

PLANNING COMMISSION

City of Brainerd, Minnesota
City Hall, 501 Laurel Street, Council Chambers
Wednesday, July 12, 2023 @ 6:00pm

The public is invited to attend this meeting in person
Attend by phone: 1-844-992-4726 Meeting Access Code: 2485 188 2283

Meetings are broadcast on CTC ch 8, Charter ch 181, YouTube, AppleTV, Roku, and Amazon FireTV

1. Call To Order

2. Roll Call

____ C. Marohn ____ D. Gorham ____ M. Duval ____ J. Norwood

____ J. Grunenwald ____ T. Stenglein ____ K. Yeager

3. Pledge Of Allegiance

4. Approval Of Agenda

5. New Business

5.a. Consider Support For The Eight05 Laurel Project In Relation To Comprehensive Plan

Documents:

[EIGHT05 LAURAL STREET PROJECT.PDF](#)

6. Adjournment

MEMO



TO: Planning Commission

FROM: James Kramvik, Community Development Director

DATE: July 12th, 2023

RE: Consider Support for the Eight05 Laurel Street Project in Relation to Comprehensive Plan

SUMMARY

City Staff has been working with the Brainerd HRA as well as the development company, DW Jones, on a redevelopment project at the corner of 8th Street and Laurel Street in downtown Brainerd. Much of this property has been vacant for years and is primed for redevelopment. This proposed project would include the demolition of the existing substandard buildings within the project footprint with the plan to rebuild a mixed-use building of commercial space along with 78 units of multi-family housing. The plan also includes 65 units of underground parking along with additional surface parking behind the building.

Due to the prohibitive costs associated with a redevelopment of this size, the developer is researching and applying for multiple funding sources to go along with their traditional financing and owner equity. One of the additional funding sources that is being requested is the creation of a redevelopment TIF district. A building and property assessment report that was completed in January 2023 by engineering firm LHB concluded that the buildings within the project footprint would meet the definition of substandard and would meet the requirements for inclusion within a redevelopment TIF district. The HRA anticipates using tax increment revenues to finance eligible extraordinary costs associated with redevelopment of the project site including acquisition, site development, and eligible redevelopment costs, as well as related administrative expenses.

Multiple steps need to be followed to establish a tax increment financing district, including notifications to the County and School District, publication of a public hearing notice, and the holding of a public hearing. The public hearing for City Council to consider this project will take place on Monday, July 17, 2023, followed by HRA Board review and consideration of approval on Wednesday, July 26. The public hearing date is the time in which City Council will take public comment, and after the hearing, consider the adoption of a resolution approving the TIF District, followed by HRA review and approval.

Demolition and subsequent construction of the new development on the project site is projected to start in fall 2023 and continue construction through 2024.

A TIF District must be established within a Project Area. The boundaries of Tax Increment Financing Redevelopment District No. 2-1 will be coterminous with Redevelopment Project No. 2. Tax increment revenues of the TIF District are generated from incremental growth within the district and are allowed to be spent within the boundaries of the TIF District and, with certain restrictions, within the Project Area.

Prior to City Council approval of the proposed redevelopment TIF district and redevelopment project, the City is required pursuant to the applicable statutes to consult with its Planning Commission prior to designating a redevelopment project and pursuant to Minnesota Statutes Section 469.175, Subdivision 3, the City needs to make certain findings that include the following:

1. The TIF District qualifies as a redevelopment district;
2. The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future;
3. The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for development of the Project Area by private enterprise; and
4. The Plans conform to general plans for development of the City as a whole.

Planning Commission is tasked with providing a recommendation for the following:

1. Review and provide a recommendation of the proposal by the HRA to establish Redevelopment Project No. 2 and adopt a Redevelopment Plan and establish Tax Increment Financing Redevelopment District No. 2-1 and adopt a TIF Plan relating thereto.
2. Review the proposed project to be constructed within the redevelopment TIF district and redevelopment project area and consider if it is supported by the goals and policies of the Brainerd Comprehensive Plan.

CONTEXT

Parcel Numbers: 41241495, 41241506, 41241505, 41241496, 41241497

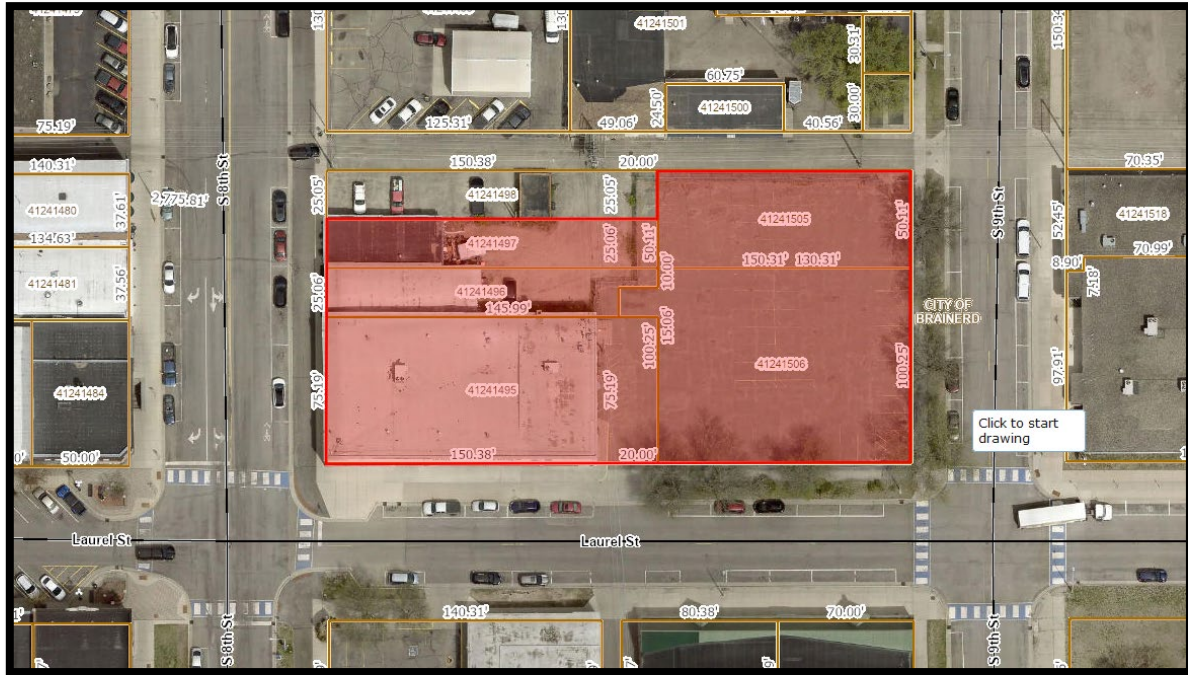
Zoning District: Town Center (TC) District (TC District Frontage Overlay)

Property Area: 0.93 Acres

Adjacent Uses: North: Office Business
East: Restaurant
South: Financial Institution
West: On-sale Liquor/ Restaurant

Adjacent Zoning: North: Town Center (TC) District (TC District Frontage Overlay)
East: Town Center (TC) District
South: Town Center (TC) District (TC District Frontage Overlay)
West: Main Street (MS) District

Aerial Map (Project Area)



Existing Zoning Map (Project Area)



Zoning

- Rural Living 1 (RL-1)
- Rural Living 2 (RL-2)
- Garden Living (GL)
- Contemporary Neighborhood 1 (CN-1)
- Contemporary Neighborhood 2 (CN-2)
- General Commercial (GC)
- Commercial Corridor (CC)
- Traditional Neighborhood 1 (TN-1)
- Traditional Neighborhood 2 (TN-2)
- Town Center (TC)
- Main Street (MS)
- Makers and Employment (ME)
- General Industrial (GI)
- Public / Semi-Public (PSP)
- Park (P)



FINDINGS OF FACT

1. 805 Laurel Street is in the TC (Town Center) District and the façade of the building facing 8th Street South is part of the Town Center (Frontage Overlay) District.
 - a. Residential uses are allowed on the first floor in the TC District. However, the overlay district prohibits residential uses on the main floor adjacent to the public right-of-way and requires either a shop front or common entry façade.
 - i. *DW Jones proposes three commercial units on the first floor along South Eighth Street which adhere to the requirements of the overlay district.*
2. To qualify as a redevelopment TIF district, 70 percent of the area of the district must be occupied by buildings, streets, utilities, or other similar structures and more than 50 percent of the buildings must be structurally substandard.
 - a. *The property has been reviewed by engineering firm LHB and determined to meet the definition of substandard to be included within a redevelopment TIF district.*
 - b. *The proposed TIF District has a coverage calculation of 100 percent which is above the 70 percent requirement.*
 - c. *66.7 percent of the buildings are structurally substandard which is above the 50 percent requirement.*
 - d. *The substandard buildings are reasonably distributed.*
3. Before creating a TIF district, a local government must find that in the opinion the subsidized development would not have happened “but for” the use of TIF.
 - a. *The proposed project consists of the redevelopment of property within the City that consists of blighted property found to be substandard and will be demolished following establishment of the TIF District. The Authority has identified significant and extraordinary costs including site development/preparation, demolition, public improvements and other redevelopment costs associated with redevelopment of the project site in conjunction with new development. The estimated total redevelopment costs for this property make the total cost of this effort significantly higher than costs reasonably incurred for similar developments on a clean site. The City’s finding that the proposed redevelopment would be unlikely to occur solely through private investment within the reasonably foreseeable future is based on an analysis of the proforma and other materials submitted by the developer.*
4. The Eight05 Laurel Street project and proposed TIF District are supported by the Brainerd Comprehensive Plan based on the following Goals & Policies:
 - a. **LAND USE** Goal 1: Support mixed-use development that is focused on integration instead of the separation of land uses.
 - i. Policy 1: Deploy smart growth principles to achieve economic, environmental, and community aspirations:
 1. Take advantage of compact design.
 2. Create a range of housing opportunities and choices.
 3. Create walkable and bikeable neighborhoods.
 4. Foster distinctive, attractive neighborhoods with a strong sense of place.
 5. Strengthen and direct development toward existing neighborhoods.

- ii. Policy 2: Develop complete neighborhoods that meet the needs of all people within a comfortable walking or bicycling distance.
 - iii. Policy 3: Allow a mix of land uses in appropriate locations, leading to lively neighborhoods.
- b. Goal 2: Through thoughtful planning, maintain the unique identity of the city and all the appropriate land uses that support it.
 - i. Policy 1: Support development that enhances the identity and community character of Brainerd.
 - ii. Policy 3: Promote reinvestment in the city's main highway corridors and downtown.
 - iii. Policy 4: Help existing places thrive.
 - iv. Policy 5: Encourage mixed-use neighborhoods that are walkable and bikeable, ones that provide the daily services that residents need within walking distances of their homes.
- c. Goal 3: Support and invest in the incremental enhancements of quality of life.
 - i. Policy 1: Endorse a vibrant downtown and support investment within our corridors.
 - ii. Policy 2: Encourage and attract stores and services for the daily needs of our community.
 - iii. Policy 3: Ensure a wide range of housing types for all income levels.

The proposed Eight05 Laurel Street redevelopment TIF district and redevelopment project area are supported by the Land Use Goals and Policies of the Brainerd Comprehensive Plan. A key component of the Comprehensive Plan focuses on investing and supporting redevelopment in downtown Brainerd. The proposed TIF district and redevelopment project area includes three buildings, along with a parking lot, that meet the definition of substandard according to the engineering report conducted by LHB. The proposed project would include the demolition of the 3 existing buildings and the rebuild of a mixed-use building of 5 commercial spaces along with 78 units of multi-family housing. The properties are in the TC District and according to Zoning Code [Section 515-2-11.A](#), the purpose of the TC Zoning District is to encourage the continuation of a viable, traditional downtown area by allowing retail, service, office and entertainment facilities and public and semi-public uses as well as multi-family dwelling units. The proposed project fully utilizes the existing parcels with a compact design that includes underground parking. This proposed project would also enhance the downtown neighborhood by providing additional housing options for potential residents to be within walking or biking distance of their daily needs or places of business. Adding 78 additional units of multifamily housing would help support existing businesses and encourage and attract new businesses downtown because of the population density increase to the neighborhood.

- d. **COMMUNITY CHARACTER** Goal 2: Enliven the community through intentional community design.
 - i. Policy 2: Transform downtown as the social hub of the community and the region.
- e. Goal 3: Enhance the city's unique identity where the appropriate blend of historic and modern structures co-exists.

- i. Policy 1: Communicate a design vision through guidelines or standards for structures, site design, building materials, and other requirements meant to accentuate the community image.
- ii. Policy 2: Collaborate with developers and builders on future development and/or redevelopment proposals to ensure high-quality design.

The developer proposes brick veneer along the first story of the building to help blend the modern structure with nearby historic brick buildings. Along with the brick veneer, the building alternates lap siding and rectangular panel siding to provide contrasting materials and visual interest from street view. Commercial units four and five are not a requirement of the overlay district but will visually strengthen the corner of Eighth and Laurel Street along with an enhanced corner façade.

- f. **HOUSING** Goal 1: Provide a diverse mix of housing choices for all stages of life, income ranges, and ownership/rental preferences.
 - i. Policy 1: Complement Brainerd's entry-level and affordable housing options by encouraging other move-up and mid-to upper-end, market-rate housing options.
 - ii. Policy 2: Expand home ownership and rental opportunities through rehabilitation and new construction.
 - iii. Policy 5: Ensure an adequate supply of quality and affordable housing units for current and future residents.
- g. Goal 2: Encourage the preservation and historical significance of existing neighborhoods.
 - i. Policy 6: Seek ways to encourage mixed-use development/redevelopment in and around the downtown area.

The proposed redevelopment TIF district and redevelopment project area is currently comprised of commercial spaces. The proposed project would retain commercial space and add 78 additional market rate apartments to Brainerd. Adding additional market rate/ affordable housing options is a key component to the Comprehensive Plan and the Economic Development Goals of the Brainerd EDA. This redevelopment TIF district and redevelopment project area would allow for the construction of a mixed-use building in and around the downtown area.

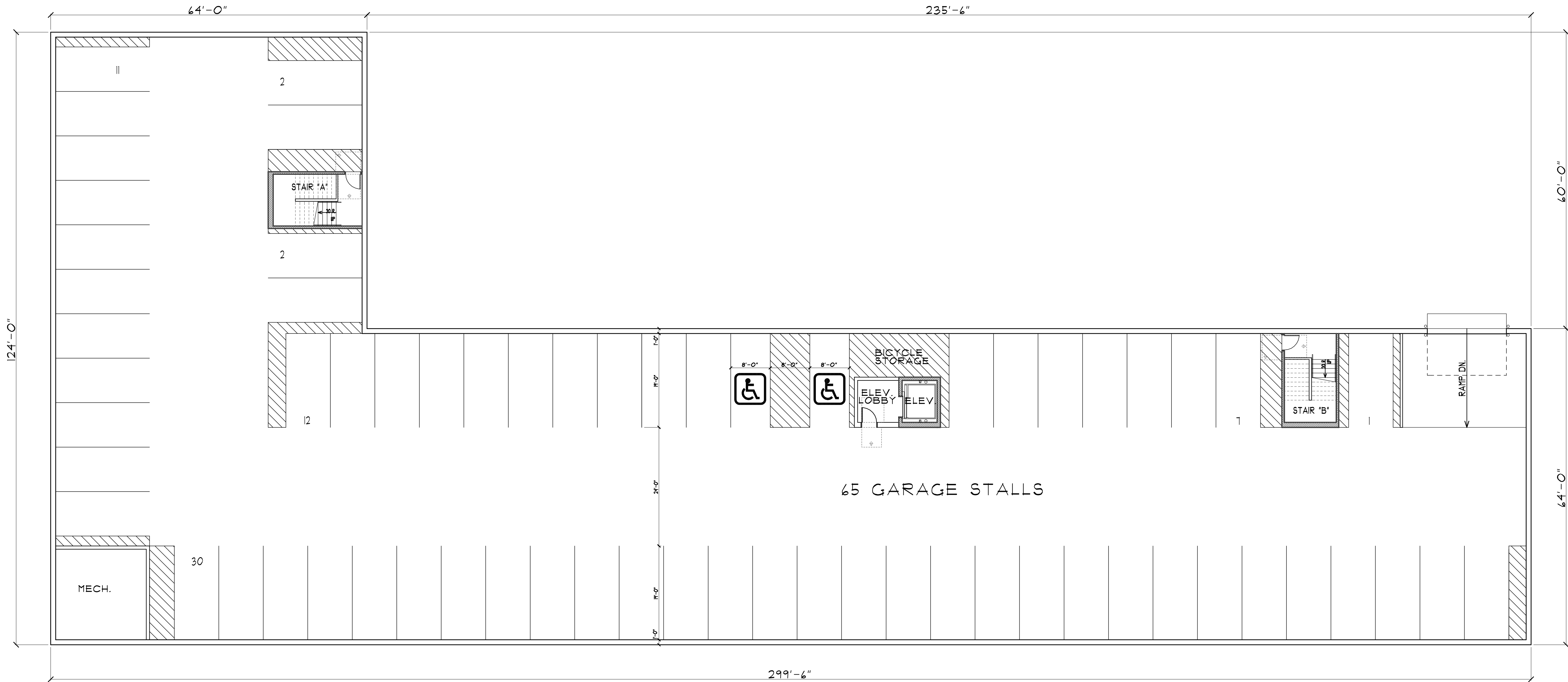
- h. **ECONOMIC DEVELOPMENT** Goal 1: Support infill and redevelopment throughout Brainerd as a strategic component of growth.
 - i. Policy 1: Drive infill development and redevelopment towards areas where current infrastructure is present, or places where high levels of blight or disinvestment exists.
 - ii. Policy 2: Invest in community improvements that will spur and support revitalization or redevelopment.
 - iii. Policy 4: Reclaim underutilized infrastructure within the city (industrial sites, rail lines, parking lots, blighted structures, vacant blocks).
- i. Goal 2: Support our workforce and help them thrive.
 - i. Policy 3: Support the ability to enable residents to work within close walking and biking distances from where they live.

The proposed redevelopment TIF district and redevelopment project area is currently comprised of 3 buildings. Engineering firm LHB concluded that at least fifty percent of the buildings within the project footprint would meet the definition of substandard. The proposed project area includes the 3 buildings and a large unused off-street parking lot that has all necessary utilities and infrastructure present to support the redevelopment of a four-story mixed-use building. A redevelopment project of this size and scope would help enhance and support the revitalization of Brainerd's downtown.

STAFF RECOMMENDATION

Staff recommends the following approvals based on the findings of fact for the proposed Eight05 Laurel Street project to be constructed within the redevelopment TIF district and redevelopment project area;

1. Recommend approval of the proposal by the HRA to establish Redevelopment Project No. 2 and adopt a Redevelopment Plan and establish Tax Increment Financing Redevelopment District No. 2-1 and adopt a TIF Plan relating thereto.
2. Recommend approval that the proposed project to be constructed within the redevelopment TIF district and redevelopment project area is supported by the goals and policies of the Brainerd Comprehensive Plan.



