other payments made to or on behalf the City or for the benefit of Development District No. 1 by a developer;
6. to finance or otherwise pay premiums and other costs for insurance or other security guaranteeing the payment when due of principal of and interest on bonds pursuant to the Plan or pursuant to *M.S.*,

- Chapter 462C, M.S., Sections 469.152 through 469.165, and/or M.S., Sections 469.178; and*
7. to accumulate or maintain a reserve securing the payment when due of the principal and interest on the tax increment bonds or bonds issued pursuant to *M.S., Chapter 462C, M.S., Sections 469.152 through 469.165, and/or M.S., Sections 469.178.*

These revenues shall not be used to circumvent any levy limitations applicable to the City nor for other purposes prohibited by *M.S., Section 469.176, subd. 4.*

Tax increments generated in the District will be paid by Ramsey County to the City for the Tax Increment Fund of said District. The City will pay to the developer(s) annually an amount not to exceed an amount as specified in a developer's agreement to reimburse the costs of land acquisition, public improvements, demolition and relocation, site preparation, and administration. Remaining increment funds will be used for City administration (up to 10 percent) and the costs of public improvement activities outside the District.

Subsection 2-22. Excess Tax Increments

Pursuant to *M.S., Section 469.176, Subd. 2*, in any year in which the tax increment exceeds the amount necessary to pay the costs authorized by the Plan, including the amount necessary to cancel any tax levy as provided in *M.S., Section 475.61, Subd. 3*, the City shall use the excess amount to do any of the following:

1. prepay any outstanding bonds;
2. discharge the pledge of tax increment therefor;
3. pay into an escrow account dedicated to the payment of such bonds; or
4. return the excess to the County Auditor for redistribution to the respective taxing jurisdictions in proportion to their local tax rates.

In addition, the City may, subject to the limitations set forth herein, choose to modify the Plan in order to finance additional public costs in Development District No. 1 or the District.

Subsection 2-23. Requirements for Agreements with the Developer

The City will review any proposal for private development to determine its conformance with the Development Program and with applicable municipal ordinances and codes. To facilitate this effort, the following documents may be requested for review and approval: site plan, construction, mechanical, and electrical system drawings, landscaping plan, grading and storm drainage plan, signage system plan, and any other drawings or narrative deemed necessary by the City to demonstrate the conformance of the development with City plans and ordinances. The City may also use the Agreements to address other issues related to the development.

Pursuant to *M.S., Section 469.176, Subd. 5*, no more than 25 percent, by acreage, of the property to be acquired in the District as set forth in the Plan shall at any time be owned by the City as a result of acquisition with the proceeds of bonds issued pursuant to *M.S., Section 469.178* to which tax increments from property acquired is pledged, unless prior to acquisition in excess of 25 percent of the acreage, the City concluded an agreement for the development or redevelopment of the property acquired and which provides recourse for the City should the development or redevelopment not be completed.

Subsection 2-24. Assessment Agreements

Pursuant to *M.S., Section 469.177, Subd. 8*, the City may enter into a written assessment agreement in recordable form with the developer of property within the District which establishes a minimum market value of the land and completed improvements for the duration of the District. The assessment agreement shall be presented to the assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land upon which the improvements are to be constructed and, so long as the minimum market value contained in the assessment agreement appears, in the judgment of the assessor, to be a reasonable estimate, the assessor shall also certify the minimum market value agreement.

Subsection 2-25. Administration of the District

Administration of the District will be handled by the City Administrator.

Subsection 2-26. Annual Disclosure Requirements

Pursuant to *M.S., Section 469.175, Subd. 5, 6 and 6a* the City must undertake financial reporting for all tax increment financing districts to the Office of the State Auditor, County Board, County Auditor and School Board on or before August 1 of each year. *M.S., Section 469.175, Subd. 5* also provides that an annual statement shall be published in a newspaper of general circulation in the City on or before August 15.

If the City fails to make a disclosure or submit a report containing the information required by *M.S. Section 469.175 Subd. 5 and Subd. 6*, the Office of the State Auditor will direct the County Auditor to withhold the distribution of tax increment from the District.

Subsection 2-27. Reasonable Expectations

As required by the Tax Increment Financing Act, in establishing the District, the determination has been made that the anticipated development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the Plan. In making said determination, reliance has been placed upon written representatives made by the developer to such effects and upon City staff awareness of the feasibility of developing the project site. A comparative analysis of estimated market values both with and without establishment of the District and the use of tax increments has been performed as described above. Such analysis is included with the cashflow in Appendix D, and indicates that 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 District and the use of tax increments.

Subsection 2-28. Other Limitations on the Use of Tax Increment

1. General Limitations. All revenue derived from tax increment shall be used in accordance with the Plan. The revenues shall be used to finance, or otherwise pay the cost of redevelopment of the Development District No. 1 pursuant to the *M.S., Sections 469.048 to 469.068*. These revenues shall not be used to circumvent existing levy limit law. No revenues derived from tax increment shall be used for 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 provision shall not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure or of a privately owned facility for conference purposes.

2. Pooling Limitations. At least 75 percent of tax increments from the District must be expended on activities in the District or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities within said district or to pay, or secure payment of, debt service on credit enhanced bonds. Not more than 25 percent of said tax increments may be expended, through a development fund or otherwise, on activities outside of the District except to pay, or secure payment of, debt service on credit enhanced bonds. For purposes of applying this restriction, all administrative expenses must be treated as if they were solely for activities outside of the District.
3. Five Year Limitation on Commitment of Tax Increments. Tax increments derived from the District shall be deemed to have satisfied the 75 percent test set forth in paragraph (2) above only if the five year rule set forth in *M.S., Section 469.1763, Subd. 3*, has been satisfied; and beginning with the sixth year following certification of the District, 75 percent of said tax increments that remain after expenditures permitted under said five year rule must be used only to pay previously committed expenditures or credit enhanced bonds as more fully set forth in *M.S., Section 469.1763, Subd. 5*.
4. Redevelopment District. At least 90 percent of the revenues derived from tax increment from a redevelopment district must be used to finance the cost of correcting conditions that allow designation of redevelopment and renewal and renovation districts under *M.S., Section 469.176 Subd. 4j*. 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 for development of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the City, including the cost of preparation of the development action response plan, may be included in the qualifying costs.

Subsection 2-29. Summary

The City of Falcon Heights is establishing the District to preserve and enhance the tax base, redevelop substandard areas, and provide employment opportunities in the City. The Tax Increment Financing Plan for the District was prepared by Ehlers & Associates, Inc., 3060 Centre Pointe Drive, Roseville, Minnesota 55113, telephone (651) 697-8500.

APPENDIX A

PROJECT DESCRIPTION

This five acre site is located on the southeast corner of Larpenteur Avenue and Snelling Avenue. The City of Falcon Heights considers this to be the gateway to the City. The City has been trying to redevelop this area for at least ten years, and has had no viable project in that time period.

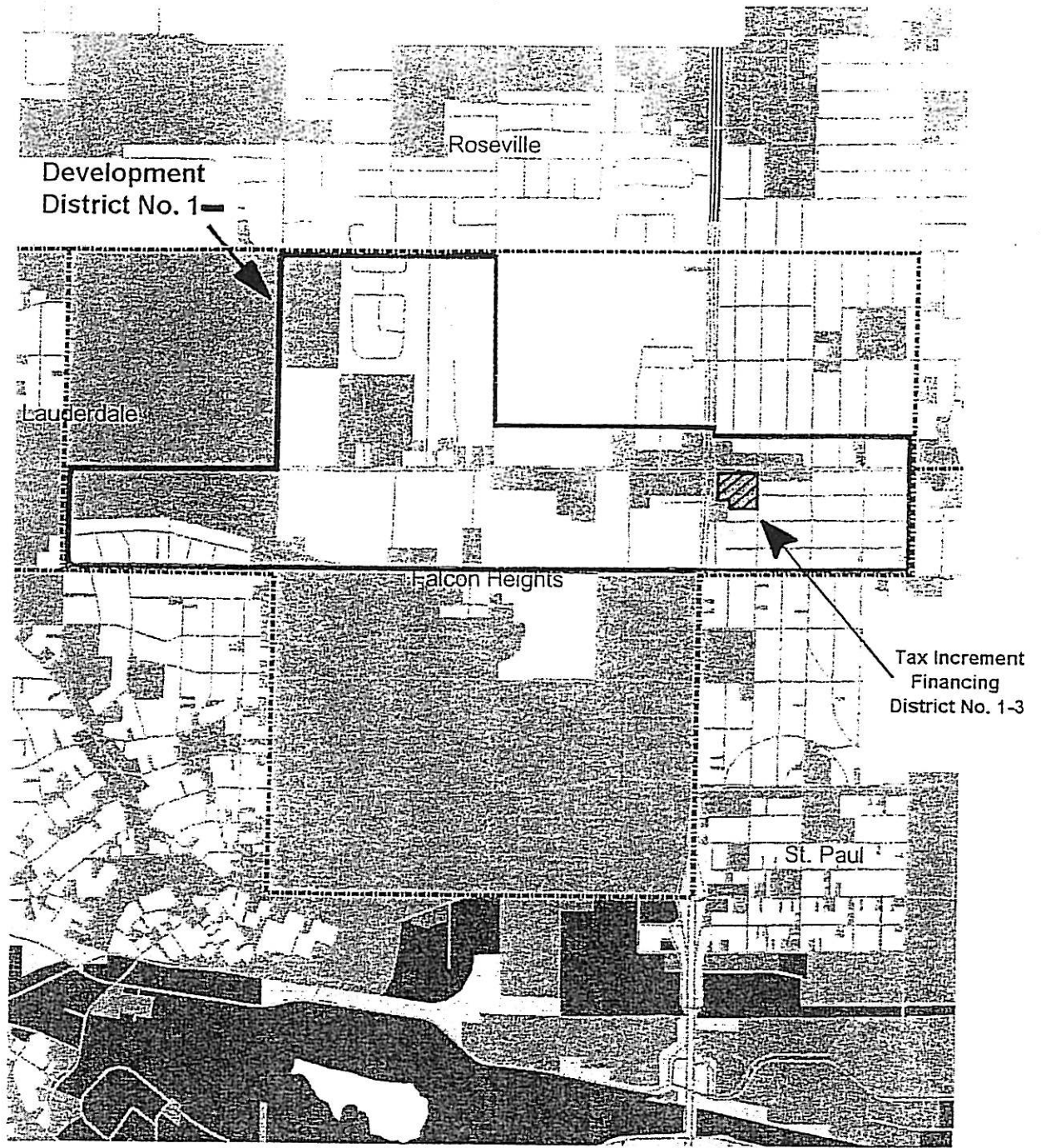
Recently, the City has worked with Sherman Associates, Inc. as to the ability to construct a mixed use development on the site. The redevelopment would include approximately 120 unit rental apartments, 60 senior apartments, 20 townhomes and 10,000 square feet of retail space. The City and developer have entered into a preliminary development agreement. Construction is expected to begin in the fall of 2002.







Due to the high costs of land acquisition, relocation costs, and the need for underground parking due to the density of the redevelopment, tax increment financing is needed to help with the costs of the extraordinary requirements. TIF would be used for property acquisition, business relocations, demolition, soil corrections, parking, utilities and streetscape improvements.







APPENDIX B




MAP OF DEVELOPMENT DISTRICT NO. 1 AND THE DISTRICT




City of Falcon Heights Ramsey County, Minnesota



-  Single-Family Residential
-  Multifamily Residential
-  Commercial
-  Industrial
-  Public Industrial
-  Extractive - gravel pits and quarries

-  Public and Semi-Public
-  Major Four Lane Highways
-  Airports
-  Open Water Bodies
-  Parks and Recreation
-  Farmsteads

-  Vacant and Agricultural Lands
-  Industrial Parks not developed
-  Public and Semi-Public not developed

-  Highways
-  Local Roads (Source: The Lawrence Group)
-  Municipal Boundaries



April 2000



APPENDIX C

DESCRIPTION OF PROPERTY TO BE INCLUDED IN THE DISTRICT

The District encompasses all property and adjacent rights-of-way identified by the parcels listed below.

<u>Parcel Numbers</u>	<u>Address</u>	<u>Owner</u>
22-29-23-22-0041	1526 W. Larpenteur Ave.	JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0042		JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0043		JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0044		JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0045	1550 W. Larpenteur Ave.	JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0046		JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0047		JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0048		JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0049	1650 N. Snelling Ave.	JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0050		JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0051		JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0059		JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0060	1658, 1660, 1662, 1664 N. Snelling	JEMJAHS NO 3 PARTNERSHIP
22-29-23-22-0061	1670 N. Snelling Avenue	CONSTANTIN ADAMIDIS

APPENDIX D

ESTIMATED CASH FLOW FOR THE DISTRICT

CITY OF FALCON HEIGHTS, MINNESOTA
 TAX INCREMENT FINANCING DISTRICT 1-3
 Snelling & Larpenteur Redevelopment Project

T.I.F. CASH FLOW ASSUMPTIONS - LOCAL MATCH

Interest Rate:	6.000%
Tax Extension Rate: (Pay 2001)	106.995% P2001
Fiscal Disparities Ratio: (Pay 2001)	137.987%
First Year Increment:	2004

BASE VALUE INFORMATION

	Market Value	Tax Capacity	Taxes Payable
14 Parcels - See Appendix C	\$1,668,100	53,716	2001

PROJECT VALUE INFORMATION

Type of Usage	No. of Units/sf	Market Value Unit/sf	Total Market Value	Classification Rate	Tax Capacity Unit	Total Tax Capacity
Senior Rental	65	\$90,000	\$5,850,000	2.40%	2,160	140,400
Market Rate Rental	120	\$115,000	\$13,800,000	2.40%	2,760	331,200
Townhomes	20	\$185,000	\$3,700,000	1.00%	760	15,200
				1.65%	1,799	35,980
Retail	10,400	\$120	\$1,248,000	2.40%	3,600	3,600
				3.40%		37,332
Total			\$24,598,000			563,712

TAX INCREMENT CASH FLOW

PERIOD BEGINNING			Base Tax	Project Tax	Captured Tax	Semi-Annual Gross Tax	Admim. and OSA at 10.25%	Semi-Annual Net Tax	PERIOD ENDING		
Yrs.	Mth.	Yr.	Capacity	Capacity	Capacity	Increment		Increment	Yrs.	Mth.	Yr.
0.0	08-01	2001	53,716	53,716	0	0	0	0	0.0	02-01	2002
0.0	02-01	2002	53,716	53,716	0	0	0	0	0.0	08-01	2002
0.0	08-01	2002	53,716	53,716	0	0	0	0	0.0	02-01	2003
0.0	02-01	2003	53,716	53,716	0	0	0	0	0.5	08-01	2003
0.5	08-01	2003	53,716	53,716	0	0	0	0	1.0	02-01	2004
1.0	02-01	2004	53,716	563,712	509,996	272,835	(27,966)	244,870	1.5	08-01	2004
1.5	08-01	2004	53,716	563,712	509,996	272,835	(27,966)	244,870	2.0	02-01	2005
2.0	02-01	2005	53,716	563,712	509,996	272,835	(27,966)	244,870	2.5	08-01	2005
2.5	08-01	2005	53,716	563,712	509,996	272,835	(27,966)	244,870	3.0	02-01	2006
3.0	02-01	2006	53,716	563,712	509,996	272,835	(27,966)	244,870	3.5	08-01	2006
3.5	08-01	2006	53,716	563,712	509,996	272,835	(27,966)	244,870	4.0	02-01	2007
4.0	02-01	2007	53,716	563,712	509,996	272,835	(27,966)	244,870	4.5	08-01	2007
4.5	08-01	2007	53,716	563,712	509,996	272,835	(27,966)	244,870	5.0	02-01	2008
5.0	02-01	2008	53,716	563,712	509,996	272,835	(27,966)	244,870	5.5	08-01	2008
5.5	08-01	2008	53,716	563,712	509,996	272,835	(27,966)	244,870	6.0	02-01	2009
6.0	02-01	2009	53,716	563,712	509,996	272,835	(27,966)	244,870	6.5	08-01	2009
6.5	08-01	2009	53,716	563,712	509,996	272,835	(27,966)	244,870	7.0	02-01	2010
7.0	02-01	2010	53,716	563,712	509,996	272,835	(27,966)	244,870	7.5	08-01	2010
7.5	08-01	2010	53,716	563,712	509,996	272,835	(27,966)	244,870	8.0	02-01	2011
8.0	02-01	2011	53,716	563,712	509,996	272,835	(27,966)	244,870	8.5	08-01	2011
8.5	08-01	2011	53,716	563,712	509,996	272,835	(27,966)	244,870	9.0	02-01	2012
9.0	02-01	2012	53,716	563,712	509,996	272,835	(27,966)	244,870	9.5	08-01	2012
9.5	08-01	2012	53,716	563,712	509,996	272,835	(27,966)	244,870	10.0	02-01	2013
10.0	02-01	2013	53,716	563,712	509,996	272,835	(27,966)	244,870	10.5	08-01	2013
10.5	08-01	2013	53,716	563,712	509,996	272,835	(27,966)	244,870	11.0	02-01	2014
11.0	02-01	2014	53,716	563,712	509,996	272,835	(27,966)	244,870	11.5	08-01	2014
11.5	08-01	2014	53,716	563,712	509,996	272,835	(27,966)	244,870	12.0	02-01	2015
12.0	02-01	2015	53,716	563,712	509,996	272,835	(27,966)	244,870	12.5	08-01	2015
12.5	08-01	2015	53,716	563,712	509,996	272,835	(27,966)	244,870	13.0	02-01	2016
13.0	02-01	2016	53,716	563,712	509,996	272,835	(27,966)	244,870	13.5	08-01	2016
13.5	08-01	2016	53,716	563,712	509,996	272,835	(27,966)	244,870	14.0	02-01	2017
14.0	02-01	2017	53,716	563,712	509,996	272,835	(27,966)	244,870	14.5	08-01	2017
14.5	08-01	2017	53,716	563,712	509,996	272,835	(27,966)	244,870	15.0	02-01	2018
15.0	02-01	2018	53,716	563,712	509,996	272,835	(27,966)	244,870	15.5	08-01	2018
15.5	08-01	2018	53,716	563,712	509,996	272,835	(27,966)	244,870	16.0	02-01	2019
16.0	02-01	2019	53,716	563,712	509,996	272,835	(27,966)	244,870	16.5	08-01	2019
16.5	08-01	2019	53,716	563,712	509,996	272,835	(27,966)	244,870	17.0	02-01	2020
17.0	02-01	2020	53,716	563,712	509,996	272,835	(27,966)	244,870	17.5	08-01	2020
17.5	08-01	2020	53,716	563,712	509,996	272,835	(27,966)	244,870	18.0	02-01	2021
18.0	02-01	2021	53,716	563,712	509,996	272,835	(27,966)	244,870	18.5	08-01	2021
18.5	08-01	2021	53,716	563,712	509,996	272,835	(27,966)	244,870	19.0	02-01	2022
19.0	02-01	2022	53,716	563,712	509,996	272,835	(27,966)	244,870	19.5	08-01	2022
19.5	08-01	2022	53,716	563,712	509,996	272,835	(27,966)	244,870	20.0	02-01	2023
20.0	02-01	2023	53,716	563,712	509,996	272,835	(27,966)	244,870	20.5	08-01	2023
20.5	08-01	2023	53,716	563,712	509,996	272,835	(27,966)	244,870	21.0	02-01	2024
21.0	02-01	2024	53,716	563,712	509,996	272,835	(27,966)	244,870	21.5	08-01	2024
21.5	08-01	2024	53,716	563,712	509,996	272,835	(27,966)	244,870	22.0	02-01	2025
22.0	02-01	2025	53,716	563,712	509,996	272,835	(27,966)	244,870	22.5	08-01	2025
22.5	08-01	2025	53,716	563,712	509,996	272,835	(27,966)	244,870	23.0	02-01	2026
23.0	02-01	2026	53,716	563,712	509,996	272,835	(27,966)	244,870	23.5	08-01	2026
23.5	08-01	2026	53,716	563,712	509,996	272,835	(27,966)	244,870	24.0	02-01	2027
24.0	02-01	2027	53,716	563,712	509,996	272,835	(27,966)	244,870	24.5	08-01	2027
24.5	08-01	2027	53,716	563,712	509,996	272,835	(27,966)	244,870	25.0	02-01	2028
25.0	02-01	2028	53,716	563,712	509,996	272,835	(27,966)	244,870	25.5	08-01	2028
25.5	08-01	2028	53,716	563,712	509,996	272,835	(27,966)	244,870	26.0	02-01	2029
Totals						13,641,756	(1,398,280)	12,243,476			
Present Values						6,055,499	(620,689)	5,434,810			

But For Analysis

APPENDIX E

MINNESOTA BUSINESS ASSISTANCE FORM
(MINNESOTA DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT)

2001 Minnesota Business Assistance Form

- The 2001 Minnesota Business Assistance Form (MBAF) is used to report each business subsidy and financial assistance agreement signed from January 1, 2000 through December 31, 2000 per Minn. Stat. §116J.993 to §116J.995. Please use a separate form to report each agreement; for agreements signed from August 1, 1999 through December 31, 1999, use the 2000 MBAF; and for agreements signed from July 1, 1995 through July 31, 1999 use the 1999 MBAF.
- The following government agencies must submit a 2001 MBAF even if an agreement was not signed during the period January 1, 2000 through December 31, 2000: 1) any local government/agency that signed a business subsidy agreement since January 1, 1996, or represents a population of more than 2,500; 2) all state government agencies. If the local/state government agency does not have any subsidies or assistance to report, please answer questions 1 through 13 and questions 33 and 34.
- If a local or state government agency that is required to report has not done so by April 1, DTED will mail a warning. If it fails to report by June 1, it may not award any business subsidies until a report has been filed.
- Questions? Call (651) 296-0580. Information on where to mail or fax your completed MBAF(s) is on page 4.

Section 1 Information About Grantor

1. Name of grantor (funding entity)		2. Name of person completing this form			
3. Street address		4. City	5. ZIP code		
6. County	7. Phone number	8. Fax number	9. E-mail address		
10. Please indicate who in your organization should receive the 2002 MBAF if different from the person in Question 2.					
Name/Title		Phone number	Street address	City	ZIP code
11. Classification of grantor (<i>Mark one. If grantor is entity created by gov't agency, please indicate affiliation. For example, a city EDA would check "City government."</i>) <input type="checkbox"/> City government <input type="checkbox"/> County government <input type="checkbox"/> Regional government <input type="checkbox"/> State government <input type="checkbox"/> Other (<i>Please specify.</i>) _____		12. Has your organization held a public hearing on and adopted criteria for awarding business subsidies in compliance with Minn. Stat. §116J.994? (<i>Mark one.</i>) <input type="checkbox"/> Yes (<i>Indicate hearing date - _____ and attach criteria</i>) <input type="checkbox"/> No <input type="checkbox"/> We held a public hearing but have not yet adopted criteria (<i>Indicate date of initial hearing - _____</i>) <input type="checkbox"/> Other (<i>Please attach explanation.</i>)			
13. Has your organization signed any agreements to award a business subsidy or financial assistance from January 1, 2000 through December 31, 2000 that is required to be reported under Minn. Stat. §116J.993 and §116J.994? (<i>Mark one.</i>) <input type="checkbox"/> Yes (<i>Complete the remainder of the form.</i>) <input type="checkbox"/> No (<i>Stop here, go to section 5 on page 4.</i>)					

Section 2 Information About Recipient

14. Name of business or organization receiving subsidy or financial assistance	15. Address where business subsidy or financial assistance will be used				
	Street address	City	State	ZIP code	
16. Does the recipient have a parent corporation? (<i>Mark one.</i>)					
<input type="checkbox"/> Yes (<i>Indicate name and address of parent corporation below. If more than one, indicate ultimate owner.</i>) <input type="checkbox"/> No					
Name of parent corporation		Street address	City	State	ZIP code

17. Industry of recipient's facility (Mark one.):

Manufacturing Services Finance, Insurance, Real Estate
 Retail Trade Wholesale Trade Construction Other (please specify) _____

18. Did the recipient relocate as a result of signing this agreement? (Mark one.)

Yes (Indicate city and state of previous address and reason recipient did not complete this project at that address.)
 No (Go to Question 19.)