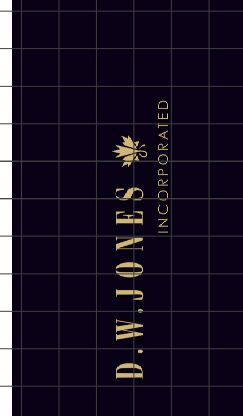
 **BASEMENT PLAN**
SCALE: 3/32" = 1'-0"

COLE GROUP
ARCHITECTS LLC.
214 Park Avenue South
Suite 102
Bloomington, MN 55401
(612) 454-4510
www.colegrouparchitects.com

These documents are not valid for building permit unless signed in ink and over sealed. Copies are not valid.

I hereby certify that this plan, specification or report was prepared by me or under my direct supervision and that I am a duly licensed Architect under the laws of the state of

Name **NORMAN E. COLE**

DEVELOPER:

D.W. JOHNS & ASSOCIATES

PROPOSED MIXED USE:
**EIGHT 05
LAUREL**
BRainerd, MN

REVISIONS COMMENTS

REVISIONS COMMENTS

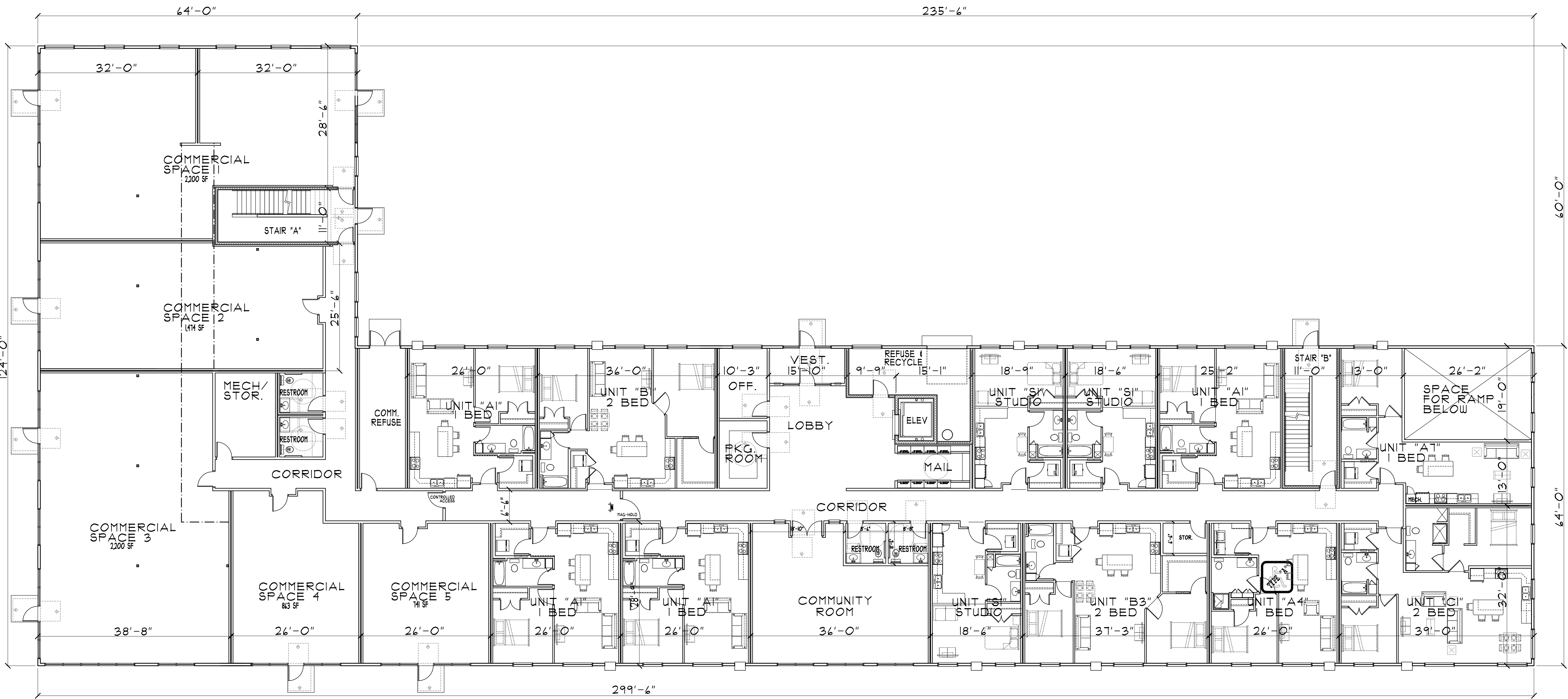
Project No.
21028

Issue Date:

Document Set:
PRELIMINARY

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PLOTTED: 05-23-23 FILE: 21028P COM: 5



BUILDING AREAS		UNIT MIX:		
SQUARE FOOTAGE		BEDROOMS	TOTAL	MIX %
PARKING GARAGE = 23,008 S.F.		STUDIO	12	15.5%
1ST FLOOR APARTMENT = 13,905 S.F.		1 BED 1 BATH	29	37%
COMMERCIAL SPACE = 9,103 S.F.		1 BED 1 BATH +DEN	9	11.5%
1ST FLOOR TOTAL = 23,008 S.F.		2 BED 1 BATH	14	18%
2ND FLOOR APARTMENT = 23,008 S.F.		2 BED 2 BATH	14	18%
3RD FLOOR APARTMENT = 23,008 S.F.				
4TH FLOOR APARTMENT = 23,008 S.F.				
BUILDING TOTAL = 115,040 S.F.			78	100%

FIRST FLOOR PLAN
SCALE: 3/32" = 1'-0"

COLE GROUP
ARCHITECTS LLC.
216 Park Avenue South
Suite 102
Saint Cloud, MN 56301
(320) 451-4570
info@colearchitects.com

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I hereby certify that this plan, specification or report was prepared by me or under my direct supervision and that I am a duly licensed Architect under the laws of the State of Minnesota.
Name: NORTON E. COLE

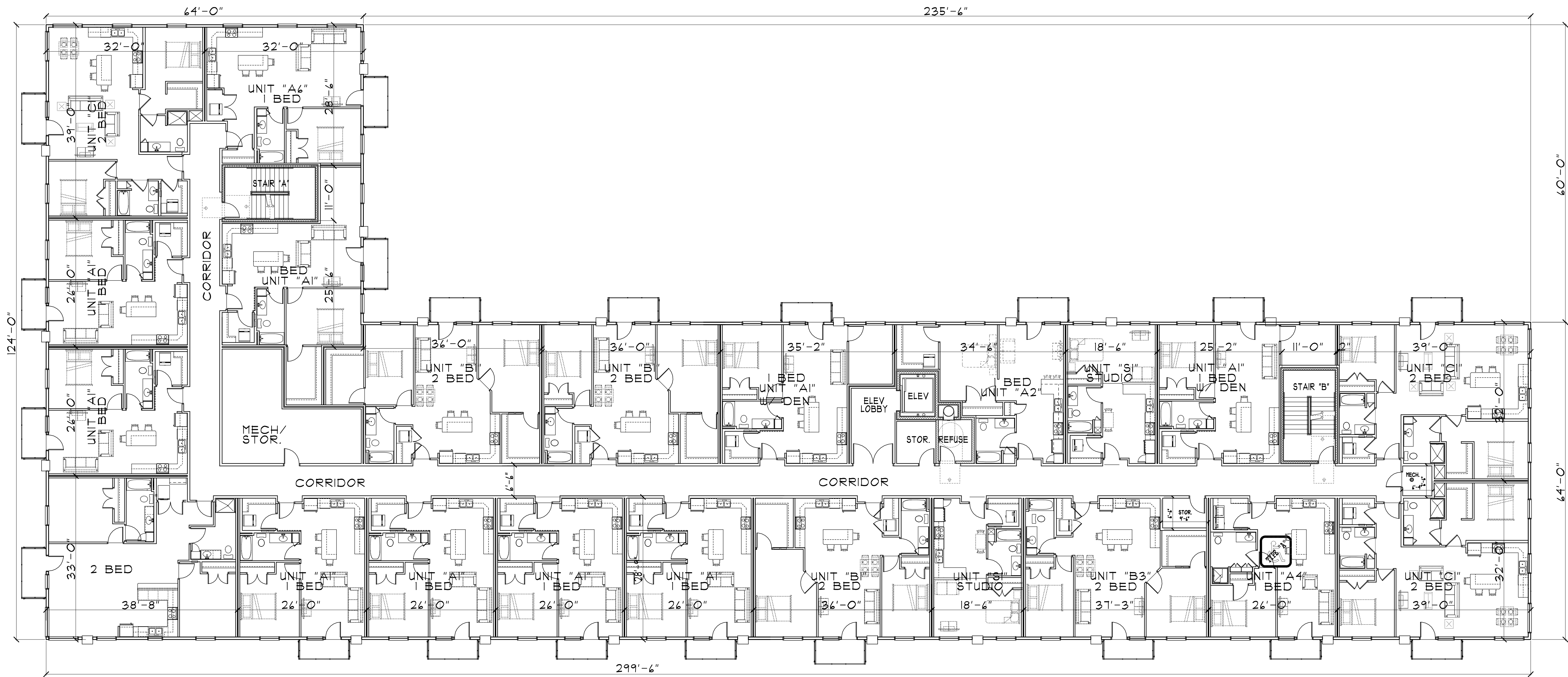
DEVELOPER:
D.W. JONES
INCORPORATED

PROPOSED MIXED USE:
EIGHT 05
LAUREL
BRANDED, MN

REVISIONS COMMENTS
REVISIONS COMMENTS
REVISIONS COMMENTS

Project No.
21028
Issue Date:
Document Set:
PRELIMINARY

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BUILDING AREAS		UNIT MIX:		
SQUARE FOOTAGE		BEDROOMS	TOTAL	MIX %
PARKING GARAGE = 23,008 S.F.		STUDIO	12	15.5%
1ST FLOOR APARTMENT = 13,905 S.F.		1 BED 1 BATH	29	37%
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4TH FLOOR APARTMENT = 23,008 S.F.				
BUILDING TOTAL = 115,040 S.F.			78	100%

2ND, 3RD, 4TH FLOOR PLAN
SCALE: 3/32" = 1'-0"

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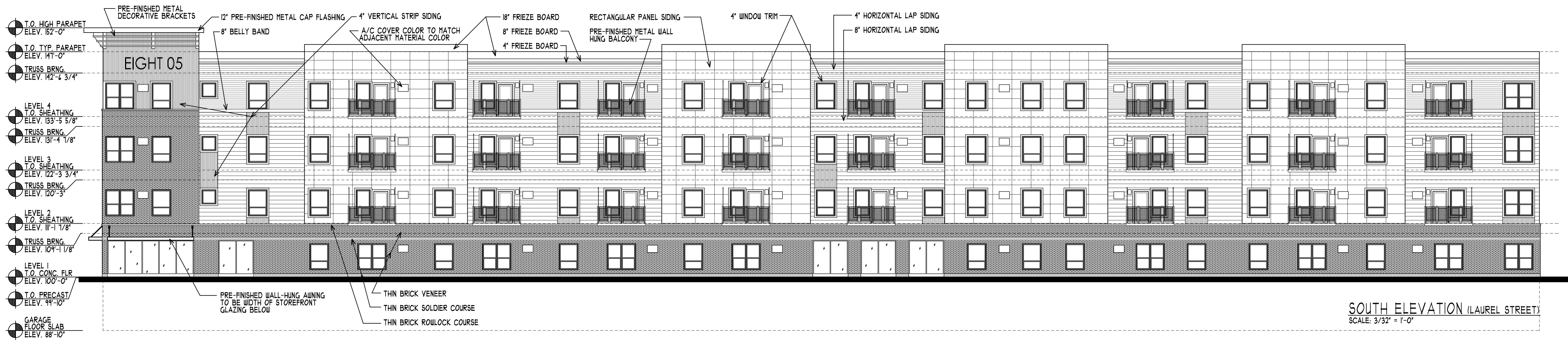
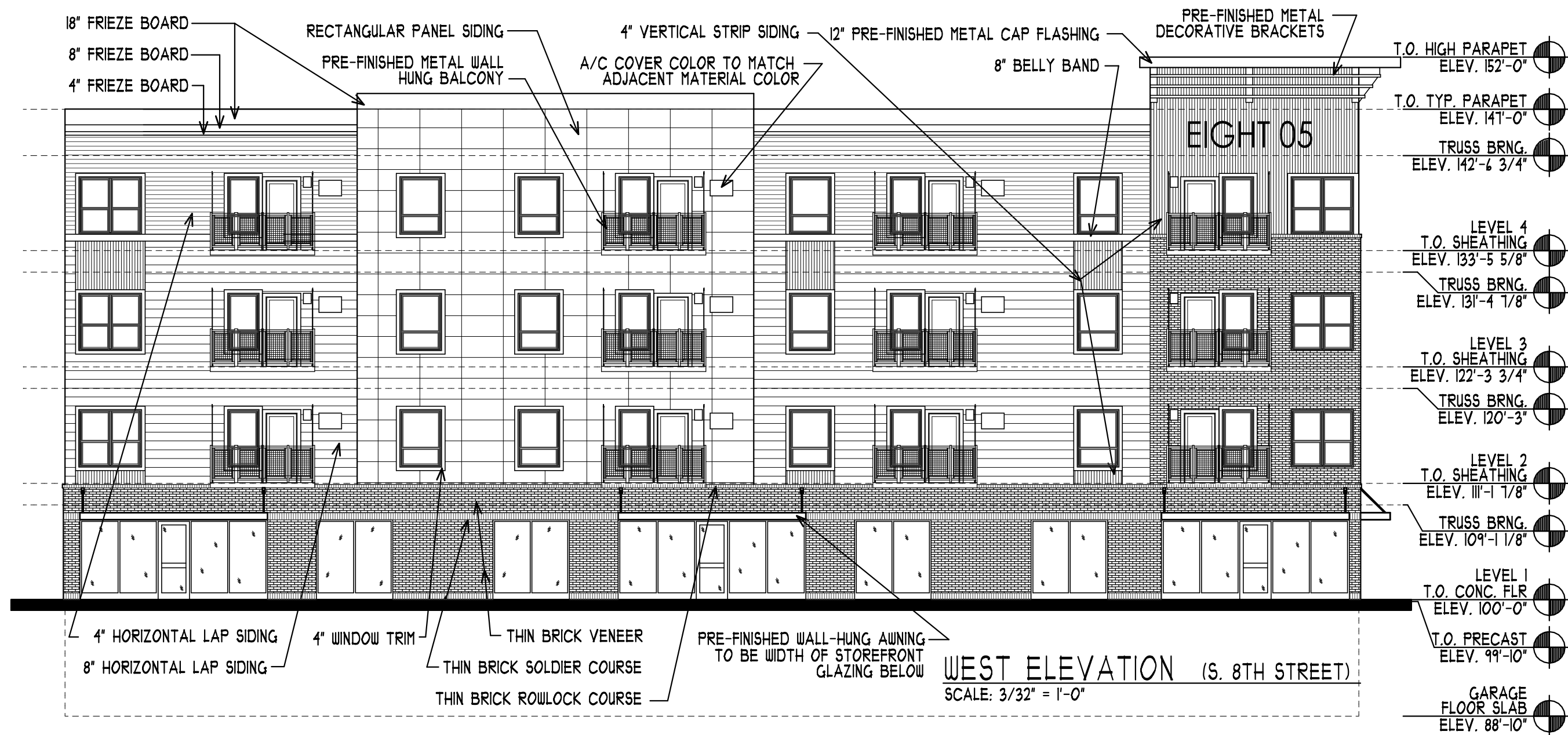
DEVELOPER:
D.W. JONES
INCORPORATED

PROPOSED MIXED USE:
EIGHT 05
LAUREL
BRANDER, MN

REVISIONS COMMENTS
REVISIONS COMMENTS

Project No.
21028
Issue Date:
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Document Set:
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Document Set:
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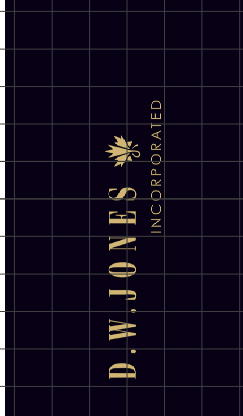
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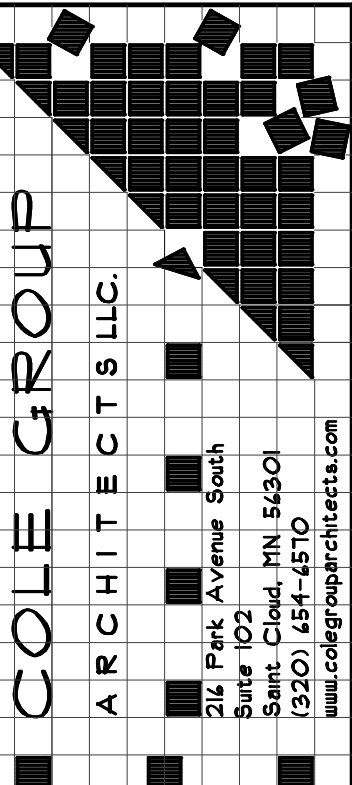
REVISIONS COMMENTS

DEVELOPER:

PROPOSED MIXED USE:
EIGHT 05
LAUREL
BRAND, MN



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I hereby certify that this plan, specification or report was prepared by me or under my direct supervision and that I am a duly licensed Architect under the laws of the state of MINNESOTA
Name NORMAN E. COLE



Redevelopment Plan for Redevelopment Project Area No. 2

Housing and Redevelopment Authority in and for the City of Brainerd

City of Brainerd, Minnesota

Prepared by

Baker Tilly Municipal Advisors, LLC

Draft Dated: July 7, 2023

Anticipated Approval by City Council: July 17, 2023

Anticipated Approval by HRA Board: July 26, 2023

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Map of Redevelopment Project Area		EXHIBIT I

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Section A Definitions

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

"Act" means the HRA Act.

"Authority" means the Housing and Redevelopment Authority in and for the City of Brainerd, a public body, corporate and politic of the State.

"Board of Commissioners" means the Board of Commissioners of the Authority.

"City" means the City of Brainerd, Minnesota; also referred to as a "Municipality".

"City Council" means the City Council of the City.

"Comprehensive Plan" means the Comprehensive Plan of the City.

"County" means Crow Wing County, Minnesota.

"HRA Act" means Minnesota Statutes sections 469.001 to 469.047, inclusive, as amended.

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

"Project Area" means the geographic area of the Redevelopment Project.

"Public Costs" means the costs of land acquisition, demolition, redevelopment, public improvements and site improvements, and other eligible costs as set forth in this Redevelopment Plan and the TIF Plan.

"Redevelopment Plan" means the Redevelopment Plan for Redevelopment Project Area No. 2.

"Redevelopment Project" means Redevelopment Project Area No. 2 which is described in the Redevelopment Plan (this document).