City/State of previous address Reason project not completed at previous address

19. Would the recipient have remained in previous location or relocated elsewhere if not awarded this business subsidy or financial assistance? (Mark one.)

Remained at previous location Relocated to different Minnesota location Relocated outside Minnesota

Section 3 General Information About the Agreement

<p>20. Total dollar value of business subsidy or financial assistance (Please separate value by type in Questions 24 and 25.)</p>	<p>21. Date agreement signed (In addition to the agreement date, indicate any dates the agreement was amended.)</p>						
<p>22. Benefit date (Indicate the date the recipient will benefit from the business subsidy or financial assistance. For example, indicate the date improvements were finished, equipment was placed into service, or the recipient occupied the property, whichever is earlier.)</p>							
<p>23. Does the agreement provide a business subsidy or one of the four types of financial assistance (see Question 25) required to be reported? (Mark one.)</p> <p style="text-align: center;"> <input type="checkbox"/> business subsidy <input type="checkbox"/> financial assistance </p>							
<p>24. If the agreement provided a business subsidy, please indicate the type(s) and total dollar value for each type.</p> <p><input type="checkbox"/> not applicable, agreement provided financial assistance</p> <p> <input type="checkbox"/> loan (only principal) \$ _____ <input type="checkbox"/> grant (i.e., forgivable loan) \$ _____ <input type="checkbox"/> tax abatement \$ _____ <input type="checkbox"/> TIF or other tax reduction or deferral \$ _____ <input type="checkbox"/> guarantee of payment \$ _____ <input type="checkbox"/> contribution of property or infrastructure \$ _____ <input type="checkbox"/> preferential use of governmental facilities \$ _____ <input type="checkbox"/> land contribution \$ _____ <input type="checkbox"/> other (Specify subsidy type.) _____ \$ _____ </p>	<p>25. If the assistance was one of the four types of financial assistance, please indicate the type(s).</p> <p><input type="checkbox"/> not applicable, agreement provided a business subsidy</p> <p> <input type="checkbox"/> assistance for property polluted by contaminants \$ _____ <input type="checkbox"/> assistance for renovating building stock or bringing it up to code, and assistance provided for designated historic preservation districts, when 50% or less of total cost \$ _____ <input type="checkbox"/> assistance for pollution control or abatement \$ _____ <input type="checkbox"/> assistance for a TIF soils condition district \$ _____ </p>						
<p>26. If the assistance included tax increment financing, please indicate the type of TIF district? (Mark one.)</p> <p><input type="checkbox"/> not applicable, assistance was not in the form of TIF</p> <p> <input type="checkbox"/> redevelopment <input type="checkbox"/> renewal and renovation <input type="checkbox"/> soils condition <input type="checkbox"/> economic development <input type="checkbox"/> mined underground space <input type="checkbox"/> hazardous substance subdistrict </p>	<p>27. Are any other grantors providing a business subsidy or financial assistance to the same project? (Mark one.)</p> <p><input type="checkbox"/> Yes (Specify each grantor and the value of their assistance below; attach an additional sheet if necessary.)</p> <p><input type="checkbox"/> No</p> <p>Grantor(s) and value of the agreement(s):</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; width: 60%;"></td> <td style="border-top: 1px solid black; width: 40%; text-align: right;">Value (\$)</td> </tr> <tr> <td style="border-top: 1px solid black;">Grantor</td> <td style="border-top: 1px solid black;"></td> </tr> <tr> <td style="border-top: 1px solid black;">Grantor</td> <td style="border-top: 1px solid black;"></td> </tr> </table>		Value (\$)	Grantor		Grantor	
	Value (\$)						
Grantor							
Grantor							

Section 4 Goals and Public Purpose Identified in the Agreement

28. Minn. Stat. §116J.994 requires that business subsidy and financial assistance agreements state a public purpose. Which of the following public purposes were stated in the agreement? *(Mark all that apply.)*

- Enhancing economic diversity
- Increasing tax base (cannot be only purpose)
- Creating high-quality job growth
- Other *(please specify)* _____
- Job retention
- Stabilizing the community

29. Indicate whether the agreement included the following types of goals, and whether the recipient had attained those goals at the time of this report. *(Fill in the boxes and attainment date(s) for each goal.)*

	Goals established?	Target attainment dates (month & year)	All goals attained?
A) Specific wage and job goals to be attained within 2 years	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
B) Other job-creation and/or retention goals	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
C) Other wage goals	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
D) Other goals other than wage and job goals	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No

(Please attach descriptions of goals and progress toward attainment if not documented in Questions 30 and 31.)

30. For each of the following wage categories, indicate the job creation and/or retention goals stated in the agreement and the average hourly value of any employer-provided health insurance goals for those jobs. *(Only indicate job creation goals in full-time equivalents if you are unable to separate goals by full- and part-time positions.)*

Hourly Wage (excluding benefits)	Full-time Job Creation	Part-time/Seasonal/Temp. Job Creation	FTE (only if goals not stated as FT/PT) Job Creation	Job Retention	Hourly Value of Health Insurance
no hourly wage-level goal	_____	_____	_____	_____	\$_____
less than \$7.00	_____	_____	_____	_____	\$_____
\$7.00 to \$8.99	_____	_____	_____	_____	\$_____
\$9.00 to \$10.99	_____	_____	_____	_____	\$_____
\$11.00 to \$12.99	_____	_____	_____	_____	\$_____
\$13.00 to \$14.99	_____	_____	_____	_____	\$_____
\$15.00 and higher	_____	_____	_____	_____	\$_____

31. For each of the following wage categories, indicate the number of actual jobs created and/or retained since the benefit date and the actual hourly value of any employer-provided health insurance for those jobs. *(Only indicate job creation in full-time equivalents if you are unable to separate job creation into full- and part-time positions.)*

Hourly Wage (excluding benefits)	Full-time Job Creation	Part-time/Seasonal/Temp. Job Creation	FTE (only if unable to separate FT/PT) Job Creation	Job Retention	Hourly Value of Health Insurance
less than \$7.00	_____	_____	_____	_____	\$_____
\$7.00 to \$8.99	_____	_____	_____	_____	\$_____
\$9.00 to \$10.99	_____	_____	_____	_____	\$_____
\$11.00 to \$12.99	_____	_____	_____	_____	\$_____
\$13.00 to \$14.99	_____	_____	_____	_____	\$_____
\$15.00 and higher	_____	_____	_____	_____	\$_____

32. Has the recipient achieved all goals (see Questions 29, 30 and 31) and fulfilled all obligations stipulated in the agreement? *(Mark one.)*

- Yes No

Section 5 Recipients Failing to Fulfill Obligations

(Do not complete this section if you completed it on another 2001 MBAF submitted to DTED.)

33. During the period January 1, 2000 through December 31, 2000, did your organization have any recipients who failed to report as required by Minn. Stat. §116J.993 and §116J.994? *(Mark one.)*

Yes *(Indicate the name of each recipient failing to report and the value of subsidy or financial assistance awarded to that recipient. Attach additional pages if necessary.)*

No

Name of recipient Type of subsidy or assistance (See Questions 24 and 25.) Value of subsidy or assistance

34. Did your organization have any recipients who failed to achieve any goals or fulfill any other obligations under an agreement signed on or after January 1, 2000, that were required to be fulfilled by the time of this report? *(Mark one.)*

Yes *(Complete the remainder of this section.)* No *(Stop here and submit form to DTED.)*

35. - 39. Provide the following information for each recipient failing to fulfill goals or any other terms of an agreement that were to be attained by the time of reporting. *(Attach additional pages if necessary.)*

35. Information on recipient and agreement:

Name of recipient in default Type of subsidy or assistance Initial value of subsidy or assistance

Street address of recipient City/ZIP code of recipient Outstanding value of subsidy or assistance

36. Reason(s) for default *(Mark all that apply.):*

recipient ceased operation recipient relocated to a different community
 recipient was unable to fill vacant positions other *(Specify reason.)* _____

37. To date, has the recipient fulfilled its repayment obligation? *(Mark one.)*

Yes No, recipient has begun to repay the assistance. No, recipient has not begun to repay the assistance.

38. Has the agreement been amended to extend the recipient's deadline for fulfilling its obligations? *(Mark one.)*

Yes No

39. Describe the steps being taken to bring recipient into compliance or recoup the subsidy:

Return your completed MBAF(s) by **April 1, 2001**, to:
2001 Minnesota Business Assistance Form
Minnesota Department of Trade and Economic Development - AEO
500 Metro Square, 121 East 7th Place
St. Paul, MN 55101-2146

Or fax to: (651) 215-3841

APPENDIX F

REDEVELOPMENT QUALIFICATIONS FOR THE DISTRICT

The City is currently working on the inspections to determine coverage and blight. The results will be added to the Plan prior to the public hearing.

APPENDIX G
BUT/FOR QUALIFICATIONS

But For Analysis	
Current Market Value - Est.	1,668,100
New Market Value - Est.	24,598,000
Difference	<u>22,929,900</u>
Present Value of Tax Increment	6,055,499
Difference	<u>16,874,401</u>
Value Likely to Occur Without TIF is Less Than:	16,874,401

Additional reports, proformas and documentation is on file at the City offices for review.

CITY OF FALCON HEIGHTS
RAMSEY COUNTY
STATE OF MINNESOTA

Council member _____ introduced the following resolution and moved its adoption:

RESOLUTION NO. _____

RESOLUTION ADOPTING THE MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 1; AND ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 1-3 WITHIN DEVELOPMENT DISTRICT NO. 1 AND ADOPTING THE TAX INCREMENT FINANCING PLAN THEREFOR.

BE IT RESOLVED by the City Council (the "Council") of the City of Falcon Heights, Minnesota (the "City"), as follows:

Section 1. Recitals.

1.01. The City Council (the "Council") of the City of Falcon Heights (the "City") has heretofore established Development District No. 1 and adopted the Development Program therefor. It has been proposed that the City modify the Development Program for Development District No. 1 and establish Tax Increment Financing District No. 1-3 (the "District") therein and adopt a Tax Increment Financing Plan therefor (collectively, the "Program Modification and Plan"); all pursuant to and in conformity with applicable law, including *Minnesota Statutes, 469.124 through 469.134 and 469.174 through 469.179*, all inclusive, as amended, (the "Act") all as reflected in the Program Modification and Plan, and presented for the Council's consideration.

1.02. The City has investigated the facts relating to the Program Modification and Plan and has caused the Program Modification and Plan to be prepared.

1.03. The City has performed all actions required by law to be performed prior to the proposed establishment of the District and the proposed adoption and approval of the Program Modification and Plan, including, but not limited to, notification of Ramsey County and Independent School District No. 623 having taxing jurisdiction over the property to be included in the District, a review of and approval by resolution on the Program Modification and Plan by the City Planning Commission, and the holding of a public hearing upon published notice as required by law.

1.04. Certain written reports (the "Reports") relating to the Program Modification and Plan and to the activities contemplated therein have heretofore been prepared by staff and submitted to the Council and/or made a part of the City files and proceedings on the Program Modification and Plan. The Reports include data, information and/or substantiation constituting or relating to the bases for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies and adopts the Reports, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.05. The City is not modifying the boundaries of Development District No. 1.

Section 2. Findings for the Adoption and Approval of the Program Modification and Plan.

2.01. The Council hereby finds that the Program Modification and Plan, are intended and, in the judgment of this Council, the effect of such actions will be, to provide an impetus for development in the public purpose and accomplish certain objectives as specified in the Program Modification and Plan, which are hereby incorporated herein.

Section 3. Findings for the Establishment of Tax Increment Financing District No. 1-3.

3.01. The Council hereby finds that the District is in the public interest and is a "redevelopment district" under *Minnesota Statutes, Section 469.174, subd. 10 (a)(1)*.

3.02. The Council further finds that the proposed redevelopment would not occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the Plan, that the Plan conforms to the general plan for the development or redevelopment of the City as a whole; and that the Plan will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development or redevelopment of the District by private enterprise.

3.03. The Council further finds, declares and determines that the City made the above findings stated in this Section and has set forth the reasons and supporting facts for each determination in writing, attached hereto as Exhibit A.

3.04. The City elects to calculate fiscal disparities for the District in accordance with *Minnesota Statutes, Section 469.177, subdivision 3, clause a*, which means the fiscal disparities contribution would be taken from outside the District.

Section 4. Public Purpose

4.01. The adoption of the Program Modification and Plan conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the City which is already built up, to provide employment opportunities, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose.

Section 5. Approval and Adoption of the Program Modification and Plan.

5.01. The Program Modification and Plan, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted and shall be placed on file in the office of the City Administrator.

5.02. The staff of the City, the City's advisors and legal counsel are authorized and directed to proceed with the implementation of the Program Modification and Plan and to negotiate, draft, prepare and present to this Council for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

5.03. The Auditor of Ramsey County is requested to certify the original net tax capacity of the District, as described in the Program Modification and Plan, and to certify in each year thereafter the amount

by which the original net tax capacity has increased or decreased; and the is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the District, for which building permits have been issued during the 18 months immediately preceding the adoption of this resolution.

5.04. The City Administrator is further authorized and directed to file a copy of the Program Modification and Plan with the Commissioner of Revenue.

The motion for the adoption of the foregoing resolution was duly seconded by Council member _____, and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Dated: September 26, 2001

ATTEST:

Mayor

City Administrator

(Seal)

EXHIBIT A
RESOLUTION # _____

The reasons and facts supporting the findings for the adoption of the for Tax Increment Financing District No. 1-3, as required pursuant to *Minnesota Statutes, Section 469.175, Subdivision 3* are as follows:

1. *Finding that Tax Increment Financing District No. 1-3 is a redevelopment district as defined in M.S., Section 469.174, Subd. 10(a)(1).*

The District consists of 14 parcels, with plans to redevelop the area for housing and retail purposes. At least 70 percent of the area in the parcels in the District are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance (See Appendix F of the TIF plan).

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 1-3 permitted by the Plan.*

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: This finding is supported by the fact that the redevelopment proposed in this plan meets the City's objectives for redevelopment. Due to the high cost of redevelopment on the parcels currently occupied by substandard buildings, the limited amount of commercial/industrial property for expansion adjacent to the existing project, the incompatible land uses at close proximity, and the cost of financing the proposed improvements, this project is feasible only through assistance, in part, from tax increment financing. The developer was asked for and provided a letter and a proforma as justification that the developer would not have gone forward without tax increment assistance, included in the reports on file at the City.

The increased market value of the site that could reasonable 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 Plan: The City supported this finding on the grounds that the cost of site and public improvements and utilities add to the total redevelopment cost. Historically, site and public improvements costs in this area have made redevelopment infeasible without tax increment assistance. This site has been marketed for at least 10 years without success. Therefore, the City reasonably determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

A comparative analysis of estimated market values both with and without establishment of the District and the use of tax increments has been performed as described above. If all development which is proposed to be assisted with tax increment were to occur in the District, the total increase in market value would be up to \$24,598,000. The present value of tax increments from the District is estimated to be \$6,055,499. It is the Council's finding that no development with a market value of greater than \$-0- would occur without tax increment assistance in this district within 25 years. This finding is based upon evidence from general past experience with the high cost of land assembly, site and public improvements, and utilities in the general area of the District (see Cashflow in Appendix D of the TIF Plan).

3. *Finding that the Tax Increment Financing Plan for Tax Increment Financing District No. 1-3 conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The Planning Commission reviewed the Plan and found that the Plan conforms to the general development plan of the City.

4. *Finding that the Tax Increment Financing Plan for Tax Increment Financing District No. 1-3 will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 1 by private enterprise.*

The project to be assisted by the District will result in increased employment in the City and the State of Minnesota, the renovation of substandard properties, increased tax base of the State and add a high quality development to the City.

Through the implementation of the Plan, the City will increase the availability of safe and decent life-cycle housing in the City.

CONSENT 1
Meeting Date: 9/12/01

ITEM DESCRIPTION: Disbursements

SUBMITTED BY: Roland Olson, City Accountant

EXPLANATION/SUMMARY:

1. General disbursements through September 5, 2001, \$217,746.63
2. Payroll, 8/16/01 to 8/31/01, \$10,467.46

ACTION REQUESTED: Approval

APPROVAL OF BILLS
 PERIOD ENDING: 9-6-01__

CHECK#	VENDOR NAME	DESCRIPTION	DEPT.	AMOUNT
	LEAGUE OF MN CITIES	YEARLY DUES . LMC	LEGISLAT	3,882.00
40357	ST PAUL CHAMBER COMMERCE	BUSINESS COUNCIL MEETING	LEGISLAT	7.50
	ST PAUL CHAMBER COMMERCE	AUG/ BUSINESS LUNCH	LEGISLAT	7.50
	*** TOTAL	FOR DEPT 11		3,897.00
	COLLEGE OF ST CATHERINE	LEADERSHIP-WOMEN SERIES	ADMINIST	310.00
	INSTY-PRINTS PLUS	LETTERHEAD ENVELOPES	ADMINIST	73.56
	METROPOLITAN AREA MANAGE-	METRO AREA MGRS MEETING	ADMINIST	16.00
	MIDWEST DELIVERY SERVICE	DELIVERY TO SPRINGSTEAD	ADMINIST	9.40
	NCPERS GROUP LIFE INS	SEPT/01 PHILLIPS	ADMINIST	12.00
	NCPERS GROUP LIFE INS	SEPT/01 PHILLIPS	ADMINIST	12.00
40360	PERA	8/31 PERA WITHHOLDINGS	ADMINIST	1,119.63
	PHILLIPS, PATRICIA	MILEAGE	ADMINIST	2.68
	PHILLIPS, PATRICIA	REIMB FOR COFFEE	ADMINIST	11.68
	*** TOTAL	FOR DEPT 12		1,566.95
	ELECTION SYSTEM/SOFTWARE	ELECTION SUPPLIES	ELECTION	23.26
	*** TOTAL	FOR DEPT 15		23.26
	MCI WORLDCOM RES SVC	LONG DISTANCE CHRGS	COMMUNIC	0.00
	MCI WORLDCOM RES SVC	LONG DISTANCE CHRGS	COMMUNIC	9.27
	UNION PEN COMPANY	FIRE OPEN HOUSE PENS	COMMUNIC	152.00
	*** TOTAL	FOR DEPT 16		161.27
40356	GOVERNMENT TRAINING SERV.	REGISTRATION-DEB	PLANNING	100.00
	*** TOTAL	FOR DEPT 17		100.00
	XCEL ENERGY	ELECT TO 8/17	EMERGENC	6.28
	*** TOTAL	FOR DEPT 21		6.28
	ST ANTHONY VILLAGE	SEPT/01 POLICE SVCS	POLICE	34,221.17
	*** TOTAL	FOR DEPT 22		34,221.17
	HUGHES & COSTELLO	AUG PROSECUTIONS	PROSECUT	2,574.50
	*** TOTAL	FOR DEPT 23		2,574.50
	AMERIPRIDE LINEN&APPAREL	LINEN CLEANING	FIRE FIG	43.55
	AMERIPRIDE LINEN&APPAREL	LINEN CLEANING	FIRE FIG	43.55
	AMERICAN TEST CENTER INC	TEST/INSPECTION 757	FIRE FIG	555.00
	DANKO EMERGENCY EQUIPMENT	OIL FOR HURST TOOL	FIRE FIG	134.02
	EMERGENCY APPARATUS MAINT	REPAIR 753 STEERING	FIRE FIG	2,078.80
	FIRE INSTRUCTORS ASSN. MN	FIRE FIGHTER 1 BOOKS	FIRE FIG	53.25
	HEALTHPARTNERS MEDICAL GP	MEDICAL EXAMS-POESCHL	FIRE FIG	183.00
	HINRICH, RICH	FIRE FIGHTER CLASS REIMB	FIRE FIG	680.00
	CLARKIN, MIKE	ALARM CLOCK FOR FIREHALL	FIRE FIG	10.64
	NATIONAL FIRE PROTECTION	2001 MEMBERSHIP	FIRE FIG	115.00
	NATIONAL FIRE PROTECTION	BROCHURS/STICKERS/ETC	FIRE FIG	98.95
	MARY RIGNEY	JULY/AUG CLEANING	FIRE FIG	180.00
	*** TOTAL	FOR DEPT 24		4,175.66
	BOARD OF WATER COMMISSNRS	H2O	CITY HAL	652.33
	CERTIFIED LABORATORIES	SUR-SMOOTH	CITY HAL	244.16
	GIBBS LAWN, INC.	SOIL CONDITIONER/HERBICI	CITY HAL	368.46