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes sections 469.174 through 469.1794, inclusive, as amended.

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

"TIF Plan" means the respective tax increment financing plan for each TIF district located within the Project Area.

Section B Statutory Authorization

The Act authorizes the Authority to exercise all the powers relating to a housing and redevelopment authority granted under the HRA Act, the TIF Act, or other law.

It is the intention of the Board of Commissioners, notwithstanding the enumeration of specific goals and objectives in the Redevelopment Plan, that the Authority shall have and enjoy with respect to the Project Area the full range of powers and duties conferred upon the Authority pursuant to the HRA Act, the TIF Act, and such other legal authority as the Authority may have or enjoy from time to time.

Section C Statement of Need and Public Purpose

The Authority finds that there is a need for development within the City and the Project Area in order to provide employment and housing opportunities, to improve the local tax base, and to improve the general economy of the City and the State. The economic security of the people in the City depends upon proper development of property that meets any one of a number of conditions, including properties whose values are too low to pay for the public services required or rendered and properties whose lack of use or improper use has resulted in stagnant or unproductive land that could otherwise contribute to the public health, safety, and welfare.

The Authority finds that in many cases such property cannot be developed or redeveloped without public participation and assistance in various forms including property acquisition and/or write-down, proper planning, the financing of development costs associated with clearance, grading and soils correction, and the making of various other public and private improvements necessary for development or redevelopment. In cases where the development or redevelopment of property cannot be done by private enterprise alone, the Authority believes it to be in the public interest to consider the exercise of its powers, to advance and spend public money, and to provide the means and impetus for such development or redevelopment.

The Authority finds that in certain cases property within the Project Area would or may not be available for redevelopment without the specific financial aid to be sought, that the Redevelopment Plan for the Project Area will afford maximum opportunity, consistent with the needs of the City as a whole, for the redevelopment of the Project Area by private enterprise, and that the Redevelopment Plan conforms to the general plan for the development of the City as a whole.

Section D Statement of Objectives

The Authority seeks to achieve one or more of the following objectives with respect to the Project Area, as the Authority may deem appropriate and necessary.

- (1) To promote and secure the prompt development of property within the Project Area, such property which is not now in its most productive use, in a manner consistent with the Comprehensive Plan, thus realizing Comprehensive Plan, land use, and tax base goals.
- (2) To assist development in the Project Area through the acquisition or write-down of certain interests in property which is not now in productive use or in its

highest and best use, to make or defray the cost of extraordinary redevelopment and site improvements on said property, and to construct or reimburse for the construction of public improvements and other facilities on or for the benefit of said property, thereby promoting and securing the development of other land within the Project Area.

(3) To secure the increase and availability of rental housing property for individuals and families within the Project Area.

(4) To promote and secure additional employment opportunities within the City and to prevent the loss of existing employment opportunities, thereby preventing the loss of valuable human resources.

(6) To provide funding for an ongoing development strategy and to prioritize the use of available resources.

(7) To implement and revise from time to time, as may be deemed necessary or desirable, a consolidated and unified Redevelopment Plan and to finance the associated development costs on an area-wide basis.

(8) To employ any of the powers of the Authority for the benefit of the Project Area in such cases and upon such terms as the Authority may deem appropriate.

Section E Boundaries of the Project Area

The property within the City which constitutes the Project Area includes the property as illustrated on the map attached as Exhibit I and described as follows:

Parcel Number	Legal Description
41241495	Lot 22, Thru 24 Inclusive Block 39, & Adjacent Vacated Portion of Alley
41241496	Lot 21, BLOCK 39, AND ADJACENT VACATED PORTION OF ALLEY.
41241497	Lot 20, BLOCK 39, AND ADJACENT VACATED PORTION OF ALLEY
41241506	Lot 1, BLOCK 39
41241505	Lots 5 & 6, BLOCK 39, AND ADJACENT VACATED PORTION OF ALLEY

The area encompassed by the Project Area shall also include all street or utility right-of-ways located upon or adjacent to the property described above, as illustrated in the boundary map included in Exhibit I. The City and the Authority reserve the right to expand the boundaries of the Project Area in the future.

Section F Property Acquisition

The Authority may acquire property, or appropriate interest therein, within the Project Area as it deems necessary or desirable to assist in the implementation of the Redevelopment Plan.

Section G Payment of Public Costs

It is anticipated that the Public Costs of the Project Area will be paid primarily from tax increment or proceeds of tax increment loans/bonds. Such costs are identified in the TIF Plan for the corresponding TIF District located within the Project Area. The Authority reserves the right to use other sources of revenue legally available to pay for such Public Costs including, but not limited to, special assessments, federal or state funds, and investment income.

Section H Environmental Controls; Land Use Regulations

All Authority actions, public improvements and private development shall be carried out in a manner consistent with existing environmental controls and all applicable Land Use Regulations.

Section I Park and Open Space to be Created

Any park and open space created within the Project Area will be done so in accordance with the zoning and platting ordinances of the City.

Section J Property Acquisition and Proposed Reuse

Prior to formal consideration of acquisition of any property, the Board of Commissioners will require the execution of a binding development agreement with respect thereto and evidence that tax increment or other funds will be available to repay the Public Costs associated with the proposed acquisition. Appropriate restrictions regarding the reuse and redevelopment of property shall be incorporated into any development agreement to which the Authority is a party.

Section K Administration and Maintenance

Maintenance and operation of the Project Area will be the responsibility of the Executive Director of the Authority who shall serve as administrator of the Project Area. Each year the Administrator will submit to the Board of Commissioners the maintenance and operation budget for the following year. The Administrator will administer the Redevelopment Plan pursuant to the provisions of the HRA Act; provided, however, that such powers may only be exercised at the direction of the Board of Commissioners. No action taken by the Executive Director pursuant to the above-mentioned powers shall be effective without authorization by the Board of Commissioners.

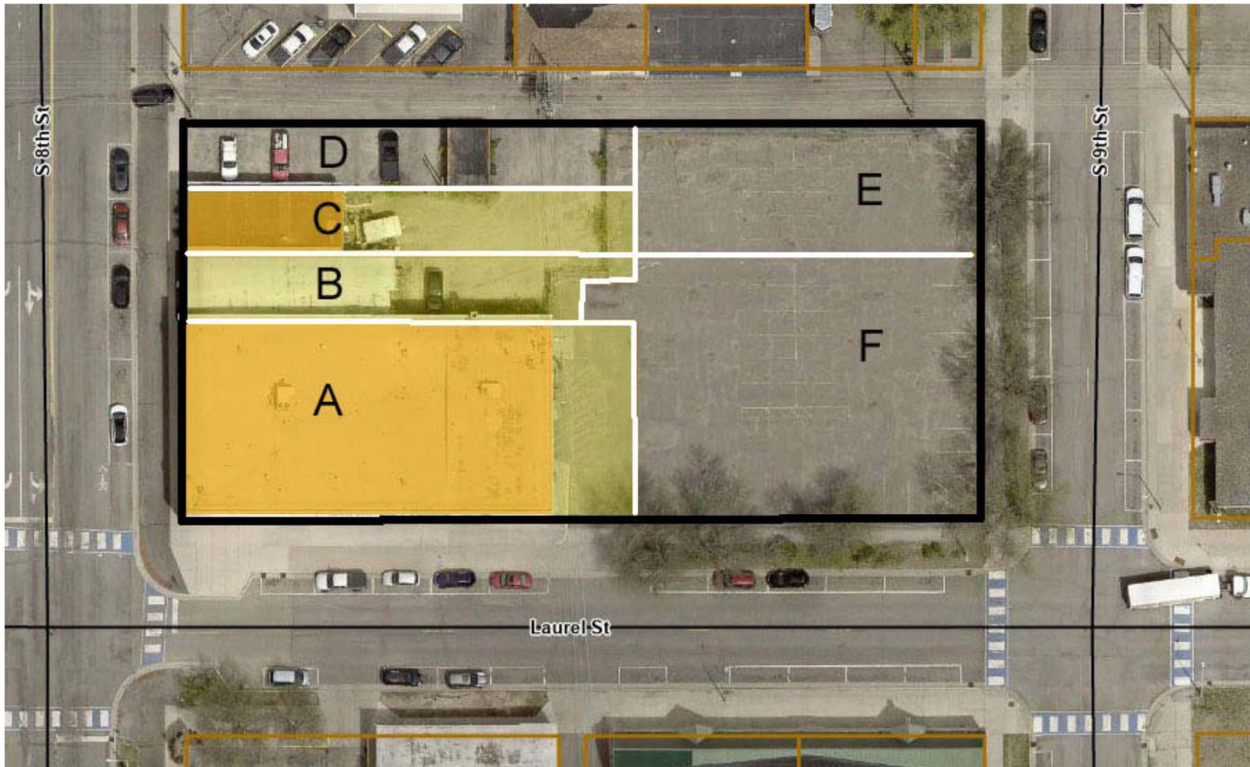
Section L Relocation

Any person or business that is displaced as a result of the Redevelopment Plan will be relocated in accordance with the provisions of the HRA Act and other applicable state and federal law.

Section M Amendments

The Authority reserves the right to alter and amend the Redevelopment Plan subject to the provisions of State law regulating such action.

**Map of
Redevelopment Project Area No. 2**



Tax Increment Financing Plan
for
Tax Increment Financing
(Redevelopment) District No. 2-1
(Thrifty White Redevelopment Project)
Redevelopment Project Area No. 2

Housing and Redevelopment Authority in and for the City of
Brainerd (HRA)
City of Brainerd, Minnesota

Prepared by
Baker Tilly Municipal Advisors, LLC

Dated: July 7, 2023

Public Hearing Scheduled by City Council: July 17, 2023
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Section A Definitions

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

"Act" means the HRA Act and the TIF Act.

"Authority" means the Housing and Redevelopment Authority in and for the City of Brainerd, a public body, corporate and politic of the State.

"Board of Commissioners" means the Board of Commissioners of the Authority. "City" means the City of Brainerd, Minnesota; also referred to as a "Municipality".

"City Council" means the City Council of the City; also referred to as the "Governing Body".

"County" means Crow Wing County, Minnesota.

"HRA Act" means Minnesota Statutes sections 469.001 to 469.047, inclusive, as amended.

"Project Area" means the geographic area of the Redevelopment Project.

"Redevelopment Plan" means the Redevelopment Plan for Redevelopment Project Area.

"Redevelopment Project Area" means Redevelopment Project Area No. 2, which is described in the corresponding Redevelopment Plan.

"School District" means Independent School District No. 181, Minnesota. "State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes sections 469.174 through 469.1794, inclusive, as amended.

"TIF District" means Tax Increment Financing (Redevelopment) District No. 2-1, a Redevelopment District.

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

Section B Overview

The Authority plans to adopt the TIF Plan for the TIF District within the Redevelopment Project. The purpose of the Redevelopment Plan is to establish a framework and implementation plan for redevelopment of the area comprising the Project Area.

The establishment of the TIF District as set forth in this TIF Plan is for the purpose of the implementation of the objectives set forth in the Redevelopment Plan attached herein as Exhibit VII.

Section C Statutory Authorization

The HRA Act authorizes the Authority to exercise all the powers relating to a housing and redevelopment authority granted under the HRA Act, the TIF Act or other law.

It is the intention of the Board of Commissioners, notwithstanding the enumeration of specific goals and objectives in the Redevelopment Plan, that the Authority shall have and enjoy with respect to the Project Area and TIF District the full range of powers and duties conferred upon the Authority pursuant to the HRA Act, the TIF Act and such other legal authority as the Authority may have or enjoy from time to time.

Section D Statement of Need and Public Purpose

The Authority and the City concur that there is a need for development and redevelopment within the City and the Project Area in order to provide employment and commercial redevelopment opportunities, to improve the local tax base, and to improve the general economy of the City and the State. The economic security of the people in the City depends upon proper development of property that meets any one of a number of conditions, including properties whose values are too low to pay for the public services required or rendered and properties whose lack of use or improper use has resulted in stagnant or unproductive land that could otherwise contribute to the public health, safety, and welfare.

The Authority finds that the property within this TIF District cannot be redeveloped, consistent with the Comprehensive Plan of the City, without public participation and assistance in various forms including assistance for property acquisition, and/or write-down, proper planning, the financing of development costs associated with clearance, grading and soils correction, and the making of various other public and private improvements for redevelopment of blighted property, which are necessary for the project to proceed. In cases where the redevelopment of property cannot be done by private enterprise alone, the Authority believes it to be in the public interest to consider the exercise of its powers, to advance and spend public money, and to provide the means and impetus for such development and redevelopment.

Section E Statement of Objectives

The Authority seeks to achieve, through the use of tax increment, one or more of the following objectives with respect to the Redevelopment Project and Project Area, as the Authority may deem appropriate and necessary.

- (1) To promote and secure the prompt development of property within the Project Area, such property which is not now in its most productive use, in a manner consistent with the Comprehensive Plan, thus realizing Comprehensive Plan, land use, and tax base goals.
- (2) To assist redevelopment in the Project Area through the acquisition or write-down of certain interests in property which is not now in productive use or in its highest and best use, to make or defray the cost of soil corrections or site improvements on said property, and to construct or reimburse for the construction of public improvements and other facilities on or for the benefit of said property, thereby promoting and securing the development of other land within the Project Area.
- (4) To promote and secure additional employment opportunities within the City and to prevent the loss of existing employment opportunities, thereby preventing the loss of valuable human resources.

- (5) To provide funding for an ongoing development strategy and to prioritize the use of available resources.
- (6) To implement and revise from time to time, as may be deemed necessary or desirable, a consolidated and unified Redevelopment Plan and to finance the associated development costs on an area-wide basis.
- (7) To employ any of the powers of the Authority for the benefit of the Project Area in such cases and upon such terms as the Authority may deem appropriate.

Section F Boundaries of the Project Area and TIF District

The property within the City which constitutes the Project Area and TIF District includes the property contained within the boundaries described below and is illustrated in the map attached as Exhibit I.

The TIF District includes five tax parcels within the Project Area as shown on the attached map (Exhibit I). The City and Authority reserve the right to expand the boundaries of the Project Area in the future.

Section G Designation of Tax Increment Financing District as a Redevelopment District

Redevelopment districts are a type of tax increment financing district in which one or more of the following conditions exists and is reasonably distributed throughout the district:

- (1) parcels comprising at least 70% of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50% of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. A parcel is deemed "occupied" if at least 15% of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures;
- (2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad right-of-ways; or
- (3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in Minnesota Statutes Section 115C.02, Subdivision 15, if the tank facilities:
 - (i) have or had a capacity of more than 1,000,000 gallons;
 - (ii) are located adjacent to rail facilities; and
 - (iii) have been removed or are unused, underused, inappropriately used, or infrequently used.

For districts consisting of two more noncontiguous areas, each area must individually qualify under the provisions listed above to be included in the district, and the entire area must also qualify as a whole.

The TIF District qualifies as a redevelopment district in that it meets all of the criteria listed in (1) above. The supporting facts and documentation for this determination will be retained by the

Authority for the life of the TIF District and are available to the public upon request. An analysis was completed by LHB, Inc. dated January 13, 2022 to make this determination.

"Structurally substandard" is defined as buildings containing defects or deficiencies in structural elements, essential utilities and facilities, light and ventilation, fire protection (including egress), layout and condition of interior partitions, or similar factors. Generally, a building is not structurally substandard if it is in compliance with the building code applicable to a new building or could be modified to satisfy the existing code at a cost of less than 15% of the cost of constructing a new structure of the same size and type.

A municipality may not find that a building is structurally substandard without an interior inspection, unless it cannot gain access to the property and there exists evidence which supports the structurally substandard finding. Such evidence includes recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained. A parcel is deemed to be occupied by a structurally substandard building if the following conditions are met:

- (1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district;
- (2) the demolition or removal of the substandard building was performed or financed by the Authority, or was performed by a developer under a development agreement with the Authority;
- (3) the Authority found by resolution before such demolition or removal occurred that the building was structurally substandard, and that the Authority intended to include the parcel in the TIF district; and
- (4) the Authority notifies the county auditor that the original tax capacity of the parcel must be adjusted upon filing the request for certification of the tax capacity of the parcel as part of a district.

In the case of (4) above, the county auditor shall certify the original net tax capacity of the parcel to be the greater of (a) the current tax capacity of the parcel, or (b) a computed tax capacity of the parcel using the estimated market value of the parcel for the year in which the demolition or removal occurred, and the appropriate classification rate(s) for the current year.

At least 90 percent of the tax increment from a redevelopment district must be used to finance the cost of correcting conditions that allow designation as a redevelopment district. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of land, removal of hazardous substances or remediation necessary to development of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the Authority may be included in the qualifying costs.

Section H Duration of the TIF District

Redevelopment districts may remain in existence for 26 years from the date of receipt by the Authority of the first tax increment. Modifications of this plan (see Section AB) shall not extend these limitations.

Pursuant to Minnesota Statutes Section 469.175, Subdivision 1(b), the Authority specifies 2026 as the first year in which it elects to receive tax increment from the TIF District, which is no later than four years following the year of approval of the TIF District. Thus, the Authority may collect increment from the district through December 31, 2051, but anticipates that the TIF District could be decertified early (see Section T). All tax increments from taxes payable in the year the TIF District is decertified shall be paid to the Authority.

Section I Property to be Included in the TIF District

The TIF District comprises of the parcels listed below and also includes adjacent streets and right-of-ways located within the Project Area. A map showing the location of the TIF District is shown in Exhibit I. The boundaries and area encompassed by the TIF District are described below:

Parcel Number	Legal Description
41241495	Lot 22, Thru 24 Inclusive Block 39, & Adjacent Vacated Portion of Alley
41241496	Lot 21, BLOCK 39, AND ADJACENT VACATED PORTION OF ALLEY.
41241497	Lot 20, BLOCK 39, AND ADJACENT VACATED PORTION OF ALLEY
41241506	Lot 1, BLOCK 39
41241505	Lots 5 & 6, BLOCK 39, AND ADJACENT VACATED PORTION OF ALLEY

The area encompassed by the TIF District shall also include all streets and utility right-of-ways located upon or adjacent to the property described above, as illustrated in the boundary map included in Exhibit I.

Section J Property to be Acquired in the TIF District

The Authority does not anticipate acquiring or selling any property located within the TIF District.

Section K Specific Development Expected to Occur Within the TIF District

The proposed project will include redevelopment of the existing substandard properties to include construction of a new multi-story building with housing, commercial and parking. The building is expected to include a 78-unit apartment building with a mix of studios, 1-, and 2-bedroom units with community room and other supporting uses. The City anticipates using tax increment revenues to finance eligible costs associated with redevelopment of the project site including acquisition, demolition, site development/improvements, public improvements and other redevelopment costs, as well as related administrative expenses. The project area qualifies for inclusion within a redevelopment tax increment financing district with at least 50% of the buildings considered 'substandard' and at least 70% of the area within the proposed district 'occupied' by buildings, streets, sidewalks, parking lots, and similar structures, etc. The City and HRA anticipate using tax increment revenues to finance eligible extraordinary costs associated with redevelopment of the project site including acquisition, site development and eligible redevelopment costs as well as related administrative expenses.