APPROVAL OF BILLS
 PERIOD ENDING: 9-6-01__

CHECK#	VENDOR NAME	DESCRIPTION	DEPT.	AMOUNT
40359	HOME DEPOT CRC/GEFC	PRINTING SUPPLIES	CITY HAL	33.88
	M-75 BUILDING MAINTENANCE	AUG/01 CLEANING	CITY HAL	221.41
	XCEL ENERGY	GAS 8/28	CITY HAL	39.16
	XCEL ENERGY	ELECT 8/29	CITY HAL	1,147.53
	STAR TRIBUNE	SUBSCRIPTION	CITY HAL	111.80
	VERIZON WIRELESS	CELL PHONE CHRGS	CITY HAL	27.65
	*** TOTAL FOR DEPT 31			2,846.38
	CERTIFIED LABORATORIES	ICE BREAKER PLUS	STREETS	389.69
	GOPHER SIGN COMPANY	REPLACE STREET SIGNS	STREETS	806.05
40359	HOME DEPOT CRC/GEFC	WEED B-GONE	STREETS	9.42
40359	HOME DEPOT CRC/GEFC	VINYL PATHCER	STREETS	18.94
40359	HOME DEPOT CRC/GEFC	POTTING SOILS, ECTS	STREETS	57.36
	GRAINGER, W. W., INC.	STREET LITE MAINENANCE	STREETS	284.09
	I PRINT TEXTILES	T-SHIRTS PUBLIC WORKS	STREETS	238.08
	XCEL ENERGY	ELECT	STREETS	7.06
	XCEL ENERGY	ELECT 8/28	STREETS	74.27
	XCEL ENERGY	ELECT 8/28	STREETS	7.06
	XCEL ENERGY	ELECT 8/28	STREETS	85.98
	XCEL ENERGY	ELECT 8/28	STREETS	9.12
	XCEL ENERGY	ELECT 8/28	STREETS	92.83
	XCEL ENERGY	ELECT 8/28	STREETS	7.68
	XCEL ENERGY	ELECT 8/28	STREETS	34.73
	SUPERAMERICA	FUEL	STREETS	22.50
	VIKING INDUSTRIAL CENTER	6 LIME GREEN HATS/STREET	STREETS	60.00
	LOT LINES INC	CROSSWALK STRIPPING	STREETS	625.00
	*** TOTAL FOR DEPT 32			2,829.86
	HOWARD GREEN COMPANYC.	GENERAL SVCS	ENGINEER	305.50
	*** TOTAL FOR DEPT 33			305.50
	BOARD OF WATER COMMISSNRS	H2O	PARK & R	27.25
	BOARD OF WATER COMMISSNRS	H2O	PARK & R	17.52
	GIBBS LAWN, INC.	SOIL CONDITIONER/HERBICI	PARK & R	368.45
	ICMA RETIREMENT TRUST 457	SEPT/01 MAERTZ	PARK & R	100.00
	ICMA RETIREMENT TRUST 457	SEPT/01 TRETSVEN	PARK & R	100.00
	NCPERS GROUP LIFE INS	SEPT/01 MAERTZ	PARK & R	12.00
	NCPERS GROUP LIFE INS	SEPT.01 MAERTZ	PARK & R	12.00
	XCEL ENERGY	ELECT AND GAS	PARK & R	44.82
	XCEL ENERGY	ELECT 8/28	PARK & R	12.55
	XCEL ENERGY	ELECT TO 8/17	PARK & R	23.47
	SUPERAMERICA	FUEL	PARK & R	246.27
	QWEST	PHONE	PARK & R	55.47
	*** TOTAL FOR DEPT 41			1,019.80
	I PRINT TEXTILES	T-SHIRTS REC COACHES	PARK PRO	234.36
	I PRINT TEXTILES	T-SHIRTS PARTICIPANTS	PARK PRO	947.42
	KINKO'S INC.	FALL SOCCER PROGRAM	PARK PRO	102.24
	*** TOTAL FOR DEPT 50			1,284.02
	E-Z RECYCLING, INC.	AUG/01 RECYCLING CHRGS	SOLID WA	2,559.40
	*** TOTAL FOR DEPT 56			2,559.40
	BEARCOM	REPAIR RADIOS AND ANETT N	FIRE & R	500.00

APPROVAL OF BILLS
 PERIOD ENDING: 9-6-01__

CHECK#	VENDOR NAME	DESCRIPTION	DEPT.	AMOUNT
	FIRE EQUIPMENT SPECIALTIE	FLOOD LITES	FIRE & R	73.75
	FIRE EQUIPMENT SPECIALTIE	FIRE HOSE & ALUM COUPLNG	FIRE & R	424.48
	*** TOTAL FOR DEPT 64			998.23
	EARL F ANDERSEN INC	BENCH/VINCE MEMORIAL	PUBLIC W	1,137.60
	GOPHER SIGN COMPANY	NO U-TURN SIGNS	PUBLIC W	83.43
	*** TOTAL FOR DEPT 65			1,221.03
	XCEL ENERGY	ELECT 8/28	SANITARY	15.61
	SUPERAMERICA	FUEL	SANITARY	93.36
	*** TOTAL FOR DEPT 75			108.97
	EHLERS AND ASSOCIATES	1/2 ANNUAL REPORT-COSTS	TIF #1	590.62
	LILLIE SUBURBAN NEWSPAPER	TIF LEGAL DISCLOSURE	TIF #1	40.43
	LILLIE SUBURBAN NEWSPAPER	LEGAL-TIF MODIFICATION	TIF #1	51.45
	*** TOTAL FOR DEPT 77			682.50
	EHLERS AND ASSOCIATES	1/2 ANNUAL REPORT-COSTS	TIF #2	590.63
	*** TOTAL FOR DEPT 78			590.63
	EHLERS AND ASSOCIATES	SOUTH EAST CORNER DEVELO	COMM. DE	1,383.75
	SHORT ELLIOTT HENDRICKSON	URBAN DESIGNS	COMM. DE	548.58
	*** TOTAL FOR DEPT 79			1,932.33
40358	HARDRIVES INCORPORATED	PAY ESTIMATE # 2 NORTHOM	NORTHOME	154,641.79
	*** TOTAL FOR DEPT 88			154,641.79
	*** TOTAL FOR BANK 01			217,746.63
	*** GRAND TOTAL ***			217,746.63

C H E C K R E G I S T E R

CHECK TYPE	CHECK DATE	EMPLOYEE NAME NUMBER	CHECK NUMBER	CHECK AMOUNT
COM	8 30 01	6 SUSAN GEHRZ	31188	302.45
COM	8 30 01	12 LAURA A. KUETTEL	31189	277.05
COM	8 30 01	13 PETER C. LINDSTROM	31190	277.05
COM	8 30 01	14 RICHARD P. TALBOT JR	31191	277.05
COM	8 30 01	15 ROBERT E LAMB	31192	277.05
COM	8 30 01	34 CLEMENT KURHAJETZ	31193	276.98
COM	8 30 01	35 LEO LINDIG	31194	64.64
COM	8 30 01	42 MICHAEL D. CLARKIN	31195	94.67
COM	8 30 01	66 ALFRED HERNANDEZ	31196	28.16
COM	8 30 01	74 MARK J. ALLEN	31197	55.41
COM	8 30 01	1003 HEATHER WORTHINGTON	31198	1237.27
COM	8 30 01	1007 PATRICIA PHILLIPS	31199	1033.21
COM	8 30 01	1013 WILLIAM MAERTZ	31200	1382.30
COM	8 30 01	1033 DAVE TRETSVEN	31201	1000.45
COM	8 30 01	1038 DEBORAH K JONES	31202	494.18
COM	8 30 01	1039 CRAIG A. STIER	31203	531.56
COM	8 30 01	1136 ROLAND O. OLSON	31204	1100.00
COM	8 30 01	1143 COLIN B. CALLAHAN	31205	671.60
COM	8 30 01	1169 JAY PAUL KURTIS	31206	235.99
COM	8 30 01	1170 ERIC J BLOMQUIST	31207	164.24
COM	8 30 01	1173 ELIZABETH M. POSTIGO	31208	409.83

COMPUTER CHECKS	10191.14
MANUAL CHECKS	.00
NOTICES OF DEPOSIT	.00

****TOTALS**** 10191.14

C H E C K R E G I S T E R

CHECK TYPE	CHECK DATE	EMPLOYEE NAME NUMBER	CHECK NUMBER	CHECK AMOUNT
COM	8 30 01	1026 JASON CIERNIA	31211	33.25
COM	8 30 01	1089 KATHLEEN A. CIERNIA	31212	243.07

COMPUTER CHECKS	276.32
MANUAL CHECKS	.00
NOTICES OF DEPOSIT	.00

****TOTALS**** 276.32

CONSENT 2
Meeting Date: 9/12/01

ITEM DESCRIPTION: Licenses

SUBMITTED BY: Pat Phillips, Licensing Coordinator

REVIEWED BY: Heather Worthington, City Administrator

EXPLANATION/SUMMARY:

MECHANICAL CONTRACTOR

Binder Heating & Air Conditioning, Inc. Lic. #01-824

ACTION REQUESTED: Approval

Consent 3
9/12/01

ITEM: Step increase and title change for Dave Tretsven, Public Works Maintenance Worker

SUBMITTED BY: Bill Maertz, Director of Parks and Public Works

REVIEWED BY: Heather Worthington, City Administrator

EXPLANATION:

Summary: Dave Tretsven has been with the city on a full-time basis for five years. According to the city's personnel policy, employees are entitled to a step increase on their fifth year anniversary of employment with the city if they have satisfactory performance. Mr. Tretsven has had exemplary performance, and has also taken on additional responsibilities in his duties as a Public Works Maintenance Worker.

Therefore, the Director of Public Works and the City Administrator are recommending that Mr. Tretsven be given a 6% raise, as well as a title change to Senior Public Works Maintenance Worker, retroactive to July 15, 2001.

ACTION REQUESTED:

Approval of 6% raise for Dave Tretsven, and title change commensurate with new responsibilities to Senior Public Works Maintenance Worker.

ITEM: Authorize staff to award sidewalk replacement contract for 2001

SUBMITTED BY: William Maertz, Director of Parks and Public Works

REVIEWED BY: Heather Worthington, City Administrator

EXPLINATION / DESCRIPTION:

Summary: The council is being asked to authorize staff to contract with Midwest Concrete Driveway Co. to do sidewalk improvements for 2001. An RFP was sent to four concrete contractors and two bids were received.

The bids to replace 1624 square feet of sidewalk were as follows:

- Midwest Concrete Driveway Co. 1464 W. Idaho Falcon Heights, MN **\$10,402.00**
- E.L. Bulach Const. Co. Inc. 1870 50th Street E. Inver Grove Heights, MN **\$11,485.12**

Attachments: Sidewalk replacement bids

ACTION REQUESTED:

Contract with Midwest Concrete Driveway Co. of Falcon Heights, MN to replace worn and unsafe sidewalk panels at a cost of \$10,402.

C. Bill

BID SCHEDULE FOR: 2001 SIDEWALK IMPROVEMENTS (815370J)
CITY OF FALCON HEIGHTS

ITEM NO.	ITEM	UNIT	QTY.	UNIT PRICE	TOTAL PRICE
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SCHEDULE 1.0 SIDEWALK

1	REMOVE AND REPLACE 4" CONCRETE	SF	1173	\$6.10	7155. ⁰⁰
2	REMOVE AND REPLACE 6" CONCRETE	SF	451	\$7.10	3247. ⁰⁰
T	TOTAL BID				10,402. ⁰⁰

* DOES NOT INCLUDE STUMP & TREE ROOT GRINDING !!

RESPECTFULLY SUBMITTED:

W. A. ...

SIGNATURE

OWNER

TITLE

LICENSE NUMBER

(SEAL -IF BID IS BY A CORPORATION)

ATTEST

MIDWEST CON.

COMPANY

DRIVEWAY C

1464 W. IFA

ADDRESS FALCON H

8/20/01

DATE

651-694-01

PHONE NUMBER

FAX NUMBER

C: Bill

BID SCHEDULE FOR: 2001 SIDEWALK IMPROVEMENTS (815370J)
CITY OF FALCON HEIGHTS

ITEM NO.	ITEM	UNIT	QTY.	UNIT PRICE	TOTAL PRICE
----------	------	------	------	------------	-------------

SCHEDULE 1.0 SIDEWALK

1	REMOVE AND REPLACE 4" CONCRETE	SF	1173	\$6.75	\$7,917.75
2	REMOVE AND REPLACE 6" CONCRETE	SF	451	\$7.85	\$3,540.37
T	TOTAL BID				\$11,458.12

RESPECTFULLY SUBMITTED:



SIGNATURE

C.F.O.

TITLE

LICENSE NUMBER

(SEAL -IF BID IS BY A CORPORATION)

ATTEST

E.L. Bulach Const. Co. Inc.
COMPANY

1870-50th Street E. I.G.H.
ADDRESS

August 23, 2001

DATE

651-455-3384

PHONE NUMBER

651-455-2345

FAX NUMBER

Consent 5
9/12/01

ITEM: Request for approval of the Mayor and City Administrator to negotiate a contract with an independent contractor to fill Eileen Weber's position with the Mayors Commission Against Drugs (MCAD)

SUBMITTED BY: Mayor Susan Gehrz

REVIEWED BY: Roland Olson, Finance Director
Heather Worthington, City Administrator

EXPLANATION:

Summary: Eileen Weber, the former director of MCAD, left to pursue a law degree at St. Thomas. MCAD interviewed two candidates for the position, and has recommended that MCAD hire Carole Smith to take over the administration of MCAD. The contract with Carole Smith.