Demolition and subsequent construction of the new development on the project site is projected to be constructed in 2024. The project is expected to be fully constructed by December 31, 2024, and be 100% assessed and on the tax rolls as of January 2, 2025 for taxes payable 2026.

Section L Findings and Need for Tax Increment Financing

In establishing the TIF District, the City makes the following findings:

- (1) The TIF District qualifies as a redevelopment district;

The Authority hired LHB, Inc. to inspect and evaluate the property within the proposed TIF District to be established by the Authority. The purpose of the evaluation was to determine if the proposed district met the statutory requirements for coverage and if the buildings met the qualifications required for a Redevelopment District.

A final report has been prepared for the Authority to retain on file in Authority offices for public inspection. The report contains the details of the findings summarized below regarding the substandard qualifications:

- The TIF District consists of five parcels that are occupied with 100 percent of the area of the proposed TIF District (exceeding the 70 percent coverage test);
- 66.7 percent of the buildings (2 of 3, which is greater than 50%) are structurally substandard to a degree requiring substantial renovation or clearance, because of defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance, exceeding the more than 50 percent substandard test; and
- The foregoing conditions are reasonably distributed throughout the geographic area of the proposed TIF District.

- (2) The proposed redevelopment, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

Factual basis:

Proposed development not expected to occur:

The proposed project consists of the redevelopment of property within the City that consists of blighted property found to be substandard and will be demolished following establishment of the TIF District. The Authority has identified significant and

extraordinary costs including site development/preparation, demolition, public improvements and other redevelopment costs associated with redevelopment of the project site in conjunction with new development. The estimated total redevelopment costs for this property make the total cost of this effort significantly higher than costs reasonably incurred for similar developments on a clean site. The City's finding that the proposed redevelopment would be unlikely to occur solely through private investment within the reasonably foreseeable future is based on an analysis of the proforma and other materials submitted by the developer.

No higher market value expected:

If the proposed redevelopment did not go forward, for the same reasons described above, no significant alternative redevelopment of the proposed TIF District area would occur. The existing building is currently substandard, and it is highly unlikely that the improvements would be made on the property site without tax increment financing. In short, there is no basis for an expectation that the area would be redeveloped or be renovated in any significant way purely by private action and without public subsidy.

To summarize the basis for the City's findings regarding alternative market value, in accordance with Minnesota Statutes Section 469.175, Subdivision 3(d), the City makes the following determinations:

- a. The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is anywhere from \$0 to some modest amount based on small scale renovation or redevelopment that could be possible without assistance; any estimated values would be too speculative to ascertain.
 - b. If the proposed development to be assisted with tax increment occurs in the TIF District, the total increase in market value would be approximately \$18,007,128, including the value of the building (See Exhibit V).
 - c. The present value of tax increments from the TIF District for the maximum duration of the district permitted by the TIF Plan is estimated to be \$2,635,425 (See Exhibit V).
 - d. Even if some development other than the proposed development were to occur, the City finds that no alternative would occur that would produce a market value increase greater than \$15,371,703 (the amount in clause b less the amount in clause c) without tax increment assistance.
- (3) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for development or redevelopment of the Project Area by private enterprise.

Factual basis:

The anticipated redevelopment of the project site and any subsequent demolition, reconstruction, or renovation related to the project will remain consistent with the City's design goals. The development proposed to occur within the TIF District will afford maximum opportunity for the development or redevelopment of the applicable parcels

consistent with the sound needs of the City as a whole and the removal of the substandard buildings. The development will increase the taxable market valuation of the City and provide additional housing options in the City.

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

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

Section M Estimated Public Costs

The estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District.

Project Costs	Amount
Land/building acquisition	\$710,000
Site improvements/preparation costs	\$3,590,306
Utilities	\$0
Other public improvements	\$0
Construction of affordable housing	\$0
Administrative expenses	\$477,812
Subtotal	\$4,778,118
Interest	
Total	\$4,778,118

The Authority anticipates using tax increment to the extent available to finance redevelopment costs of the project including primarily site improvement/preparation costs (including demolition), related administrative expenses, and other TIF-eligible expenditures as deemed necessary and related to redevelopment of the project site.

The Authority reserves the right to administratively adjust the amount of any of the items listed above or to incorporate additional eligible items, so long as the total estimated public cost (\$4,778,118) is not increased. The Authority also reserves the right to fund any of the identified costs with any other legally available revenues but anticipates that such costs will be primarily financed with tax increments.

Section N Estimated Sources of Revenue

Sources of Revenue	Amount
Tax Increment revenue	\$4,778,118
Interest on invested funds	\$0
Other	
Total	\$4,778,118

The Authority anticipates capturing the tax increments from the project for financing of the identified redevelopment costs and reimbursing the developer for a portion of those costs. As tax increments are collected from the TIF District in future years, a portion of these increments

will be used by the Authority to reimburse the developer for public costs incurred (see Section M). The Authority also anticipates retaining any remaining increment to finance eligible administrative or other expenses related to the project.

The Authority reserves the right to finance any or all public costs of the TIF District using pay-as-you-go assistance, internal funding, general obligation or revenue debt, or any other financing mechanism authorized by law. The Authority also reserves the right to use other sources of revenue legally applicable to the Project Area to pay for such costs including, but not limited to, special assessments, utility revenues, federal or state funds, and investment income.

Section O Estimated Amount of Bonded Indebtedness

The maximum principal amount of bonds (as defined in the TIF Act) secured in whole or part with tax increment from the TIF District is \$4,778,118. The Authority currently plans to finance the site improvements and redevelopment costs through a pay-as-you-go note but reserves the right to issue bonds in any form, including without limitation any interfund loan with interest not to exceed the maximum permitted under Section 469.178, Subdivision 7 of the TIF Act.

Section P Original Net Tax Capacity

The County Auditor shall certify the original net tax capacity of the TIF District. This value will be equal to the total net tax capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The estimated taxable value of all property within the TIF District as of January 2, 2023, for taxes payable in 2024, is \$969,200. Upon establishment of the district and classification of the property as commercial-industrial, the estimated original net tax capacity of the TIF District is estimated to be \$12,115. This assumes the property is classified as a mix of residential rental and commercial-industrial. This value is also assumed to be the value of the property, including land and building, as of the date the substandard buildings occupied the parcel.

Each year the County Auditor shall certify the amount that the original net tax capacity has increased or decreased as a result of:

- (1) changes in the tax-exempt status of property;
- (2) reductions or enlargements of the geographic area of the TIF District;
- (3) changes due to stipulation agreements or abatements; or
- (4) changes in property classification rates.

Section Q Original Local Tax Capacity Rate

The County Auditor shall also certify the original local tax rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the original net tax capacity.

In future years, the amount of tax increment generated by the TIF District will be calculated using the lesser of (a) the sum of the current local tax rates at that time or (b) the original local tax rate of the TIF District.

The County Auditor shall certify the sum of all local tax rates that apply to property in the TIF District for taxes levied in 2023 and payable in 2024 as the original tax capacity rate of the TIF District. The sum of the local tax rates for taxes levied in 2022 and payable in 2023 is 105.224% as shown below.

<u>Taxing Jurisdiction</u>	<u>2022/2023 Local Tax Rate</u>
City of Brainerd	58.664%
Crow Wing County	23.693%
ISD #181	21.366%
Other	<u>1.501%</u>
Total	105.224%

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

The Authority anticipates that the redevelopment will be completed by December 31, 2024, creating a total tax capacity for the TIF District of \$126,135 as of January 2, 2025. The captured tax capacity as of the first full year of increment is projected to be \$114,020 in taxes payable 2026. A complete schedule of estimated tax increment from the TIF District is shown in Exhibit III.

Each year the County Auditor shall determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the original net tax capacity, the difference shall be known as the captured net tax capacity of the TIF District. The estimates shown in this TIF Plan assume that residential rental class rates remain at 1.25% and commercial-industrial class rates remain at 1.5%/2.0% and assume 3% annual increases in market values. Each year the County Auditor shall determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the original net tax capacity, the difference shall be known as the captured net tax capacity of the TIF District.

The County Auditor shall certify to the Authority the amount of captured net tax capacity each year. The Authority may choose to retain any or all of this amount. It is the Authority's intention to retain 100% of the captured net tax capacity of the TIF District. Such amount shall be known as the retained captured net tax capacity of the TIF District. Exhibit II gives a listing of the various information and assumptions used in preparing a number of the exhibits contained in this TIF Plan, including Exhibit III which shows the projected tax increment generated over the anticipated life of the TIF District.

Section S Use of Tax Increment

Each year the County Treasurer shall deduct 0.36% of the annual tax increment generated by the TIF District and pay such amount to the State's General Fund. Such amounts will be appropriated to the State Auditor for the cost of financial reporting and auditing of tax increment financing information throughout the State. Exhibit III shows the projected deduction for this purpose over the anticipated life of the TIF District.

The Authority has determined that it will use 100% of the remaining tax increment generated by the TIF District for any of the following purposes:

- (1) pay for the estimated public costs of the TIF District (see Section M) and County administrative costs associated with the TIF District (see Section V);
- (2) pay principal and interest on tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (3) accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (4) pay all or a portion of the county road costs as may be required by the County board under Minnesota Statutes Section 469.175, Subdivision 1a; or
- (5) return excess tax increments to the County Auditor for redistribution to the Authority, County and School District.

Tax increments from property located in one county must be expended for the direct and primary benefit of a project located within that county, unless both county boards involved waive this requirement. Tax increments shall not be used to circumvent levy limitations applicable to the Authority.

Tax increment shall not be used to finance the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the State or federal government, or for a commons area used as a public park, or a facility used for social, recreational, or conference purposes. This prohibition does not apply to the construction or renovation of a parking structure or of a privately-owned facility for conference purposes.

If there exists any type of agreement or arrangement providing for the developer, or other beneficiary of assistance, to repay all or a portion of the assistance that was paid or financed with tax increments, such payments shall be subject to all of the restrictions imposed on the use of tax increments. Assistance includes sale of property at less than the cost of acquisition or fair market value, grants, ground or other leases at less than fair market rent, interest rate subsidies, utility service connections, roads, or other similar assistance that would otherwise be paid for by the developer or beneficiary.

Section T Excess Tax Increment

In any year in which the tax increments from the TIF District exceed the amount necessary to pay the estimated public costs authorized by the TIF Plan, the Authority shall use the excess tax increments to:

- (1) prepay any outstanding tax increment bonds;
- (2) discharge the pledge of tax increments thereof;
- (3) pay amounts into an escrow account dedicated to the payment of the tax increment bonds; or
- (4) return excess tax increments to the County Auditor for redistribution to the Authority, County and School District. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

Section U Tax Increment Pooling and the Five-Year Rule

At least 75% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District (see Section G for additional restrictions). No more than 25% of the tax increments may be spent on costs outside of the TIF District but within the boundaries of the Project Area, except to pay debt service on credit enhanced bonds. All administrative expenses are considered to have been spent outside of the TIF District. Tax increments are considered to have been spent within the TIF District if such amounts are:

- (1) actually paid to a third party for activities performed within the TIF District within five years after certification of the district;
- (2) used to pay bonds that were issued and sold to a third party, the proceeds of which are reasonably expected on the date of issuance to be spent within the later of the five-year period or a reasonable temporary period or are deposited in a reasonably required reserve or replacement fund;
- (3) used to make payments or reimbursements to a third party under binding contracts for activities performed within the TIF District, which were entered into within five years after certification of the district; or
- (4) used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district.

Beginning with the sixth year following certification of the TIF District, at least 75% of the tax increments must be used to pay outstanding bonds or make contractual payments obligated within the first five years. When outstanding bonds have been defeased and sufficient money has been set aside to pay for such contractual obligations, the TIF District must be decertified.

The Authority anticipates that an allowable portion of tax increments generated by the project may be spent outside the TIF District (including allowable administrative expenses), and such expenditures are expressly authorized in this TIF Plan.

Section V Limitation on Administrative Expenses

Administrative expenses are defined as all costs of the Authority other than:

- (1) amounts paid for the purchase of land;
- (2) amounts paid for materials and services, including architectural and engineering services directly connected with the physical development of the real property in the project;
- (3) relocation benefits paid to, or services provided for, persons residing or businesses located in the project;
- (4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 469.178; or
- (5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clause (1) to (3).

Administrative expenses include amounts paid for services provided by bond counsel, fiscal consultants, planning or economic development consultants, and actual costs incurred by the County in administering the TIF District. Tax increments may be used to pay administrative expenses of the TIF District up to the lesser of (a) 10% of the total tax increment expenditures authorized by the TIF Plan or (b) 10% of the total tax increments received by the TIF District.

Section W Limitation on Property Not Subject to Improvements - Four Year Rule

If after four years from certification of the TIF District no demolition, rehabilitation, renovation, or other site preparation, including qualified improvement of an adjacent street to a parcel has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District, and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The Authority must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the Authority or owner of the parcel subsequently commences any of the above activities, the Authority shall certify to the County Auditor that such activity has commenced, and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

Section X Estimated Impact on Other Taxing Jurisdictions

Exhibit IV shows the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The Authority believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified, and the development therein becomes part of the general tax base.

The fiscal and economic implications of the proposed tax increment financing district, as pursuant to Minnesota Statutes Section 469.175, Subdivision 2, are listed below.

1. The total amount of tax increment that will be generated over the life of the district is estimated to be \$4,795,379.
2. To the extent the project in the TIF District generates any public cost impacts on city-provided services such as police and fire protection, public infrastructure, and the impact of any general obligation tax increment bonds attributable to the district upon the ability to issue other debt for general fund purposes, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the TIF District. The Authority does not anticipate issuing general obligation tax increment bonds but reserves the right to the use of internal financing, as necessary, to finance a portion of the project costs attributable to the TIF District.
3. The amount of tax increments over the life of the district that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is estimated to be \$973,714.
4. The amount of tax increments over the life of the district that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same is estimated to be \$1,079,762.
5. No additional information has been requested by the county or school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district.

Section Y Prior Planned Improvements

The Authority shall accompany its request for certification to the County Auditor (or notice of district enlargement), with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District.

Section Z Development Agreements

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

Section AA Assessment Agreements

The Authority may, upon entering into a development agreement, also enter into an assessment agreement with the developer, which establishes a minimum market value of the land and improvements for each year during the life of the TIF District.

The assessment agreement shall be presented to the County or City Assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land, and so long as the minimum market value contained in the assessment agreement appears to be an accurate estimate, shall certify the assessment agreement as reasonable. The assessment agreement shall be filed for record in the office of the County Recorder or Registrar of Titles, as applicable, of each county where the property is located. Any modification or premature termination of this agreement must first be approved by the City, County and School District. The Authority anticipates entering into an assessment agreement.

Section AB Modifications of the Tax Increment Financing Plan

Any reduction or enlargement in the geographic area of the Project Area or the TIF District; increase in amount of bonded indebtedness to be incurred, a determination to capitalize interest on the debt if that determination was not part of the original TIF Plan; increase in the portion of the captured net tax capacity to be retained by the Authority; increase in the total estimated public costs, including administrative expenses; or designation of property to be acquired by the Authority shall be approved only after satisfying all the necessary requirements for approval of the original TIF Plan. This paragraph does not apply if:

- (1) the only modification is elimination of parcels from the TIF District; and
- (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the Authority agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The Authority must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District or Project Area. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

Section AC Administration of the Tax Increment Financing Plan

Upon adoption of the TIF Plan, the Authority shall submit a copy of such plan to the Minnesota Department of Revenue and the Office of the State Auditor. The Authority shall also request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the Authority shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements. The Authority shall also send the County or City Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District and shall request that the County or City Assessor review and certify this assessment agreement as reasonable.

The County shall distribute to the Authority the amount of tax increment as it becomes available. The amount of tax increment in any year represents the applicable property taxes generated by the retained captured net tax capacity of the TIF District. The amount of tax increment may change due to development anticipated by the TIF Plan, other development, inflation of property values, or changes in property classification rates or formulas. In administering and implementing the TIF Plan, the following actions should occur on an annual basis:

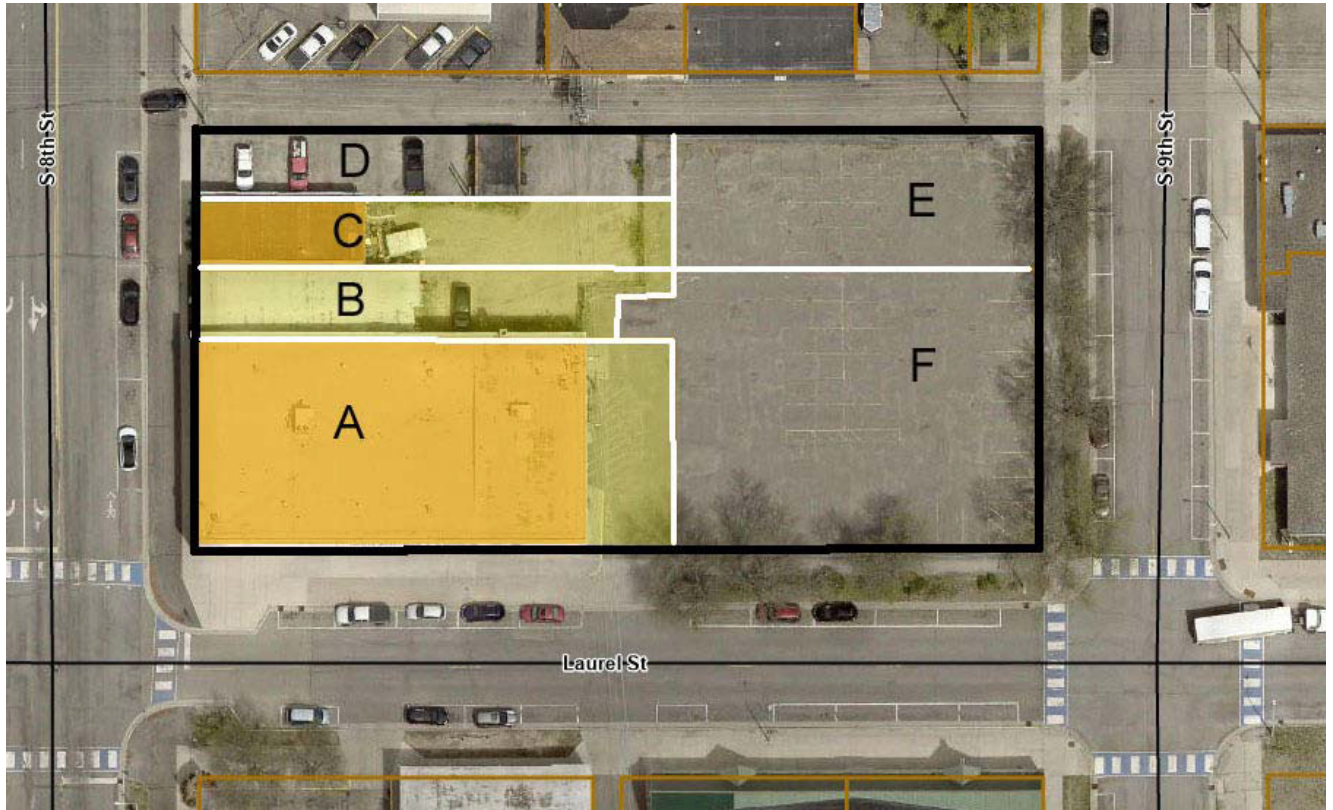
- (1) prior to July 1, the Authority shall notify the County or City Assessor of any new development that has occurred in the TIF District during the past year to ensure that the new value will be recorded in a timely manner.
- (2) if the County Auditor receives the request for certification of a new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

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

Section AD Filing TIF Plan, Financial Reporting and Disclosure Requirements

The Authority will file the TIF Plan, and any subsequent amendments thereto, with the Commissioner of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes Section 469.175, Subdivision 4(a). The Authority will comply with all reporting requirements for the TIF District under Minnesota Statutes Section 469.175, Subdivisions 5 and 6.

**Map of
Tax Increment Financing Redevelopment District No. 2-1
(Thirty White Redevelopment Project)**



Projected Tax Increment Report

Brainerd Housing and Redevelopment Authority and City of Brainerd, Minnesota
Tax Increment Financing (Redevelopment) District No. 2-1
Thrifty White Redevelopment
Draft TIF Plan Exhibits based on \$9 million new taxable value

Annual Period Ending (1)	Total Market Value ⁽¹⁾ (2)	Total Net Tax Capacity ⁽²⁾ (3)	Less: Original Net Tax Capacity ⁽³⁾ (4)	Retained Captured Net Tax Capacity (5)	Times: Tax Capacity Rate ⁽⁴⁾ (6)	Annual Gross Tax Increment (7)	Less: State Aud. Deduction 0.360% (8)	Subtotal Net Tax Increment (9)	Less: City Retainage 10.00% (10)	Annual Net Revenue (11)	P.V. Annual Net Rev. To 06/01/24 4.00%
12/31/24	969,200	12,115	12,115	0	105.224%	0	0	0	0	0	0
12/31/25	969,200	12,115	12,115	0	105.224%	0	0	0	0	0	0
12/31/26	9,063,200	126,135	12,115	114,020	105.224%	119,976	432	119,544	11,954	107,590	99,473
12/31/27	9,335,096	129,941	12,115	117,826	105.224%	123,982	446	123,536	12,354	111,182	98,840
12/31/28	9,615,149	133,862	12,115	121,747	105.224%	128,107	461	127,646	12,765	114,881	98,201
12/31/29	9,903,603	137,900	12,115	125,785	105.224%	132,356	476	131,880	13,188	118,692	97,556
12/31/30	10,200,711	142,060	12,115	129,945	105.224%	136,733	492	136,241	13,624	122,617	96,906
12/31/31	10,506,733	146,344	12,115	134,229	105.224%	141,241	508	140,733	14,073	126,660	96,251
12/31/32	10,821,935	150,757	12,115	138,642	105.224%	145,885	525	145,360	14,536	130,824	95,592
12/31/33	11,146,593	155,302	12,115	143,187	105.224%	150,667	542	150,125	15,013	135,112	94,928
12/31/34	11,480,991	159,984	12,115	147,869	105.224%	155,594	560	155,034	15,503	139,531	94,262
12/31/35	11,825,420	164,806	12,115	152,691	105.224%	160,667	578	160,089	16,009	144,080	93,592
12/31/36	12,180,183	169,773	12,115	157,658	105.224%	165,894	597	165,297	16,530	148,767	92,919
12/31/37	12,545,588	174,888	12,115	162,773	105.224%	171,277	617	170,660	17,066	153,594	92,245
12/31/38	12,921,956	180,157	12,115	168,042	105.224%	176,821	637	176,184	17,618	158,566	91,568
12/31/39	13,309,615	185,585	12,115	173,470	105.224%	182,532	657	181,875	18,188	163,687	90,890
12/31/40	13,708,903	191,175	12,115	179,060	105.224%	188,414	678	187,736	18,774	168,962	90,210
12/31/41	14,120,170	196,932	12,115	184,817	105.224%	194,472	700	193,772	19,377	174,395	89,530
12/31/42	14,543,775	202,863	12,115	190,748	105.224%	200,713	723	199,990	19,999	179,991	88,849
12/31/43	14,980,089	208,971	12,115	196,856	105.224%	207,140	746	206,394	20,639	185,755	88,167
12/31/44	15,429,491	215,263	12,115	203,148	105.224%	213,760	770	212,990	21,299	191,691	87,485
12/31/45	15,892,376	221,743	12,115	209,628	105.224%	220,579	794	219,785	21,979	197,806	86,804
12/31/46	16,369,147	228,418	12,115	216,303	105.224%	227,603	819	226,784	22,678	204,106	86,124
12/31/47	16,860,222	235,293	12,115	223,178	105.224%	234,837	845	233,992	23,399	210,593	85,443
12/31/48	17,366,028	242,374	12,115	230,259	105.224%	242,288	872	241,416	24,142	217,274	84,763
12/31/49	17,887,009	249,668	12,115	237,553	105.224%	249,963	900	249,063	24,906	224,157	84,085
12/31/50	18,423,620	257,181	12,115	245,066	105.224%	257,868	928	256,940	25,694	231,246	83,408
12/31/51	18,976,328	264,919	12,115	252,804	105.224%	266,010	958	265,052	26,505	238,547	82,732
						\$4,795,379	\$17,261	\$4,778,118	\$477,812	\$4,300,306	\$2,370,823

⁽¹⁾ Total estimated market value based on information provided by City and County
Includes 3% annual market value inflator.

⁽²⁾ Total net tax capacity based on mix of residential rental class rate of 1.25% and commercial-industrial class rate of 1.5% first \$150,000 value and 2% value above \$150,000

⁽³⁾ Original net tax capacity based on existing land value for the property to be included in the development

⁽⁴⁾ Total local tax capacity rate for taxes payable 2023

Estimated Impact on Other Taxing Jurisdictions Report

Brainerd Housing and Redevelopment Authority and City of Brainerd, Minnesota

Tax Increment Financing (Redevelopment) District No. 2-1

Thrifty White Redevelopment

Draft TIF Plan Exhibits based on \$9 million new taxable value

Taxing Jurisdiction	Without Project or TIF District		With Project and TIF District					
	Final 2021/2022 Taxable Net Tax Capacity (1)	2021/2022 Local Tax Rate	2021/2022 Taxable Net Tax Capacity (1)	Projected Retained Captured Net Tax Capacity +	New Taxable Net Tax Capacity =	Hypothetical Adjusted Local Tax Rate (*)	Hypothetical Decrease In Local Tax Rate (*)	Hypothetical Tax Generated by Retained Captured N.T.C. (*)
City of Brainerd	22,582,055	58.664%	22,582,055	\$252,804	22,834,859	58.015%	0.649%	146,663
Crow Wing County	52,842,526	23.693%	52,842,526	252,804	53,095,330	23.580%	0.113%	59,612
ISD #181	36,312,387	21.366%	36,312,387	252,804	36,565,191	21.218%	0.148%	53,641
Other (2)	-	1.501%	-	-	-	1.501%	-	-
Totals		105.224%				104.314%	0.910%	

*** Statement 1:** If the projected Retained Captured Net Tax Capacity of the TIF District was hypothetically available to each of the taxing jurisdictions above, the result would be a lower local tax rate (see Hypothetical Adjusted Tax Rate above) which would produce the same amount of taxes for each taxing jurisdiction. In such a case, the total local tax rate would decrease by 0.910% (see Hypothetical Decrease in Local Tax Rate above). The hypothetical tax that the Retained Captured Net Tax Capacity of the TIF District would generate is also shown above.

Statement 2: Since the projected Retained Captured Net Tax Capacity of the TIF District is not available to the taxing jurisdictions, then there is no impact on taxes levied or local tax rates.

(1) Taxable net tax capacity = total net tax capacity - captured TIF - fiscal disparity contribution, if applicable.

(2) The impact on these taxing jurisdictions is negligible since they represent only 1.43% of the total tax rate.

Market Value Analysis Report

Brainerd Housing and Redevelopment Authority and City of Brainerd, Minnesota

Tax Increment Financing (Redevelopment) District No. 2-1

Thrifty White Redevelopment

Draft TIF Plan Exhibits based on \$9 million new taxable value

Assumptions			
Present Value Date		06/01/24	
P.V. Rate - Gross T.I.		4.00%	
Increase in EMV With TIF District		\$18,007,128	
Less: P.V of Gross Tax Increment		2,635,425	
Subtotal		\$15,371,703	
Less: Increase in EMV Without TIF		0	
Difference		\$15,371,703	
	Year	Annual Gross Tax Increment	Present Value @ 4.00%
1	2026	119,976	110,575
2	2027	123,982	109,872
3	2028	128,107	109,161
4	2029	132,356	108,444
5	2030	136,733	107,721
6	2031	141,241	106,993
7	2032	145,885	106,260
8	2033	150,667	105,523
9	2034	155,594	104,782
10	2035	160,667	104,037
11	2036	165,894	103,290
12	2037	171,277	102,540
13	2038	176,821	101,788
14	2039	182,532	101,034
15	2040	188,414	100,278
16	2041	194,472	99,522
17	2042	200,713	98,765
18	2043	207,140	98,007
19	2044	213,760	97,250
20	2045	220,579	96,492
21	2046	227,603	95,735
22	2047	234,837	94,979
23	2048	242,288	94,224
24	2049	249,963	93,470
25	2050	257,868	92,717
26	2051	266,010	91,966
		\$4,795,379	\$2,635,425

Redevelopment TIF District Qualifications Report

Redevelopment Plan

REPORT OF INSPECTION PROCEDURES AND RESULTS
FOR
DETERMINING QUALIFICATIONS
OF A
TAX INCREMENT FINANCING DISTRICT

THRIFTY WHITE
REDEVELOPMENT TIF DISTRICT

Prepared for

BRAINERD HRA
January 13, 2022



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Part 1: Executive Summary

Purpose of the Evaluation

LHB was hired by the Brainerd HRA to inspect and evaluate the properties within a Tax Increment Financing Redevelopment District (“TIF District”) proposed to be established by the City. The proposed TIF District is located along Laurel Street between South 8th Street and South 9th Street in Brainerd, MN (Diagram 1). The purpose of LHB’s work is to determine whether the proposed TIF District meets the statutory requirements for coverage, and whether three (3) buildings on six (6) parcels, located within the proposed TIF District, meet the qualifications required for a Redevelopment District.

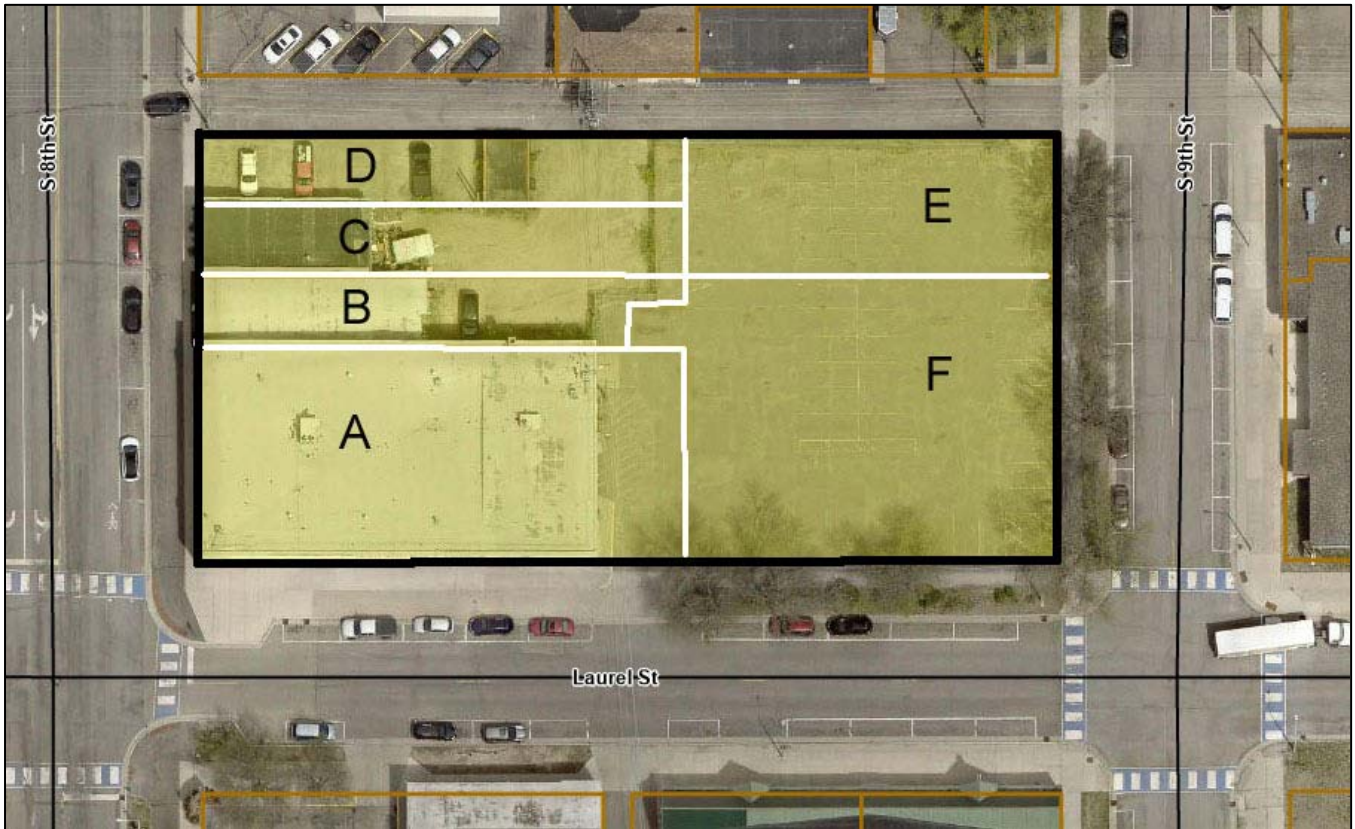


Diagram 1: Proposed TIF District

Scope of Work

The proposed TIF District consists of six (6) parcels with three (3) structures. Two (2) buildings were inspected on November 18, 2022. One building was not inspected. Building Code and Condition Deficiency reports for the buildings that were inspected and found substandard are in Appendix B.

Conclusion

After inspecting and evaluating the properties within the proposed TIF District and applying current statutory criteria for a Redevelopment District under *Minnesota Statutes, Section 469.174, Subdivision 10*, it is our professional opinion that the proposed TIF District qualifies as a Redevelopment District because:

- The proposed TIF District has a coverage calculation of 100 percent which is above the 70 percent requirement.
- 66.7 percent of the buildings are structurally substandard which is above the 50 percent requirement.
- The substandard buildings are reasonably distributed.

The remainder of this report describes our process and findings in detail.

Part 2: Minnesota Statute 469.174, Subdivision 10 Requirements

The properties were inspected in accordance with the following requirements under *Minnesota Statutes, Section 469.174, Subdivision 10(c)*, which states:

Interior Inspection

"The municipality may not make such determination [that the building is structurally substandard] without an interior inspection of the property..."

Exterior Inspection and Other Means

"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."

Documentation

"Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3(1)."

Qualification Requirements

Minnesota Statutes, Section 469.174, Subdivision 10 (a) (1) requires three tests for occupied parcels:

1. COVERAGE TEST

a. Minnesota Statutes, Section 469.174, Subdivision 10(a)(1) states:

"parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or paved or gravel parking lots..."

b. The coverage required by the parcel to be considered occupied is defined under *Minnesota Statutes, Section 469.174, Subdivision 10(e)*, which states:

"For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures."

2. CONDITION OF BUILDINGS TEST

a. Minnesota Statutes, Section 469.174, Subdivision 10(a) states:

"...and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;"

b. Structurally substandard is defined under Minnesota Statutes, Section 469.174, Subdivision 10(b), which states:

"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."

- i. We do not count energy code deficiencies toward the thresholds required by *Minnesota Statutes, Section 469.174, Subdivision 10(b)* defined as “structurally substandard”, due to concerns expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.
- c. Buildings are not eligible to be considered structurally substandard unless they meet certain additional criteria, as set forth in Subdivision 10(c) which states:

“A building is not structurally substandard if it follows 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 based on 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.”

“Items of evidence that support such a conclusion [that the building is not disqualified] include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence.”

- i. LHB counts energy code deficiencies toward the 15 percent code threshold required by Minnesota Statutes, Section 469.174, Subdivision 10(c)) for the following reasons:
 - 1) The Minnesota energy code is one of ten building code areas highlighted by the Minnesota Department of Labor and Industry website where minimum construction standards are required by law.
 - 2) Chapter 13 of the 2015 *Minnesota Building Code* states, “Buildings shall be designed and constructed in accordance with the *International Energy Conservation Code*.” Furthermore, Minnesota Rules, Chapter 1305.0021 Subpart 9 states, “References to the *International Energy Conservation Code* in this code mean the *Minnesota Energy Code*...”
 - 3) Chapter 11 of the 2015 Minnesota Residential Code incorporates Minnesota Rules, Chapters, 1322 and 1323 *Minnesota Energy Code*.
 - 4) The Senior Building Code Representative for the Construction Codes and Licensing Division of the Minnesota Department of Labor and Industry confirmed that the Minnesota Energy Code is being enforced throughout the State of Minnesota.
 - 5) In a January 2002 report to the Minnesota Legislature, the Management Analysis Division of the Minnesota Department of Administration confirmed that the construction cost of new buildings complying with the Minnesota Energy Code is higher than buildings built prior to the enactment of the code.
 - 6) Proper TIF analysis requires a comparison between the replacement value of a new building built under current code standards with the repairs that would be necessary to bring the existing building up to current code standards. For an equal comparison to be made, all applicable code chapters should be applied to both scenarios. Since current construction estimating software automatically applies the construction cost of complying with the Minnesota Energy Code, energy code deficiencies should also be identified in the existing structures.

3. DISTRIBUTION OF SUBSTANDARD BUILDINGS

- a. Minnesota Statutes, Section 469.174, Subdivision 10, defines a Redevelopment District and requires one or more of the following conditions “reasonably distributed throughout the district.”:
 - “(1) Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;
 - (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;
 - (3) tank facilities, or property whose immediately previous use was for tank facilities...”
- b. Our interpretation of the distribution requirement is that the substandard buildings must be reasonably distributed throughout the district as compared to the location of all buildings in the district. For example, if all the buildings in a district are located on one half of the area of the district, with the other half occupied by parking lots (meeting the

required 70 percent coverage for the district), we would evaluate the distribution of the substandard buildings compared with only the half of the district where the buildings are located. If all the buildings in a district are located evenly throughout the entire area of the district, the substandard buildings must be reasonably distributed throughout the entire area of the district. We believe this is consistent with the opinion expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.