ACTION REQUESTED:

Approve a new contract for administration of the MCAD contract with Carole Smith.



CITY OF
FALCON HEIGHTS

2077 W. LARPELLE AVENUE FALCON HEIGHTS, MN 55113-5594 PHONE (651)-644-5050 FAX (651) 644-8675

August 31, 2001

Carole Smith
784 Kenwood Lane
Maplewood, MN 55117

Dear Ms. Smith:

This letter constitutes a contract between the Mayor's Commission Against Drugs and Carole Smith. The Mayor's Commission Against Drugs is a joint powers arrangement between the cities of Lauderdale, Falcon Heights, Roseville, Little Canada, and the Roseville Area School District # 623. The City of Falcon Heights is currently serving as the fiscal agent for this grant and other MCAD funds. This letter sets out the arrangements for professional services you are to perform during the period of September 1, 2001 - December 31, 2002 to meet the requirements of the Department of Human Services Chemical Dependency Division grant.

- 1.) You will serve as a consultant to the Roseville, Falcon Heights, Lauderdale and Little Canada Mayors' Commission Against Drugs.
- 2.) The objectives to be accomplished through your leadership are in the Roseville, Falcon Heights, Lauderdale, and Little Canada Mayors' Commission grant work plan.
- 3.) Your fee for professional services provided for the 16 months between September 1, 2001 and December 31, 2002 will be \$34,666. Thirty-two equal installments of \$1,083.33 will be paid to you on a semi-monthly basis. The first payment will be on September 15, 2001 for services provided between September 1 and September 15, 2001.
- 4.) You will be an independent contractor. Additional requirements of this arrangement are that you work out of your home, supply your own office equipment, computer, fax, car mileage expenses, equipment and general home office supplies. You will not be reimbursed for any expenses.

HOME OF THE MINNESOTA STATE FAIR AND THE U OF M ST. PAUL CAMPUS



ITEM: Contract with Short Elliot Hendrickson Inc. to do geotechnical analysis, hydrologic analysis, and geotechnical engineering in the Curtiss Field pond area.

SUBMITTED BY: Bill Maertz, Director of Parks and Public Works

REVIEWED BY: Heather Worthington, City Administrator

EXPLANATION:

Background: The Curtiss Field pond is an engineered stormwater pond that serves much of Falcon Heights including the Northhome neighborhood and the southeast corner of the Larpenteur/Snelling business district. During severe storms this pond has overflowed it's banks and flooded Curtiss Field and parts of Iowa Ave.

Summary: Twenty thousand dollars was budgeted for improvements to the Curtiss Field pond for 2001. Initial soil borings were done last winter at cost of \$2,375, leaving \$17,625 in the capital budget for the remainder of this year. In April the Park Commission voted to solicit a proposal from SEH for a comprehensive plan to improve drainage and the aesthetics of the pond area. SEH submitted a comprehensive proposal for the study and redesign of the pond area taking into account possible redevelopment of the SE corner of Larpenteur and Snelling and the potential for increased amounts of storm runoff. This proposal totaled \$34,811. Since this was more than the amount budgeted for this year, the Park Commission recommended that the city proceed in two stages. In 2001 SEH would do the site investigation and technical analysis necessary before site design can begin. The not to exceed costs are as follows:

- | | |
|-----------------------------------|---------|
| • Geotechnical Analysis | \$6,995 |
| • Hydrologic Analysis | \$3,960 |
| • Geotechnical Engineering | \$3,500 |
| • Project Management and Meetings | \$2,190 |

Total, not to exceed, for these services is \$16,645

Additional money has been budgeted for 2002 for project management, site design and construction estimates.

ATTACHMENTS: Proposal for services from Short Elliot and Hendrickson

ACTION REQUESTED: Contract with SEH to do site investigation and technical analysis of Curtiss Field pond area.



May 14, 2001

RE: City of Falcon Heights
Curtiss Field Park Pond
SEH No. P-FALCO0102.00

Mr. Bill Maertz
Director of Parks / Public Works
City of Falcon Heights
2077 West Larpenteur Avenue
Falcon Heights, Minnesota 55113

Dear Mr. Maertz:

Short Elliott Hendrickson Inc.[®] (SEH) appreciates the opportunity to submit our work plan to provide assistance to the City of Falcon Heights with the design of the Curtiss Field Park pond. The overall scope of work includes design development for alternatives for improvements to the pond. It is understood that the design development is to be performed with the intent of dredging the pond and restoring its original hydrologic function and improving the aesthetics of the pond. It is assumed that a proposal for construction documents and construction administration will be performed at a later date after a preferred alternative design concept is selected by the City.

Scope of Services

Phase 1 - Site Investigation

Task 1 - Geotechnical Analyses

It is understood that some soil investigation has been performed previously. The data from the previous soil investigation will be reviewed. It is assumed that the soil investigation performed previously will be adequate to estimate the sediment thickness in the pond bottom and that further sediment probing will not be necessary. It is essential that the characteristics and soil parameters be determined in order to facilitate investigation of pond slope stability, retaining wall design, and infiltration options. Therefore, it is assumed that further soil investigation will be required. Costs are included for drilling of three soil borings and laboratory testing of the soils. Samples of the sediment in the bottom of the pond will be collected for chemical testing. Chemical testing will be performed to determine if the sediment is contaminated and will require special disposal.

Phase 2 - Design Development

Task 1 - Project Management and Meetings

The SEH Project Manager will be responsible for ensuring that the project is adequately staffed and that the necessary resources are made available, for communication between all stake holders, and for quality assurance. In order to obtain background information on the project area a project kick-off meeting will be held with representatives from the City of Falcon Heights and the SEH project team. As part of the meeting it is assumed that data, including site maps and utility as-builts, will be provided to SEH. In order to make sure that the City of Falcon Heights is kept informed on the project, it is anticipated that one other meeting will be required during Design Development. The scheduling of this meeting is flexible, however at this time it is anticipated that the meeting will be held after the hydrologic and geotechnical analyses and site design is completed to review project concepts and alternatives analyzed. An agenda and minutes of each meeting will be prepared by the Project Manager and distributed to meeting attendees.

Task 2 - Hydrologic Analysis

The hydrologic analysis will include delineation of the watershed that contributes storm water runoff to the pond and computer modeling to determine the quantity of runoff that could reach the pond. As part of the hydrologic analysis, an investigation of the storm sewer in the vicinity of the pond will be performed to gain knowledge of the existing pond inlets, develop options for modifying the inlet pipes, and investigate whether a structural outlet from the pond is possible. It is assumed that as-built data of the existing storm sewer system and topographic maps of the watershed are available and will not need to be developed by SEH for this project. Contacts will be made with the City of Falcon Heights, the Minnesota Department of Agriculture, Mn/DOT, and the local watershed management organization for available utility and mapping information.

Task 3 - Geotechnical Engineering

The geotechnical engineer will coordinate the soil borings and testing described above and utilize the data obtained from testing in the pond design. Geotechnical engineering will be performed to investigate the stability of the pond slopes for the proposed alternatives. It may be desired to construct modular block retaining walls around the pond to improve slope stability, increase the volume of the pond, create areas for landscape plantings, and improve aesthetics. As part of this task, the geotechnical engineer will perform preliminary design of the retaining walls.

Task 4 - Site Design

This task will include the development of three alternative site development plans. Using the existing park layout as a basis for design, the alternative plans will be developed exploring the following minimum features:

Maintain existing Pond Configuration, especially the relationship of the pond's shape to the playground, the park building, the ball fields, adjacent roadways, and utilities.

Grading, the placement and design of created landforms, especially how such forms can be used to improve the function and aesthetics of the existing park.

Pedestrian Use, especially the location, design, and materials used to construct sidewalks, benches and overlooks.

Access, especially the location, design, and materials of gateways into the park from the neighborhood, adjacent streets, and between the individual features found in the park.

Vegetation, the identification of plants appropriate to an environment that is frequently stressed and disturbed by water. In particular plants that can provide adequate groundcover to ameliorate erosion on a landscape that is shaded and has a high hydrological "bounce" will be examined. The existing planting design will be modified to integrate the pond into the park more than it is currently. The planting design may also be used to emphasize and define boundaries between existing land uses more than it does currently.

Examine how to reduce undesirable behavior through appropriate design. Create views that discourage inappropriate use. Examine the use of fences and determine their appropriateness and offer location and design suggestions.

Field surveys will not be performed as part of this project. Topographic mapping previously performed will be used to develop a base map to be used for the analyses for this project.

Coordination will be performed with the Watershed Management Organization with jurisdiction in the project area, the Minnesota Department of Natural Resources, and the U.S. Army Corps of Engineers to determine the permits necessary for the potential projects and the necessary steps and timeline to obtain the permits as part of the site design. Permits will not be applied for as part of this project.

Task 5 - Construction Cost Estimates

Preliminary estimates of the cost of constructing feasible options for modifying the pond will be performed. The estimates will be to the detail necessary for comparison of alternatives and for budgeting purposes.

Funding options available to the City of Falcon Heights will be reviewed. After project alternatives are developed, an investigation into the availability of grants that may be available to assist with funding of the project will be also performed. The work involved with applying for and pursuing grants can be performed by SEH, however, costs for applying for and pursuing grants are not included in this proposal.

Task 6 - Design Development (Feasibility) Report

A Design Development Letter Report will be prepared to document the analyses performed, alternatives investigated, and identify the feasible alternatives. Project features may be presented in the report with hand sketches. It is understood that CADD drawings of project features are not required. It is assumed that 10 copies of the report will be provided to the City for distribution to City Staff and Officials.

Schedule

We propose to begin immediately upon approval of the scope of services by the City. A formal schedule will be developed for each task of the project to meet the needs of the City. At this time, it is estimated that the design development report will be completed within 60 calendar days from notice to proceed.

Compensation

We propose to be compensated for the scope of work proposed in this Agreement on an hourly basis, not-to-exceed \$34,811. Compensation will be based on the hourly cost of personnel, plus reimbursable expenses including reproductions, mileage, and equipment. Additional services required beyond the tasks listed can be provided as extra work on an hourly basis. We will not proceed with extra work without prior authorization.

Our estimated cost for the Curtiss Field Park Pond is as follows:

Phase 1 - Site Investigation

Task 1 - Geotechnical Analysis \$6,995

Total for Phase 1 \$6,995

Phase 2 - Design Development

Task 1 - Project Management and Meetings \$4,342

Task 2 - Hydrologic Analysis \$3,960

Task 3 - Geotechnical Engineering \$3,500

Task 4 - Site Design \$8,900

Task 5 - Construction Cost Estimates \$2,180

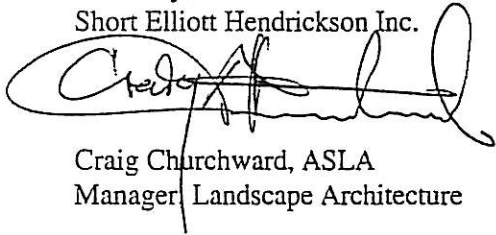
*NOT TO EXCEED
50% in 2001*

Task 6 - Design Development Report	\$4,934
Total for Phase 2	\$27,816
Total for Curtiss Field Park Pond	\$34,811

The costs are based on our understanding for the project to date. We look forward to working with you on this project. If this letter satisfactorily sets forth your understanding of our agreement please sign in the space below and return one copy to our office.

Thank you for the opportunity to serve the City of Falcon Heights.

Sincerely,
Short Elliott Hendrickson Inc.