Part 3: Procedures Followed

LHB inspected two buildings on the interior and exterior November 18, 2022.

Part 4: Findings

1. Coverage Test

- a. The total square foot area of the parcels in the proposed TIF District were obtained from City records, GIS mapping and site verification.
- b. The total square foot area of buildings and site improvements on the parcels in the proposed TIF District were obtained from City records, GIS mapping and site verification.
- c. The percentage of coverage for each parcel in the proposed TIF District was computed to determine if the 15 percent minimum requirement was met. The total square footage of parcels meeting the 15 percent requirement was divided into the total square footage of the entire district to determine if the 70 percent requirement was met.

FINDING

The proposed TIF District met the coverage test under *Minnesota Statutes, Section 469.174, Subdivision 10(e)*, which resulted in parcels consisting of 100 percent of the area of the proposed TIF District being occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures (Diagram 2). This exceeds the 70 percent area coverage requirement for the proposed TIF District under *Minnesota Statutes, Section 469.174, Subdivision (a) (1)*.

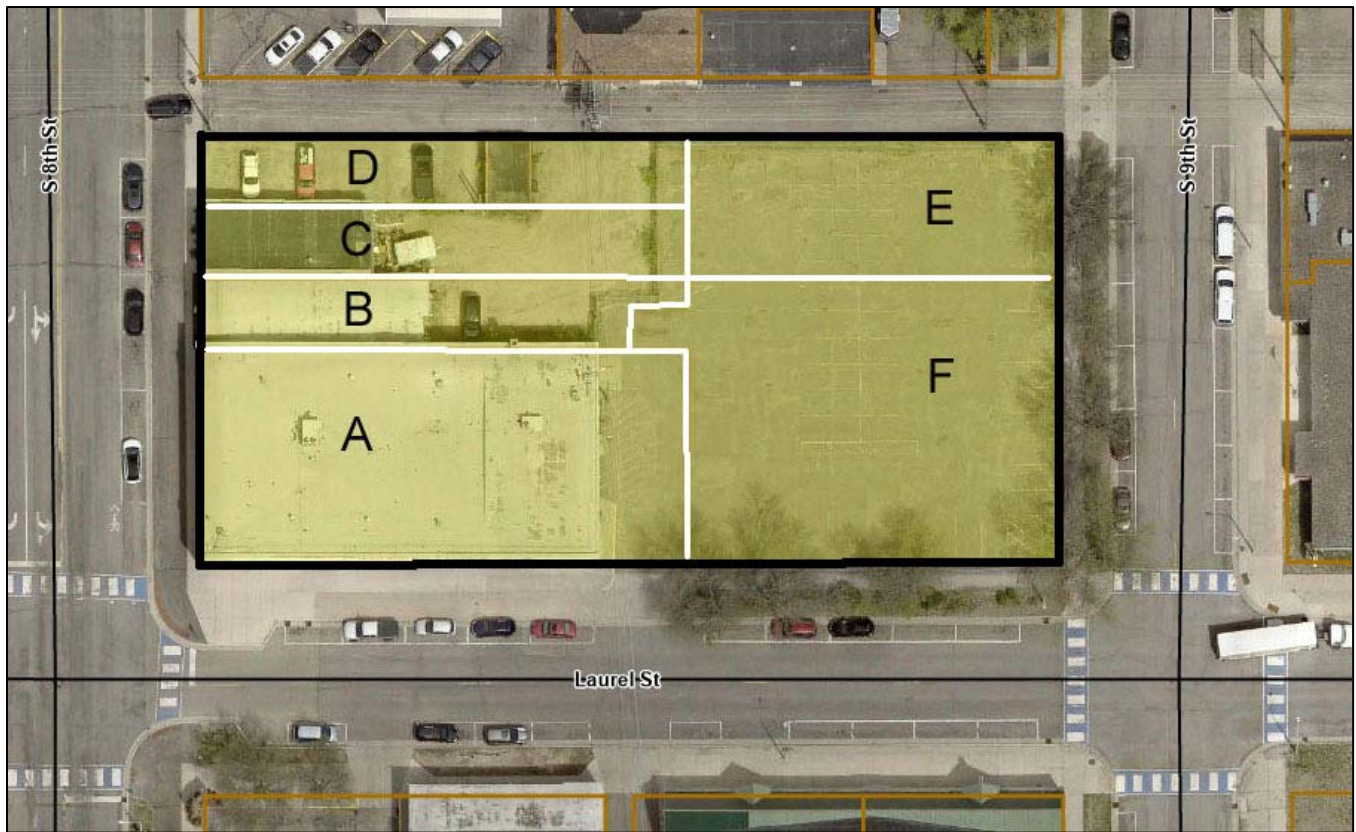


Diagram 2 – Coverage Diagram

Shaded area depicts a parcel more than 15 percent occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures

2. Condition of Building Test

a. BUILDING INSPECTION

- i. The first step in the evaluation process is the building inspection. After an initial walk-thru, the inspector makes a judgment whether a building “appears” to have enough defects or deficiencies of sufficient total significance to justify substantial renovation or clearance. If it does, the inspector documents with notes and photographs code and non-code deficiencies in the building.

b. REPLACEMENT COST

- i. The second step in evaluating a building to determine if it is substandard to a degree requiring substantial renovation or clearance is to determine its replacement cost. This is the cost of constructing a new structure of the same square footage and type on site. Replacement costs were researched using R.S. Means Cost Works square foot models for 2022.
- ii. A replacement cost was calculated by first establishing building use (office, retail, residential, etc.), building construction type (wood, concrete, masonry, etc.), and building size to obtain the appropriate median replacement cost, which factors in the costs of construction in Brainerd, Minnesota.
- iii. Replacement cost includes labor, materials, and the contractor’s overhead and profit. Replacement costs do not include architectural fees, legal fees or other “soft” costs not directly related to construction activities. Replacement cost for each building is tabulated in Appendix A.

c. CODE DEFICIENCIES

- i. The next step in evaluating a building is to determine what code deficiencies exist with respect to such building. Code deficiencies are those conditions for a building which are not in compliance with current building codes applicable to new buildings in the State of Minnesota.
- ii. Minnesota Statutes, Section 469.174, Subdivision 10(c), specifically provides that a building cannot be considered structurally substandard if its code deficiencies are not at least 15 percent of the replacement cost of the building. As a result, it was necessary to determine the extent of code deficiencies for each building in the proposed TIF District.
- iii. The evaluation was made by reviewing all available information with respect to such buildings contained in City Building Inspection records and making interior and exterior inspections of the buildings. LHB utilizes the current Minnesota State Building Code as the official code for our evaluations. The Minnesota State Building Code is a series of provisional codes written specifically for Minnesota only requirements, adoption of several international codes, and amendments to the adopted international codes.
- iv. After identifying the code deficiencies in each building, we used R.S. Means Cost Works 2022; Unit and Assembly Costs to determine the cost of correcting the identified deficiencies. We were then able to compare the correction costs with the replacement cost of each building to determine if the costs for correcting code deficiencies meet the required 15 percent threshold.

FINDING

Two (2) out of three (3) buildings (66.7 percent) in the proposed TIF District contained code deficiencies exceeding the 15 percent threshold required by Minnesota Statutes, Section 469.174, Subdivision 10(c). Building Code, Condition Deficiency and Context Analysis reports for the buildings in the proposed TIF District can be found in Appendix B of this report.

d. SYSTEM CONDITION DEFICIENCIES

- i. If a building meets the minimum code deficiency threshold under Minnesota Statutes, Section 469.174, Subdivision 10(c), then for such building to be “structurally substandard” under Minnesota Statutes, Section 469.174, Subdivision 10(b), the building’s defects, or deficiencies should be of sufficient total significance to justify “substantial renovation or clearance.” Based on this definition, LHB re-evaluated each of the buildings that met the code deficiency threshold under Minnesota Statutes, Section 469.174, Subdivision 10(c), to determine if the total deficiencies warranted “substantial renovation or clearance” based on the criteria we outlined above.
- ii. System condition deficiencies are a measurement of defects or substantial deterioration in site elements, structure, exterior envelope, mechanical and electrical components, fire protection and emergency systems, interior partitions, ceilings, floors, and doors.
- iii. The evaluation of system condition deficiencies was made by reviewing all available information contained in City records and making interior and exterior inspections of the buildings. LHB only identified system condition deficiencies that were visible upon our inspection of the building or contained in City records. We did not consider the amount of “service life” used up for a particular component unless it was an obvious part of that component’s deficiencies.
- iv. After identifying the system condition deficiencies in each building, we used our professional judgment to determine if the list of defects or deficiencies is of sufficient total significance to justify “substantial renovation or clearance.”

FINDING

In our professional opinion, two (2) out of three (3) buildings (66.7 percent) in the proposed TIF District are structurally substandard to a degree requiring substantial renovation or clearance, because of defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. This exceeds the 50 percent requirement of Subdivision 10a(1).

3. Distribution of Substandard Structures

- e. Much of this report has focused on the condition of individual buildings as they relate to requirements identified by Minnesota Statutes, Section 469.174, Subdivision 10. It is also important to look at the distribution of substandard buildings throughout the geographic area of the proposed TIF District (Diagram 3).

FINDING

The parcels with substandard buildings are reasonably distributed compared to all parcels that contain buildings.

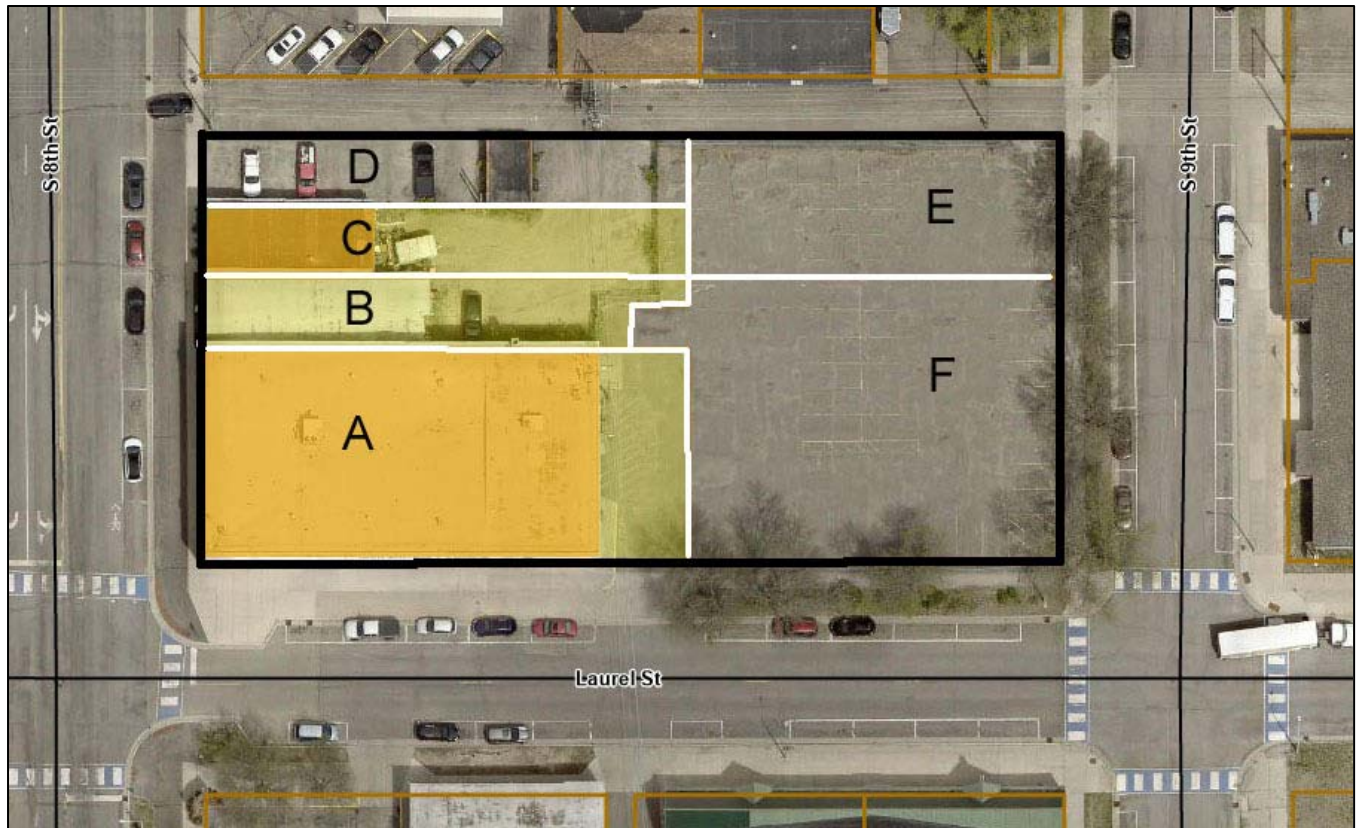


Diagram 3 – Substandard Buildings

Shaded yellow area depicts parcels with buildings.
Shaded orange area depicts substandard buildings.

Part 5: Team Credentials

Michael A. Fischer, AIA, LEED AP - Project Principal/TIF Analyst

Michael has 34 years of experience as project principal, project manager, project designer and project architect on planning, urban design, educational, commercial, and governmental projects. He has become an expert on Tax Increment Finance District analysis assisting over 100 cities with strategic planning for TIF Districts. He is an Architectural Principal at LHB and currently leads the Minneapolis office.

Michael completed a two-year Bush Fellowship, studying at MIT and Harvard in 1999, earning master's degrees in City Planning and Real Estate Development from MIT. He has served on more than 50 committees, boards, and community task forces, including a term as a City Council President, Chair of a Metropolitan Planning Organization, and Chair of the Edina Planning Commission. Most recently, he served as a member of the Edina city council and Secretary of the Edina HRA. Michael has also managed and designed several award-winning architectural projects and was one of four architects in the Country to receive the AIA Young Architects Citation in 1997.

Phil Fisher – Inspector

For 35 years, Phil Fisher worked in the field of Building Operations in Minnesota including White Bear Lake Area Schools. At the University of Minnesota, he earned his Bachelor of Science in Industrial Technology. He is a Certified Playground Safety Inspector, Certified Plant Engineer, and is trained in Minnesota Enterprise Real Properties (MERP) Facility Condition Assessment (FCA). His FCA training was recently applied to the Minnesota Department of Natural Resources Facilities Condition Assessment project involving over 2,000 buildings.

Appendices

- APPENDIX A Property Condition Assessment Summary Sheet
- APPENDIX B Building Code, Condition Deficiency and Context Analysis Reports
- APPENDIX C Building Replacement Cost Reports
 - Code Deficiency Cost Reports
 - Photographs

APPENDIX A

Property Condition Assessment Summary Sheet

Thrifty White Redevelopment TIF District

TIF Map No.	PID #	Property Address	Improved or Vacant	Survey Method Used	Site Area (S.F.)	Coverage Area of Improvements (S.F.)	Coverage Percent of Improvements	Coverage Quantity (S.F.)	No. of Buildings	Building Replacement Cost	15% of Replacement Cost	Building Code Deficiencies	No. of Buildings Exceeding 15% Criteria	No. of buildings determined substandard
A	41241495	805 Laurel Street	Improved	Interior/Exterior	12,750	12,750	100.0%	12,750	1	\$4,226,678	\$634,002	\$1,543,562	1	1
B	41241496	217 8th Street South	Improved	Exterior	3,963	3,963	100.0%	3,963	1	Note 1				
C	41241497	215 8th Street South	Improved	Interior/Exterior	4,286	4,286	100.0%	4,286	1	\$234,997	\$35,250	\$69,844	1	1
D	41241498	N/A	Vacant	Exterior	4,286	4,286	100.0%	4,286	0					
E	41241505	N/A	Vacant	Exterior	6,510	6,510	100.0%	6,510	0					
F	41241506	N/A	Vacant	Exterior	13,421	13,421	100.0%	13,421	0					
TOTALS					45,216	Total Coverage Percent:		45,216	3	Percent of buildings exceeding 15 percent code deficiency threshold:			2	2
Note 1: This building was not inspected.								100.0%	Percent of buildings determined substandard:				66.7%	66.7%
M:\22Proj\221335\300 Design\Reports\Final Report\Thrifty White Redevelopment TIF Summary Spreadsheet.xlsxProperty Info														

APPENDIX B

Building Code, Condition Deficiency and Context Analysis Reports

Thrifty White Redevelopment TIF District

Building Code, Condition Deficiency and Context Analysis Report

Parcel A

Retail Building

Address: 805 Laurel Street, Brainerd, Minnesota 56401
Parcel ID: 41241495
Inspection Date(s) & Time(s): November 18, 2022, 11:20 am
Inspection Type: Interior and Exterior
Summary of Deficiencies: It is our professional opinion that this building is Substandard because:

- Substantial renovation is required to correct Conditions found.
- Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost:	\$4,226,678
Estimated Cost to Correct Building Code Deficiencies:	\$1,543,562
Percentage of Replacement Cost for Building Code Deficiencies:	36.5%

DEFECTS IN STRUCTURAL ELEMENTS

1. Steel lintels should be protected from rusting per code.
2. Parapet walls are damaged and should be repaired/replaced per code.

COMBINATION OF DEFICIENCIES

1. Essential Utilities and Facilities
 - a. The transaction counter does not comply with accessibility code.
 - b. Second floor restrooms do not comply with code.
 - c. There is no code compliant access to all levels of the building.
2. Light and Ventilation
 - a. Electrical wiring does not comply with code.
 - b. The lighting system does not comply with code.
 - c. The HVAC system is not code compliant.
3. Fire Protection/Adequate Egress
 - a. Thresholds do not comply with code for maximum height.
 - b. Glass doors should have code required 10-inch kick plates.
 - c. Door hardware does not comply with code.
 - d. Stairs do not comply with code.
 - e. Flooring is damaged creating an impediment to emergency egress which is contrary to code.
 - f. Code required fire caulking should be placed in all through wall, floor, and ceiling penetrations.

- g. Smoke detectors do not comply with code.
 - h. The emergency lighting system does not comply with code.
 - i. The emergency notification system does not comply with code.
 - j. Code compliant emergency exit signage should be installed.
 - k. The building sprinkler system does not comply with code.
4. Layout and Condition of Interior Partitions/Materials
- a. Interior walls should be repaired/repainted.
 - b. Interior acoustical ceilings should be repaired/replaced.
 - c. Carpeting is stained and should be cleaned.
5. Exterior Construction
- a. Exterior hollow metal doors are rusting and should be repaired/replaced.
 - b. Windows are failing allowing for water intrusion which is contrary to code.
 - c. Expansion joint caulking is failing allowing for water intrusion which is contrary to code.
 - d. Exterior brick/block and mortar is damaged/cracked allowing for water intrusion which is contrary to code.
 - e. Exterior stucco is damaged allowing for water intrusion which is contrary to code.
 - f. Exterior walls should be repainted.
 - g. Roofing material has failed allowing for water intrusion which is contrary to code.

DESCRIPTION OF CODE DEFICIENCIES

- 1. Steel lintels should be protected from rusting per code.
- 2. The parapet wall should be repaired per code.
- 3. Transaction counter should be modified to comply with accessibility code.
- 4. Restrooms should be modified to comply with code.
- 5. Code compliant access to all levels should be created.
- 6. Electrical wiring does not comply with code.
- 7. The lighting system does not comply with code.
- 8. A code compliant HVAC system should be installed.
- 9. Thresholds should be modified to comply with code for maximum height.
- 10. Glass doors should have code required 10-inch kick plates installed.
- 11. Damaged flooring should be repaired/replaced to create a code required unimpeded means for emergency egress.
- 12. Code compliant smoke detectors should be installed.
- 13. Install code required fire caulking.
- 14. Code compliant emergency lighting should be installed.
- 15. Install code compliant emergency exit signage.
- 16. A code compliant emergency notification system should be installed.
- 17. A code compliant building sprinkler system should be installed.
- 18. Failed windows should be replaced to prevent water intrusion per code.
- 19. Failed caulking should be replaced to prevent water intrusion per code.

20. Exterior brick and mortar that is damaged/missing should be replaced to prevent water intrusion per code.
21. Damaged stucco should be repaired to prevent water intrusion per code.
22. Failed roofing material should be removed/replaced to prevent water intrusion per code.

OVERVIEW OF DEFICIENCIES

This building was formerly occupied as a drug store and has been vacant for several years. Exterior brick, mortar, stucco, and caulking is failing allowing for water intrusion which is contrary to code. Roofing material and windows are failing allowing for water intrusion which is contrary to code. Electrical wiring and lighting do not comply with code. The HVAC system does not comply with code. There is no code compliant access to all levels. Restrooms do not comply with code. The transaction counter does not comply with code. Life safety system do not comply with code. Damaged flooring should be repaired/replaced to create a code required unimpeded means for emergency egress. All life safety systems do not comply with code. Roofing material has failed allowing for water intrusion which is contrary to code.

ENERGY CODE DEFICIENCIES

In addition to the building code deficiencies listed above, the existing building does not comply with the current energy code. These deficiencies are not included in the estimated costs to correct code deficiencies and are not considered in determining whether the building is substandard.

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Thrifty White Redevelopment TIF District

Building Code, Condition Deficiency and Context Analysis Report

Parcel C

Retail Business

Address: 215 South 8th Street, Brainerd, Minnesota 56401
Parcel ID: 41241497
Inspection Date(s) & Time(s): November 18, 2022, 11:00 am
Inspection Type: Interior and Exterior
Summary of Deficiencies: It is our professional opinion that this building is Substandard because:

- Substantial renovation is required to correct Conditions found.
- Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost:	\$234,997
Estimated Cost to Correct Building Code Deficiencies:	\$69,844
Percentage of Replacement Cost for Building Code Deficiencies:	29.7%

DEFECTS IN STRUCTURAL ELEMENTS

1. No Deficiencies Observed.

COMBINATION OF DEFICIENCIES

1. Essential Utilities and Facilities
 - a. There is no code required accessible parking.
 - b. There is no code required accessible restroom.
2. Light and Ventilation
 - a. The electrical system does not comply with code.
 - b. The lighting system does not comply with code.
 - c. The HVAC system does not comply with code.
 - d. The plumbing system does not comply with code.
 - e. The gas meter is not properly protected per code.
3. Fire Protection/Adequate Egress
 - a. Door hardware does not comply with code.
 - b. Flooring is damaged creating an impediment to emergency egress which is contrary to code.
 - c. Thresholds do not comply with code for maximum height.
 - d. Smoke detectors do not comply with code.
 - e. Emergency lighting does not comply with code.
 - f. There is no code required emergency notification system.

- g. There is no code required building sprinkler system.
- 4. Layout and Condition of Interior Partitions/Materials
 - a. Walls should be repaired/repainted.
 - b. Ceilings should be repaired/replaced.
- 5. Exterior Construction
 - a. Brick and mortar are failing allowing for water intrusion which is contrary to code.
 - b. Stucco is damaged allowing for water intrusion which is contrary to code.
 - c. Caulking is failing allowing for water intrusion which is contrary to code.

DESCRIPTION OF CODE DEFICIENCIES

- 1. Code required accessible parking should be created.
- 2. The restroom should be modified to comply with accessibility code.
- 3. A code compliant electrical wiring system should be installed.
- 4. A code compliant lighting system should be installed.
- 5. A code compliant HVAC system should be installed.
- 6. A code compliant plumbing system should be installed.
- 7. The natural gas meter should be properly protected per code.
- 8. Code compliant door hardware should be installed.
- 9. Damaged/missing flooring should be repaired/replaced to create a code compliant unimpeded means for emergency egress.
- 10. Thresholds should be modified to comply with code for maximum height.
- 11. Code compliant smoke detectors should be installed.
- 12. Code compliant emergency lighting should be installed.
- 13. A code required emergency notification system should be installed.
- 14. A code required building sprinkler system should be installed.
- 15. Failing brick and mortar should be repaired/replaced to prevent water intrusion per code.
- 16. Damaged stucco should be repaired to prevent water intrusion per code.
- 17. Failing caulking should be replaced to prevent water intrusion per code.

OVERVIEW OF DEFICIENCIES

This retail building is currently vacant. There is no code required accessible parking or restrooms. The electrical wiring and lighting systems do not comply with code. The HVAC and plumbing systems do not comply with code. Door hardware is not code compliant. The flooring is damaged/missing creating an impediment to emergency egress which is contrary to code. The natural gas meter is not properly protected per code. Smoke detectors are not code compliant. The emergency lighting system is not code compliant. A code required emergency notification system should be installed. A code required building sprinkler system should be installed. Exterior surfaces should be repaired/replaced to prevent water intrusion per code.

ENERGY CODE DEFICIENCIES

In addition to the building code deficiencies listed above, the existing building does not comply with the current energy code. These deficiencies are not included in the estimated costs to correct code deficiencies and are not considered in determining whether or not the building is substandard.

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APPENDIX C

Building Replacement Cost Reports

Code Deficiency Cost Reports

Photographs

Thrifty White Redevelopment TIF District

Replacement Cost Report

RSMeans data
from SARGIAN

Square Foot Cost Estimate Report

Date:

11/30/2022

Estimate Name:	805 Laurel Street	
Building Type:	Commercial, 2 Story with Brick Veneer / Reinforced Concrete	
Location:	BRAINERD, MN	
Story Count:	2	
Story Height (L.F.):	16	
Floor Area (S.F.):	20800	
Labor Type:	OPN	
Basement Included:	Yes	
Data Release:	Year 2022 Quarter 4	
Cost Per Square Foot:	\$203.21	
Building Cost:	\$4,226,678.51	

Costs are derived from a building model with basic components.
Scope differences and market conditions can cause costs to vary significantly.

		Quantity	% of Total	Cost Per S.F.	Cost
A	Substructure		8.35%	\$14.75	\$306,815.75
A1010	Standard Foundations			\$4.03	\$83,840.29
A10101102700	Strip footing, concrete, reinforced, load 11.1 KLF, soil bearing capacity 6 KSF, 12" deep x 24" wide	430		\$0.97	\$20,093.04
A10102107700	Spread footings, 3000 PSI concrete, load 200K, soil bearing capacity 6 KSF, 6' - 0" square x 20" deep	64.52		\$3.06	\$63,747.25
A1030	Slab on Grade			\$3.08	\$64,159.37
A10301202240	Slab on grade, 4" thick, non industrial, reinforced	10400		\$3.08	\$64,159.37
A2010	Basement Excavation			\$2.00	\$41,618.30
A20101104620	Excavate and fill, 10,000 SF, 8' deep, sand, gravel, or common earth, on site storage	10400		\$2.00	\$41,618.30
A2020	Basement Walls			\$5.63	\$117,197.79
A20201107260	Foundation wall, CIP, 12' wall height, pumped, .444 CY/LF, 21.59 PLF, 12" thick	430		\$5.63	\$117,197.79
B	Shell		41.18%	\$72.76	\$1,513,452.61
B1010	Floor Construction			\$36.99	\$769,349.71
B10102030860	Cast-in-place concrete column, 12" square, tied, 200K load, 12' story height, 142 lbs/LF, 4000PSI	774.18		\$2.96	\$61,566.56
B10102049913	Cast-in-place concrete column, 12", square, tied, minimum reinforcing, 150K load, 10'-14' story height, 135 lbs/LF, 4000PSI	129		\$0.41	\$8,512.79
B10102049918	Cast-in-place concrete column, 16", square, tied, minimum reinforcing, 300K load, 10'-14' story height, 240 lbs/LF, 4000PSI	98.9		\$0.44	\$9,086.54
B10102154450	Concrete I beam, precast, 18" x 36", 790 PLF, 25' span, 6.44 KLF superimposed load	610.6		\$10.01	\$208,181.26
B10102221720	Flat slab, concrete, with drop panels, 6" slab/2.5" panel, 12" column, 15'x15' bay, 75 PSF superimposed load, 153 PSF total load	10400		\$7.59	\$157,913.60
B10102357550	Precast concrete double T beam, 2" topping, 24" deep x 8' wide, 50' span, 30 PSF superimposed load, 120 PSF total load	10400		\$7.63	\$158,634.11
B10102357800	Precast concrete double T beam, 2" topping, 24" deep x 8' wide, 50' span, 75 PSF superimposed load, 165 PSF total load	10400		\$7.95	\$165,454.85
B2010	Exterior Walls			\$23.48	\$488,384.23
B20101321201	Brick wall, composite double wythe, standard face/CMU back-up, 8" thick, perlite core fill, 3" XPS	11008		\$23.48	\$488,384.23
B2020	Exterior Windows			\$4.85	\$100,951.74
B20201066550	Windows, aluminum, awning, insulated glass, 4'-5" x 5'-3"	119.65		\$4.85	\$100,951.74
B2030	Exterior Doors			\$1.71	\$35,627.59
B20301106950	Door, aluminum & glass, with transom, narrow stile, double door, hardware, 6'-0" x 10'-0" opening	2.08		\$0.88	\$18,205.51
B20301107300	Door, aluminum & glass, with transom, bronze finish, hardware, 3'-0" x 10'-0" opening	2.08		\$0.45	\$9,264.57
B20302203450	Door, steel 18 gauge, hollow metal, 1 door with frame, no label, 3'-0" x 7'-0" opening	2.08		\$0.39	\$8,157.51

B3010	Roof Coverings			\$4.96	\$103,188.89
B30101203400	Roofing, single ply membrane, EPDM, 60 mils, loosely laid, stone ballast	10400		\$1.10	\$22,889.57
B30103202700	Insulation, rigid, roof deck, extruded polystyrene, 40 PSI compressive strength, 4" thick, R20	10400		\$2.66	\$55,338.19
B30104201400	Roof edges, aluminum, duranodic, .050" thick, 6" face	430		\$0.75	\$15,692.10
B30104300040	Flashing, aluminum, no backing sides, .019"	430		\$0.23	\$4,783.90
B30106305200	Gravel stop, aluminum, extruded, 4", duranodic, .050" thick	430		\$0.22	\$4,485.13
B3020	Roof Openings			\$0.77	\$15,950.45
B30202100300	Roof hatch, with curb, 1" fiberglass insulation, 2'-6" x 3'-0", galvanized steel, 165 lbs	4.16		\$0.35	\$7,197.03
B30202102100	Smoke hatch, unlabeled, galvanized, 2'-6" x 3', not incl hand winch operator	4.16		\$0.42	\$8,753.42
C	Interiors		14.58%	\$25.76	\$535,910.05
C1010	Partitions			\$2.47	\$51,476.56
C10101265400	Metal partition, 5/8" fire rated gypsum board face, no base, 3'-5/8" @ 24" OC framing, same opposite face, no insulation	5824		\$1.10	\$22,947.08
C10101265425	Metal partition, 5/8" fire rated gypsum board face, no base, 3'-5/8" @ 24" OC framing, same opposite face, sound attenuation insulation	2496		\$0.62	\$12,978.15
C10101280700	Gypsum board, 1 face only, exterior sheathing, fire resistant, 5/8"	11008		\$0.45	\$9,272.04
C10101280960	Add for the following: taping and finishing	11008		\$0.30	\$6,279.29
C1020	Interior Doors			\$6.31	\$131,206.28
C10201022500	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, solid core	46.67		\$2.28	\$47,498.55
C10201022600	Door, single leaf, kd steel frame, hollow metal, commercial quality, flush, 3'-0" x 7'-0" x 1-3/8"	66.67		\$4.02	\$83,707.73
C1030	Fittings			\$0.22	\$4,601.91
C10301100420	Toilet partitions, cubicles, ceiling hung, plastic laminate	5.2		\$0.22	\$4,601.91
C2010	Stair Construction			\$3.61	\$75,152.90
C20101100720	Stairs, steel, pan tread for conc in-fill, picket rail, 12 risers w/ landing	7.28		\$3.61	\$75,152.90
C3010	Wall Finishes			\$0.93	\$19,331.75
C30102300140	Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats	16640		\$0.56	\$11,634.85
C30102300140	Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats	11008		\$0.37	\$7,696.90
C3020	Floor Finishes			\$4.19	\$87,143.90
C30204100080	Carpet tile, nylon, fusion bonded, 18" x 18" or 24" x 24", 35 oz	12480		\$2.88	\$59,951.42
C30204101600	Vinyl, composition tile, maximum	6240		\$0.61	\$12,596.25
C30204101720	Tile, ceramic natural clay	2080		\$0.70	\$14,596.23
C3030	Ceiling Finishes			\$8.03	\$166,996.75
C30302106000	Acoustic ceilings, 3/4" fiberglass board, 24" x 48" tile, tee grid, suspended support	20800		\$8.03	\$166,996.75
D	Services		35.89%	\$63.42	\$1,319,194.21
D1010	Elevators and Lifts			\$13.24	\$275,486.64
D10101108900	Hydraulic passenger elevator, 3000 lb, 3 floors, 12' story height, 2 car group, 125 FPM	2.08		\$13.24	\$275,486.64
D2010	Plumbing Fixtures			\$2.74	\$56,891.02
D20101102080	Water closet, vitreous china, bowl only with flush valve, wall hung	5.2		\$0.99	\$20,614.91
D20102102000	Urinal, vitreous china, wall hung	2.08		\$0.13	\$2,780.91
D20103101560	Lavatory w/trim, vanity top, PE on CI, 20" x 18"	4.16		\$0.35	\$7,236.11
D20104404340	Service sink w/trim, PE on CI, wall hung w/rim guard, 24" x 20"	3.12		\$0.89	\$18,556.90
D20108201920	Water cooler, electric, wall hung, wheelchair type, 7.5 GPH	3.12		\$0.37	\$7,702.19
D2020	Domestic Water Distribution			\$0.67	\$13,978.74
D20202501860	Gas fired water heater, commercial, 100 < F rise, 100 MBH input, 91 GPH	1.04		\$0.67	\$13,978.74
D2040	Rain Water Drainage			\$0.82	\$17,066.21
D20402104200	Roof drain, CI, soil, single hub, 4" diam, 10' high	4.16		\$0.50	\$10,309.19
D20402104240	Roof drain, CI, soil, single hub, 4" diam, for each additional foot add	129		\$0.32	\$6,757.02

D3050	Terminal & Package Units			\$16.47	\$342,562.48
D30501553960	Rooftop, multizone, air conditioner, offices, 25,000 SF, 79.16 ton	20800		\$16.47	\$342,562.48
D4010	Sprinklers			\$3.76	\$78,287.44
D40104100600	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 5000 SF	7072		\$1.64	\$34,194.53
D40104100720	Wet pipe sprinkler systems, steel, light hazard, each additional floor, 5000 SF	13728		\$1.83	\$37,965.20
D40104108930	Standard High Rise Accessory Package 3 story	1.04		\$0.29	\$6,127.71
D4020	Standpipes			\$1.26	\$26,156.13
D40203101540	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor	1.25		\$0.67	\$13,959.79
D40203101560	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, additional floors	4.68		\$0.59	\$12,196.34
D5010	Electrical Service/Distribution			\$4.63	\$96,299.92
D50101200440	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 1000 A	1.25		\$1.40	\$29,097.81
D50102300440	Feeder installation 600 V, including RGS conduit and XHHW wire, 1000 A	100		\$1.50	\$31,281.70
D50102400320	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 3 phase, 1200 A	1.2		\$1.73	\$35,920.41
D5020	Lighting and Branch Wiring			\$14.92	\$310,235.89
D50201100640	Receptacles incl plate, box, conduit, wire, 16.5 per 1000 SF, 2.0 W per SF, with transformer	20800		\$5.36	\$111,475.73
D50201350320	Miscellaneous power, 1.2 watts	20800		\$0.38	\$8,004.88
D50201400280	Central air conditioning power, 4 watts	20800		\$0.74	\$15,313.79
D50201452080	Motor installation, three phase, 460 V, 15 HP motor size	2		\$0.26	\$5,373.88
D50202100520	Fluorescent fixtures recess mounted in ceiling, 1.6 watt per SF, 40 FC, 10 fixtures @32watt per 1000 SF	23920		\$8.18	\$170,067.61
D5030	Communications and Security			\$4.91	\$102,229.74
D50303101020	Telephone wiring for offices & laboratories, 8 jacks/MSF	15600		\$1.72	\$35,749.74
D50309100454	Communication and alarm systems, fire detection, addressable, 50 detectors, includes outlets, boxes, conduit and wire	1.04		\$2.35	\$48,917.13
D50309100462	Fire alarm command center, addressable with voice, excl. wire & conduit	1.04		\$0.84	\$17,562.87
E	Equipment & Furnishings		0.00%	\$0.00	\$0.00
E1090	Other Equipment			\$0.00	\$0.00
F	Special Construction		0.00%	\$0.00	\$0.00
G	Building Sitework		0.00%	\$0.00	\$0.00
SubTotal			100%	\$176.70	\$3,675,372.62
Contractor Fees (General Conditions,Overhead,Profit)			15.0%	\$26.51	\$551,305.89
Architectural Fees			0.0%	\$0.00	\$0.00
User Fees			0.0%	\$0.00	\$0.00
Total Building Cost				\$203.21	\$4,226,678.51

Thrifty White Redevelopment TIF District

Code Deficiency Cost Report

Parcel A - 805 Laurel Street, Brainerd, Minnesota 56401
Parcel ID 41241495

Building Name or Type
Retail Building

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
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Accessibility Items

Restrooms

Modify restrooms to comply with accessibility code	\$ 1.69	SF	20,800	\$ 35,152.00
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Transaction Counter

Modify transaction counter to comply with accessibility code	\$ 1,500.00	Lump	1	\$ 1,500.00
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Accessible Routes

Create a code required accessible route to all levels of the building	\$ 13.24	SF	20,800	\$ 275,392.00
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Structural Elements