Craig Churchward, ASLA
Manager Landscape Architecture

smm
Attachments

Approved this _____ day of _____ 2001.

CITY OF FALCON HEIGHTS

By: _____

Title: _____

Basic Component: Phase 1 - Site Investigation

Deliverables:

Task	Project Manager	Sr. Prof. Engineer	Graduate Engineer	Landscape Architect	Professional Biologist	Technician	Word Processor
1 Geotechnical Analysis		9	9				1.0
Total hours	19	0	9	0	0	0	1.0

Project labor cost this phase \$1,955
Equipment charges
Mileage \$40
Soil Borings and Testing \$3,000
Chemical Testing of Sediment \$2,000
Total project cost this phase \$6,995

Unique components or assumptions:

Basic Component: Phase 2 - Design Development

Deliverables:

Task	Project Manager	Sr. Prof. Engineer	Graduate Engineer	Landscape Architect	Professional Biologist	Technician	Word Processor
1 Project Management and Meetings	24	4	4	4			2.0
2 Hydrologic Analysis	2	8	32				
3 Geotechnical Engineering	4	28	20	20		56	
4 Site Design	4		12			8	
5 Construction Cost Estimates	16	8	8	8	2		4.0
6 Design Development Report							
Total hours	50	48	76	32	2	64	6.0

\$27,596

Project labor cost this phase

Equipment charges

- Mileage
- Delivery/Postage
- Reproduction
- Photo Processing

Total project cost this phase

\$80
\$20
\$100
\$20
\$27,816

Unlque components or assumptions:

ITEM: Consideration of Resolution 01-21 adopting the proposed 2002 general fund budget of \$1,349,783 and certified levy of \$860,313

SUBMITTED BY: Heather Worthington, City Administrator

REVIEWED BY: Roland Olson, Finance Director

EXPLANATION:

Summary: The Council is being asked to approve the general fund budget for the year 2002 of \$1,349,783 (including an operating transfer to the Park Programs Fund) with a certified levy of \$860,313. The council held four workshops on the budget and budget-related items beginning with the goal setting session in late June, 2001. The final budget will be adopted in December, 2001 following the public hearing on truth in taxation. The levy may be decreased, but not increased at that time. The budget is set according to the council's goals for 2002.

This year, the State Legislature made sweeping changes to the property tax system. These included the restructuring and compression of class rates, elimination of Homestead Agricultural Credit Aid (HACA), phasing out limited market value increases on property valuations, and taking over general education funding.

Related information:

The proposed general fund budget is an increase of \$32,434, or 2.4% over the 2001 budget (includes operating transfers). For comparison purposes, the 2001 budget was an increase of 3.8% over the 2000 budget.

The proposed certified levy is an increase of \$353,206 or 69% over the 2001 levy. This reflects a loss of state aid, and the entire fiscal disparities amount (which is currently unknown). Those two aids total \$305,321 based on 2001 amounts.

The City lost \$169,119 in Homestead Agricultural Credit Aid (HACA), and saw a modest gain of \$10,333 in Local Government Aid (LGA). The Fiscal Disparities amount is unknown, as well as market valuation (which the city uses to determine the tax rate). It is anticipated that the certified levy will be decreased substantially once these numbers are available, but the city is unable to increase the levy once it has been certified, so it is prudent to certify the maximum levy allowed, and then decrease it if necessary when the budget is adopted in December, and more information is available from the county.

The city's police cost for 2001, the largest single expense in the budget, will increase by \$9,373 for 2001.

The final property value information is not available from the county as of this writing, so the direct effect of the levy on the city's tax rate is not known. If this changes, the council is required to adopt a resolution noting this at a later meeting.

No. 01-21

City of Falcon Heights

COUNCIL RESOLUTION

Date: September 12, 2001

A RESOLUTION ADOPTING THE PROPOSED GENERAL FUND BUDGET OF \$1,349,783 AND CERTIFIED LEVY OF \$860,313 TO THE RAMSEY COUNTY AUDITOR FOR 2002

BE IT RESOLVED by the city council of the City of Falcon Heights that the proposed general operating budget for the year 2002 in the amount of \$1,349,783 be adopted; and

BE IT FURTHER RESOLVED that the county auditor is authorized to levy taxes in the amount of \$860,313 for the year 2002.

Moved by: _____

GEHRZ _____ In Favor
LAMB _____ Against
KUETTEL
LINDSTROM
TALBOT

Approved by: _____

Mayor

September 12, 2001

Date

Attested by: _____

City Administrator

September 12, 2001

Date

GENERAL FUND REVENUE BUDGET

ACCOUNT NUMBER	ACCOUNT TITLE	ACTUAL 1999	ACTUAL 2000	BUDGET 2001	1ST SIX MOS. 2001	BUDGET 2002	
<i>PROPERTY TAXES</i>							
30111	CURRENT AD VALOREM TAXES	405,004	493,781	507,107	0	722,603	42.5%
30111	FISCAL DISPARITY TAX	129,118	118,740	136,202	0	122,000	-10.4%
30112	DELINQUENT AD VALOREM	5,902	6,035	0	0	0	#DIV/0!
	<i>TOTAL PROPERTY TAXES</i>	600,024	618,556	643,309	0	844,603	31.3%
<i>LICENSES & PERMITS</i>							
32110	CONTRACTOR LICENSES	750	2,130	750	1,288	750	0.0%
32120	LIQUOR LICENSES	7,651	6,258	7,000	1,500	6,200	-11.4%
32130	CIGARETTE & AMUSEMENT LICENSES	1,785	975	1,000	500	1,000	0.0%
32140	MISCELLANEOUS BUSINESS LICENSES	5,875	4,961	3,000	2,661	3,000	0.0%
32210	BUILDING PERMITS	44,035	34,059	12,000	13,423	12,000	0.0%
32220	MICHAICAL PERMITS	6,912	8,239	4,000	2,434	4,000	0.0%
32230	PLUMBING PERMITS	1,594	2,318	1,000	538	1,000	0.0%
32240	OTHER PERMITS	3,218	3,065	2,000	1,814	2,000	0.0%
	<i>TOTAL LICENSES & PERMITS</i>	71,820	62,605	30,750	24,158	29,950	-2.6%
<i>INTERGOVERNMENTAL</i>							
33400	STATE GRANTS & AIDS (LGA)	220,537	217,579	229,590	0	230,923	4.5%
33400	STATE GRANTS & AIDS (HACA)	162,616	169,077	169,119	0	0	-100.0%
33400	STATE GRANTS & AIDS (LPA)	6,526	0	0	0	0	#DIV/0!
33410	OTHER GRANTS	1,707	1,707	1,707	0	1,707	0.0%
33430	MINNESOTA STATE AID - DOT	31,145	35,972	21,000	19,809	21,000	0.0%
33440	INSURANCE PREMIUM - FIRE	31,992	32,362	28,000	0	28,000	0.0%
33700	CABLE TV FRANCHISE FEES	38,005	24,779	20,000	14,863	20,000	0.0%
	<i>TOTAL INTERGOVERNMENTAL</i>	492,528	481,476	469,416	34,672	310,630	-33.8%
<i>CHARGES FOR SERVICES</i>							
34120	PLAN CHECK FEES	17,139	11,995	4,500	2,845	4,500	0.0%
34140	SPECIAL ASSESSMENT SEARCHES	0	0	0	0	0	#DIV/0!
34150	PLANNING FEES	0	122	100	0	100	0.0%
34170	SALE OF MAPS & COPIES	261	145	200	171	200	0.0%
34210	LAUDERDALE - FIRE CONTRACT	23,716	23,555	20,000	11,110	20,000	0.0%
34221	FALSE ALARMS - FIRE	911	400	1,000	60	500	-50.0%
34222	FALSE ALARMS - SECURITY	645	0	300	365	300	0.0%
	<i>TOTAL CHARGES FOR SERVICES</i>	42,672	36,217	26,100	14,551	25,600	-1.9%
<i>FINES & FORFEITS</i>							
35110	COURT FINES	121,602	110,498	110,000	32,154	100,000	-0.1%
	<i>TOTAL FINES & FORFEITS</i>	121,602	110,498	110,000	32,154	100,000	-0.1%
<i>SPECIAL ASSESSMENTS</i>							

36100	SPECIAL ASSESSMENTS	0	0	0	0	0	0	0	0	#DIV/0!
	TOTAL SPECIAL ASSESSMENTS	0	0	0	0	0	0	0	0	#DIV/0!
	MISCELLANEOUS									
36211	INTEREST ON INVESTMENTS	45,204	101,235	20,000	29,857	30,000				3.4%
36220	FACILITY RENTAL	4,644	5,938	4,000	2,485	4,000				0.0%
36400	MISCELLANEOUS	26,578	18,748	4,774	800	5,000				4.7%
	TOTAL MISCELLANEOUS	76,516	125,921	37,774	33,142	39,000				3.2%
	TOTAL REVENUES	1,405,162	1,435,273	1,317,349	138,677	1,349,783				2.5%
	OTHER FINANCING SOURCES									
39200	OPERATING TRANSFERS	2,646	0	0	0	0				#DIV/0!
	RESIDUAL EQUITY TRANSFER	13,545	0	0	0	0				#DIV/0!
	TOTAL OTHER FINANCING SOURCES	16,161	0	0	0	0				#DIV/0!
	TOTAL REVENUES & OTHER FINANCING SOURCES	1,421,323	1,435,273	1,317,349	138,677	1,349,783				2.5%

TOTAL GENERAL FUND EXPENDITURES BY DEPARTMENT

DEPT NUMBER	DEPARTMENT TITLE	ACTUAL 1999	ACTUAL 2000	BUDGET 2001	1ST SIX MOS. 2001	BUDGET 2002	
<i>GENERAL GOVERNMENT</i>							
111	LEGISLATIVE	41,528	40,741	45,340	24,001	40,540	2.0%
112	ADMINISTRATIVE	142,000	131,073	148,030	70,130	152,224	2.4%
113	FINANCE	45,922	52,702	08,097	32,207	70,208	2.2%
114	LEGAL	7,532	8,507	16,000	6,730	16,000	0.0%
116	ELECTIONS	5,583	7,224	8,083	1,437	8,320	2.0%
110	COMMUNICATIONS	35,208	30,038	43,410	22,747	49,072	13.0%
117	PLANNING & INSPECTIONS	59,300	75,581	82,473	15,412	68,045	-17.5%
	TOTAL GENERAL GOVERNMENT	330,030	352,580	412,651	170,402	410,400	-0.5%
<i>PUBLIC SAFETY</i>							
121	EMERGENCY PREPAREDNESS	7,124	2,037	2,202	023	2,344	3.0%
122	POLICE	387,980	308,037	415,054	230,775	426,027	2.3%
123	PROSECUTION	27,318	31,958	33,000	18,340	33,000	0.0%
124	FIRE FIGHTING	101,134	100,380	118,805	43,723	121,405	2.2%
125	FIRE PREVENTION	30,340	0	0	0	0	#DIV/0!
	TOTAL PUBLIC SAFETY	502,802	532,412	500,721	302,701	581,770	2.1%
<i>PARKS & PUBLIC WORKS</i>							
131	CITY HALL & GROUNDS	51,285	50,030	51,220	27,774	50,023	10.5%
132	STREETS	105,385	112,280	118,200	50,301	135,338	14.5%
133	ENGINEERING	13,730	10,442	18,000	0,811	0,000	-50.0%
134	TREE PROGRAM	17,240	25,920	24,570	2,713	23,853	-2.0%
141	PARK MAINTENANCE & ADMINISTRATION	106,330	85,874	95,575	48,720	105,384	10.3%
	TOTAL PARKS & PUBLIC WORKS	205,082	285,470	307,577	130,418	330,198	7.4%
<i>MISCELLANEOUS</i>							
102	CONTINGENCY	17,814	13,870	12,000	2,240	12,000	0.0%
	TOTAL MISCELLANEOUS	17,814	13,870	12,000	2,240	12,000	0.0%
	TOTAL EXPENDITURES	1,212,037	1,184,339	1,301,040	623,830	1,334,363	2.5%
<i>OTHER FINANCING USES</i>							
	OPERATING TRANSFERS	320,400	15,400	15,400	15,400	15,400	0.0%
	TOTAL OTHER FINANCING USES	320,400	15,400	15,400	15,400	15,400	0.0%
	TOTAL EXPENDITURES & OTHER FINANCING USES	1,533,037	1,199,739	1,317,340	639,230	1,349,763	2.5%



Date: August 16, 2001

To: Mayors, managers/administrators

From: Jim Miller, LMC executive director
Gene Ranieri, AMM executive director

Re: 2001 legislative changes to property taxes, state aids

MEMORANDUM

With the passage of the 2001 omnibus tax bill, municipal officials need to be prepared to address the questions and concerns of taxpayers and the media. To assist city officials, the League of Minnesota Cities and the Association of Metropolitan Municipalities are working on a three-prong effort: (1) help cities understand the impacts of the tax bill; (2) to help reporters who cover city hall understand the new changes at a workshop Aug. 22; (3) further explain to legislators how city financing will change and impact taxpayers.

We believe it is important for all city officials to understand that the Legislature intended for cities to levy back any loss in state aids they might experience. In their budget discussions with community members, cities should point out their spending goals, not just the tax rate changes or levy increases. Finally, it's important to consider the changes in the education levy, most notably, how the average property taxpayer's bill may be lower overall.

Background

The 2001 omnibus tax bill enacted several sweeping reforms to the Minnesota state/local finance system, including continuation of compression of tax classification, the state takeover of the general education property taxes for school districts, and state takeover of transit levies. The combined impact of these changes will mean that school property taxes will drop markedly while city property taxes will generally increase—in some cases dramatically.

In addition to decreasing the school reliance on the property tax, the Legislature eliminated the Homestead and Agricultural Credit Aid program (HACA) — a reduction of \$200 million per year in state aid to cities. The elimination of HACA translates into an immediate increase in the city reliance on the property tax.

The overall impact of the elimination of HACA on cities is partially offset by an increase in local government aid by \$140 million. However, because of how the LGA formula works, cities with less property wealth will generally receive more state assistance through LGA. Although the final LGA formula compromise has drawn criticism from some legislators and some city officials, the general LGA system served as an important policy tool to geographically balance the relief being provided through the elimination of the general education levy.

Response

Most property owners will see a tax reduction in 2002; however, the city share of the typical property tax bill will likely increase. Although this outcome will be painful for city officials, it was intentional. The Legislature expects most cities to levy back the amount of taxes lost in state aids.

Clearly, city councils can and will choose whether and how much to levy, as you do each year. But whatever the decision, we believe it is important for you to explain to your community and media how these legislative changes have dramatically affected your city's property tax levy.

An important element of that explanation is city *spending*. After talking about the fundamental property tax changes the Legislature passed this spring and how that may increase your city's levy, highlight your city spending increase (or decrease!). While these state aid changes will impact city taxpayers this year, it is city spending and budget priorities which may be of most concern to them.

Finally, do not overlook the substantial reduction in property taxes most property owners will realize because of the state takeover of the general education and transit levies. The Legislature injected significant funds into the tax system, so most Minnesotans will see a decrease in their property tax bills.

Educating the media

Tell your city hall reporters about an opportunity to understand the new laws and how city budgets and citizens' property tax bills will change. The League and AMM will sponsor a workshop for news reporters, the morning of Wednesday, August 22, at the League offices in St. Paul, to help prepare reporters in time to cover the city budget hearings and the setting of preliminary levies.

Helpful information

We included in this packet a list of frequently asked questions on these tax changes and how cities may be affected. If you have additional questions, please feel free to call Gene Ranieri at 651.215.4001 or Gary Carlson at 651.281.1255.

2001 Omnibus Tax Bill: Frequently Asked Questions

Q: What is the policy rationale that is driving all of these changes?

One way to describe the tax outcomes is that the Governor and the many legislators wanted the property tax to be more of a locally determined tax. Given that school property taxes have largely been set by the state, a state takeover of general education levies became a cornerstone of the governor's plan, the House tax bill and the final tax package. On the other hand, given that city services are primarily determined by city councils, the governor and legislature found that these services should be more fully supported by the property tax. In other words, by removing a large share of school funding from the property tax, cities and counties would be more able to tap the property tax to fund their services.

Q: Isn't this rationale flawed by the existence of levy limits and the new state property tax?

A: Yes, the fact that levy limits were included in the final tax package means that cities will not be able to fully exercise their discretion about service levels and property taxes. In addition, although the new state property tax is only paid by commercial, industrial and cabin property owners, it is certainly not a local tax.

Q: Wasn't simplicity one of the goals of property tax reform?

A: Simplicity may have been an initial goal of tax reform but the final tax bill arguably does little to simplify the system.

Q: The Legislature and Governor have estimated that most taxpayers will see their overall property tax bill reduced. Do these estimates reflect the fact that many cities will have to increase their property tax levies to replace lost state aids?

A: The estimates assume that cities will replace, dollar-for-dollar, lost state aid with increased property taxes. In other words, even with these increases in the city share of the property tax bill, taxpayers are expected to see a tax reduction in 2002.

Q: Will the levy limits enacted in the tax bill allow the city to replace lost state aids?

A: Yes, cities covered by levy limits (those over 2,500 population) will be allowed to replace lost state aids with property taxes. In a sense, the term levy limits are somewhat of a misnomer. A more accurate term might be revenue limits. Levy limits are essentially based on the total of the city's property tax and state aids from the previous year. To the degree that state aids are reduced or eliminated, the allowable property tax levy authority increases. Conversely, if state aids increase, levy authority is reduced.

Q: Won't the city property tax increases to replace lost state aids draw intense criticism from our taxpayers?

A: This could happen, particularly if city officials are not prepared to explain the legislative changes enacted this year. However, due to the magnitude of the changes to the tax system, the parcel-specific notices sent to taxpayers this fall will not itemize the 2001 city taxes and the 2002 proposed city taxes. The only direct comparison on the form will be the total 2001 taxes to the proposed 2002 total taxes. This structure will hopefully avoid any unnecessary taxpayer concerns about increases in city levies due to lost state aids. Despite this one-year change in the parcel-specific notice, you will still want to be prepared to explain these changes to taxpayers.

Q: Levy limits will be in place for two years. Should we levy "to the limit" so that the city preserves its levy authority for future years?

A: Each city council will have to make a decision on local needs and the level of property taxes needed. Fortunately, levy limits are structured so that unused levy authority in any year is carried forward for future years. This structure was established so that cities and counties would not be encouraged to simply levy to the limit. Of course, the legislature could always change this provision but the "if you don't use it you won't lose it" structure of levy limits seems to have broad legislative support.

Q: Why was HACA eliminated?

A: The answer is not simple but the overall cost of the tax bill, including the state takeover of the total general education costs for schools, required the state to reprioritize its appropriations. HACA was viewed by many legislators as an undefined state aid that had little purpose largely due to the fact that there is no active formula to determine HACA distributions. The \$200 million in HACA that had been distributed to cities was used to pay for the costs associated with the overall tax reform package.

Q: Will the Fiscal Disparities program be affected by the significant class rate reductions contained in the tax bill?

A: For 2002, the interaction of the tax reforms and fiscal disparities program will have no net impact on city finances. The fiscal disparities program is computed based upon property tax values from the previous year. Therefore, the amount of property taxes ultimately distributed to each city under the fiscal disparities program will not be affected.

Q: In the future, will school districts levy any property taxes?

A: Yes, school districts will still levy some property taxes including levies for community service, health and safety, integration and building leases. Many school districts also impose additional voter approved levies for operation and debt service for capital

projects. In fact, due to school district concerns about the level of available school revenue under the 2001 omnibus education funding bill, there are preliminary indications that many school districts may seek new or expanded voter approval for operating levies.

Q: Won't cabins and farmers be exempt from paying for voter approved school levies?

A: Yes, farm land and cabin properties have been exempted from paying for voter approved levies. This will affect existing as well as future, new voter-approved levies for schools, cities and counties. The state will offset the impact of shifts in the school taxes by using state resources to "equalize" a portion of these voter approved levies.

Q: Will the state levy a property tax?

A: Yes, the state will levy a new property tax that will be applied only to commercial, industrial and seasonal recreational (cabin) properties. The state tax will be administered just like any other local government's property tax levy and will be included as a line item on the property tax statement. The state property taxes will generally be deposited in the state's general fund and will therefore be available for general state spending.

Q: The only class of property that was not granted a class rate reduction was low value homesteads. Will their taxes increase?

A: The class rate applied to the first \$76,000 of homestead value will remain at 1 percent. This is the only major property class that did not receive a class rate reduction. However, at least in the short term, taxes on even these properties will likely be reduced due to two factors. First, lower value homes will receive a new market value homestead credit that effectively translates into the state paying a portion of each qualifying homeowner's tax bill. In addition, all property owners including low value homes will pay significantly lower taxes to schools due to the state takeover of general education costs. According to legislative estimates, the combined effect of these changes will reduce taxes for most low valued homes.

Q: How does the homestead credit work?

A: The credit is equal to 0.4 percent of the market value of the home up to a maximum value of \$76,000. For homes valued in excess of \$76,000, the credit is gradually reduced by \$9 for every \$10,000 of the home's market value in excess of \$76,000. Therefore, the credit is entirely eliminated for homes valued in excess of \$414,000.

Q: Our city has a charter provision that restricts our ability to increase taxes that did not anticipate large cuts in state aids. What can we do to replace lost state aids?

A: The 2001 omnibus tax bill includes an override of city charters that in certain circumstances will allow charter cities with restrictive levy limits to replace lost state aids.

Q: Will the future phase-out of limited market value eventually shift taxes to homes?

A: Under state statute, limited market value was due to sunset after taxes payable in 2002. The tax bill actually delays the elimination of the statute by phasing it out over a six-year period. This will increase the taxable value of homes and cabins that currently benefit from limited market value and ultimately shift property taxes to homeowners. Future legislatures will likely have to address any taxpayer fallout due to the impacts of the phase-out of limited market value.

Q: Why will my city receive less LGA in 2002 despite that fact that the legislature increased the overall appropriation by \$140 million?

A: The governor proposed and the legislature adopted several changes to the LGA system that modify the distribution of the LGA appropriation. These changes generally provide more aid to first class cities (Minneapolis, St. Paul and Duluth) as well as outstate regional centers over 10,000 population.

Although these cities will receive more state aid, their levy limitations will be lower than it would have been in the absence of the aid increase due to the interaction of levy limits and state aid. Also, at the close of the legislative session, several key lawmakers indicated that the LGA system, including the 2001 changes, would be the subject of legislative review, possibly as early as 2002. In other words, the stability of these increases could be short-lived.

Q: How will tax increment financing districts be impacted?

A: Many existing TIF districts will experience TIF reductions from 20 to 40 percent. These reductions are due to the combined impact of the state takeover of the general education levy and the property tax class rate changes. Future districts will generate increments largely from the city and county tax rates since a large share of the current school property tax has been eliminated.

Q: Are there any mechanisms to address impacts on TIF existing districts?

Q: Yes, there is the TIF grant program with a significantly increased state financial commitment, expanded pooling authority, and a new special deficit authority. Procedures and qualification requirements are fairly complex. Since impacts from this year's tax bill will not be experienced until 2002, applications for TIF grants will not be due until August 1, 2003.