Steel Lintels

Protect steel lintels from rusting per code	\$ 500.00	Lump	1	\$ 500.00
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Parapet Wall

Repair/replace damaged parapet wall to prevent from falling per code	\$ 5,000.00	Lump	1	\$ 5,000.00
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Exiting

Thresholds

Modify thresholds to comply with code for maximum height	\$ 250.00	EA	3	\$ 750.00
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Glass Doors

Install code required 10-inch kick plates on glass doors	\$ 100.00	EA	6	\$ 600.00
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Flooring

Repair/replaced damaged flooring to create an unimpeded means for emergency egress per code	\$ 1.00	SF	20,800	\$ 20,800.00
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Emergency Lighting System

Install a code compliant emergency lighting system	\$ 2.15	SF	20,800	\$ 44,720.00
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Emergency Exit Signage

Install code compliant emergency exit signage	\$ 0.65	SF	20,800	\$ 13,520.00
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Emergency Notification System

Install a code compliant emergency notification system	\$ 0.84	SF	20,800	\$ 17,472.00
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Fire Protection

Smoke Detectors

Install code compliant smoke detectors	\$ 2.35	SF	20,800	\$ 48,880.00
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Fire Caulking

Install code required fire caulking	\$ 0.10	SF	20,800	\$ 2,080.00
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Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
	Building Sprinkler System				
	Install a code compliant building sprinkler system	\$ 5.02	SF	20,800	\$ 104,416.00
	Exterior Construction				
	Windows				
	Replace failed windows to prevent water intrusion per code.	\$ 4.85	SF	20,800	\$ 100,880.00
	Brick and Mortar				
	Repair/replace failed brick and mortar to prevent water intrusion per code	\$ 2,500.00	Lump	1	\$ 2,500.00
	Stucco				
	Repair damaged stucco to prevent water intrusion per code	\$ 1,000.00	Lump	1	\$ 1,000.00
	Roof Construction				
	Roofing Material				
	Replace failed roofing material to prevent water intrusion per code	\$ 5.73	SF	20,800	\$ 119,184.00
	Mechanical - Electrical				
	Mechanical				
	Install a code compliant HVAC system	\$ 16.47	SF	20,800	\$ 342,576.00
	Electrical				
	Install code compliant electrical wiring	\$ 11.37	SF	20,800	\$ 236,496.00
	Install code compliant lighting	\$ 8.18	SF	20,800	\$ 170,144.00
Total Code Improvements					\$ 1,543,562

Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



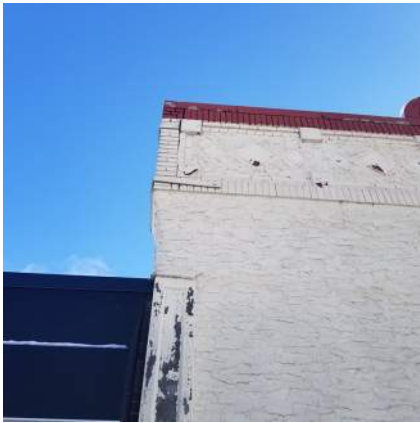
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Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



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Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



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Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



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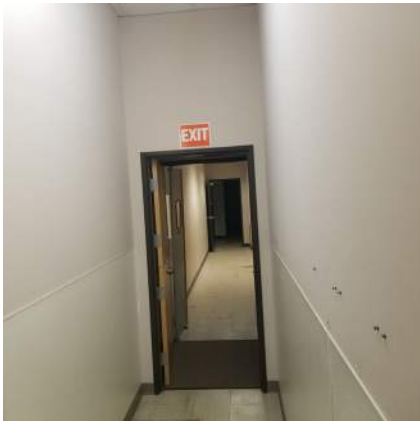
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Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



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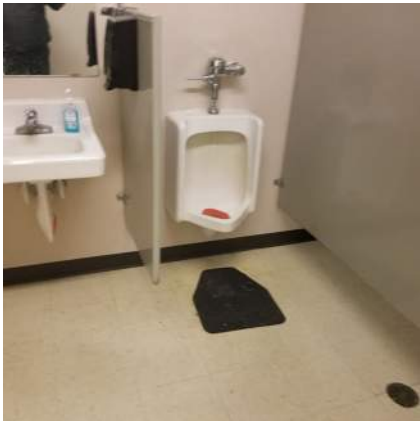
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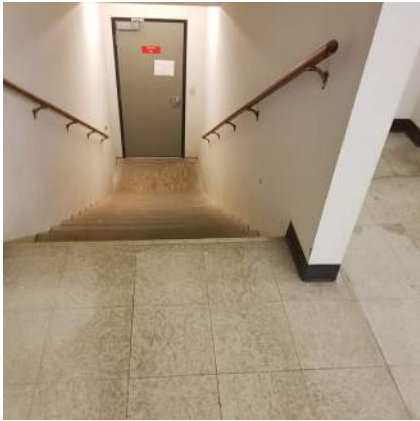


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Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



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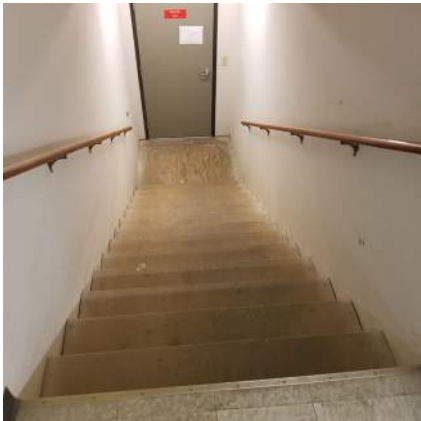
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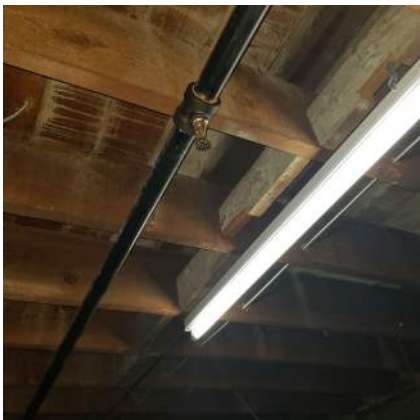
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Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



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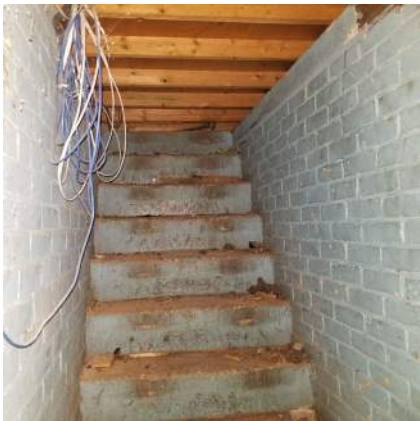
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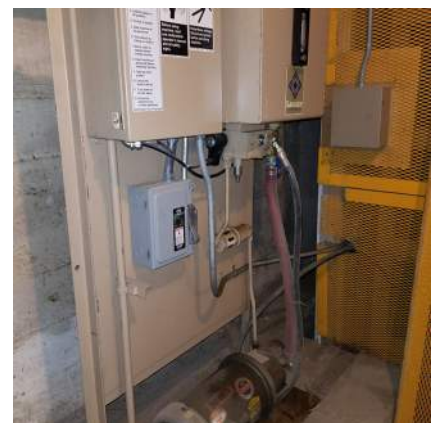
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Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



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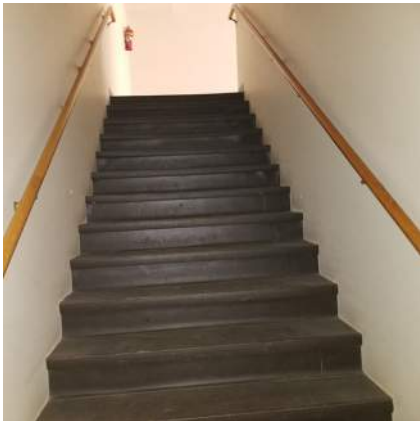
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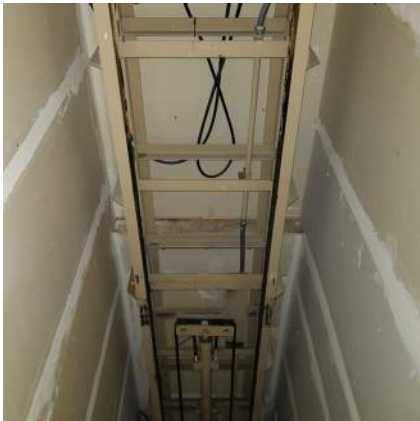
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Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



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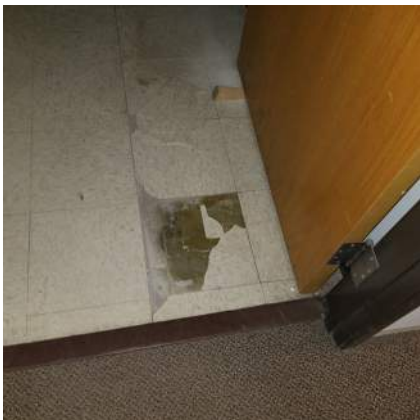
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Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



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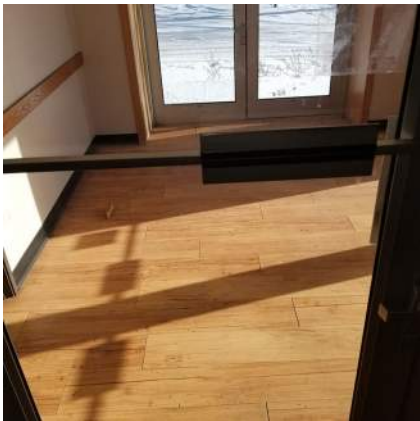
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Thirty White Redevelopment TIF District | Parcel A: 805 Laurel Street



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Thirty White Redevelopment TIF District

Replacement Cost Report



Square Foot Cost Estimate Report

Date:

11/30/2022

Estimate Name:	215 8th Street	
Building Type:	Store, with Face Brick / Wood Frame	
Location:	BRAINERD, MN	
Story Count:	1	
Story Height (L.F.):	12.00	
Floor Area (S.F.):	1400	
Labor Type:	OPN	
Basement Included:	No	
Data Release:	Year 2022 Quarter 4	
Cost Per Square Foot:	\$167.86	Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.
Building Cost:	\$234,997.73	

		Quantity	% of Total	Cost Per S.F.	Cost
A	Substructure		13.17%	\$19.22	\$26,909.77
A1010	Standard Foundations			\$12.50	\$17,496.77
A10101051520	Foundation wall, CIP, 4' wall height, direct chute, .099 CY/LF, 4.8 PLF, 8" thick	170		\$9.18	\$12,856.59
A10101102100	Strip footing, concrete, unreinforced, load 2.6 KLF, soil bearing capacity 3 KSF, 8" deep x 16" wide	170		\$2.49	\$3,490.80
A10102107100	Spread footings, 3000 PSI concrete, load 25K, soil bearing capacity 3 KSF, 3' - 0" square x 12" deep	5.6		\$0.82	\$1,149.38
A1030	Slab on Grade			\$6.17	\$8,636.84
A10301202240	Slab on grade, 4" thick, non industrial, reinforced	1400		\$6.17	\$8,636.84
A2010	Basement Excavation			\$0.55	\$776.16
A20101103380	Excavate and fill, 4000 SF, 4' deep, sand, gravel, or common earth, on site storage	1400		\$0.55	\$776.16
B	Shell		43.09%	\$62.90	\$88,053.93
B1010	Floor Construction			\$0.42	\$586.73
B10102102700	Wood column, 6" x 6", 20' x 20' bay, 12' unsupported height, 90 BF/MSF, 50 PSF total allowable load	1400		\$0.42	\$586.73
B1020	Roof Construction			\$4.41	\$6,173.85
B10201023750	Wood roof, flat rafter, 2" x 10", 16" O.C.	1400		\$4.41	\$6,173.85
B2010	Exterior Walls			\$35.41	\$49,578.85
B20101291400	Brick veneer wall, standard face, 2x6 studs @ 16" back-up, running bond	1632		\$35.41	\$49,578.85
B2020	Exterior Windows			\$16.45	\$23,023.68
B20202102000	Aluminum flush tube frame, thermo-break frame, 2.25" x 4.5", 5'x6' opening, no intermediate horizontals	408		\$9.83	\$13,760.98
B20202202000	Glazing panel, plate glass, 1/4" thick, clear	408		\$6.62	\$9,262.70
B2030	Exterior Doors			\$3.94	\$5,512.82
B20301106450	Door, aluminum & glass, without transom, wide stile, double door, hardware, 6'-0" x 7'-0" opening	0.35		\$2.34	\$3,273.87
B20302102500	Door, birch, solid core, single door, hinged, 3'-0" x 7'-0" opening	0.7		\$1.60	\$2,238.95
B3010	Roof Coverings			\$2.27	\$3,178.00
B30101202000	Roofing, single ply membrane, EPDM, 45mils, fully adhered	1400		\$2.27	\$3,178.00
C	Interiors		9.97%	\$14.55	\$20,370.51
C1010	Partitions			\$3.13	\$4,388.63
C10101241200	Wood partition, 5/8" fire rated gypsum board face, none base, 2 x 4, @ 16" OC framing, same opposite face, 0 insul	233.33		\$0.75	\$1,056.44
C10101244500	5/8" gypsum board, taped & finished, painted on 2 x 4 studs 16" O.C.	1632		\$2.38	\$3,332.19
C1020	Interior Doors			\$1.41	\$1,975.59
C10201022600	Door, single leaf, kd steel frame, hollow metal, commercial quality, flush, 3'-0" x 7'-0" x 1-3/8"	0.75		\$0.68	\$946.54
C10201023300	Door, double leaf, kd steel frame, hollow metal, commercial quality, B label, 2 - 3'-0" x 7'-0" x 1-3/8"	0.32		\$0.74	\$1,029.05
C3010	Wall Finishes			\$0.34	\$472.20

C30102300080	Painting, interior on plaster and drywall, brushwork, primer & 2 coats	466.67		\$0.34	\$472.20
C3020	Floor Finishes			\$2.02	\$2,826.08
C30204101600	Vinyl, composition tile, maximum	1400		\$2.02	\$2,826.08
C3030	Ceiling Finishes			\$7.65	\$10,708.01
C30302105800	Acoustic ceilings, 5/8" fiberglass board, 24" x 48" tile, tee grid, suspended support	1400		\$7.65	\$10,708.01
D	Services		33.77%	\$49.29	\$69,011.64
D2010	Plumbing Fixtures			\$5.19	\$7,268.62
D20101102000	Water closet, vitreous china, tank type, 2 piece close coupled	1.19		\$1.14	\$1,596.71
D20103101640	Lavatory w/trim, vanity top, PE on CI, 18" round	1.19		\$1.77	\$2,479.90
D20104404300	Service sink w/trim, PE on CI, wall hung w/rim guard, 22" x 18"	0.6		\$2.28	\$3,192.01
D2020	Domestic Water Distribution			\$1.99	\$2,781.52
D20202202260	Gas fired water heater, residential, 100 < F rise, 30 gal tank, 32 GPH	0.6		\$1.99	\$2,781.52
D3050	Terminal & Package Units			\$7.23	\$10,117.79
D30501503360	Rooftop, single zone, air conditioner, food supermarkets, 5,000 SF, 14.17 ton	1400		\$7.23	\$10,117.79
D4010	Sprinklers			\$4.84	\$6,769.28
D40104100600	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 5000 SF	1400		\$4.84	\$6,769.28
D4020	Standpipes			\$7.99	\$11,185.73
D40203101540	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor	1		\$7.99	\$11,185.73
D5010	Electrical Service/Distribution			\$3.80	\$5,318.09
D50101200280	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 200 A	0.35		\$0.85	\$1,191.60
D50102300280	Feeder installation 600 V, including RGS conduit and XHHW wire, 200 A	17.5		\$0.67	\$940.18
D50102400200	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 3 phase, 400 A	0.21		\$2.28	\$3,186.31
D5020	Lighting and Branch Wiring			\$13.86	\$19,409.92
D50201100200	Receptacles incl plate, box, conduit, wire, 2.5 per 1000 SF, .3 watts per SF	1400		\$2.07	\$2,891.69
D50201350280	Miscellaneous power, 1 watt	1400		\$0.33	\$459.79
D50201400280	Central air conditioning power, 4 watts	1400		\$0.74	\$1,030.74
D50202100540	Fluorescent fixtures recess mounted in ceiling, 2.4 watt per SF, 60 FC, 15 fixtures @ 32 watt per 1000 SF	1400		\$10.73	\$15,027.70
D5030	Communications and Security			\$4.40	\$6,160.69
D50309100452	Communication and alarm systems, fire detection, addressable, 25 detectors, includes outlets, boxes, conduit and wire	0.09		\$1.51	\$2,116.71
D50309100460	Fire alarm command center, addressable without voice, excl. wire & conduit	1		\$2.89	\$4,043.98
E	Equipment & Furnishings		0.00%	\$0.00	\$0.00
E1090	Other Equipment			\$0.00	\$0.00
F	Special Construction		0.00%	\$0.00	\$0.00
G	Building Sitework		0.00%	\$0.00	\$0.00
SubTotal			100%	\$145.96	\$204,345.85
Contractor Fees (General Conditions, Overhead, Profit)			15.0%	\$21.89	\$30,651.88
Architectural Fees			0.0%	\$0.00	\$0.00
User Fees			0.0%	\$0.00	\$0.00
Total Building Cost				\$167.86	\$234,997.73

Thrifty White Redevelopment TIF District

Code Deficiency Cost Report

Parcel C -215 South 8th Street, Brainerd, Minnesota 56401
Parcel ID 41241497

Building Name or Type
Retail Building

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
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Accessibility Items

Parking

Create code required accessible parking	\$ 100.00	EA	1	\$	100.00
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Restroom

Modify restroom to comply with accessibility code	\$ 2.91	SF	1,400	\$	4,074.00
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Structural Elements

No Deficiencies Observed				\$	-
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Exiting

Door Hardware

Install code compliant door hardware	\$ 250.00	EA	2	\$	500.00
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Flooring

Repair/replace damaged flooring to create an unimpeded means for emergency egress per code	\$ 2.02	SF	100	\$	202.00
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Thresholds

Modify thresholds to comply with code for maximum height	\$ 250.00	Ea	2	\$	500.00
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Emergency Lighting

Install a code compliant emergency lighting system	\$ 0.75	SF	1,400	\$	1,050.00
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Emergency Notification System

Install a code required emergency notification system	\$ 2.89	SF	1,400	\$	4,046.00
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Fire Protection

Natural Gas Meter

Install code required protection around natural gas meter	\$ 750.00	EA	1	\$	750.00
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Smoke Detectors

Install code compliant smoke detectors	\$ 1.51	SF	1,400	\$	2,114.00
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Building Sprinkler System

Install a code required building sprinkler system	\$ 12.83	SF	1,400	\$	17,962.00
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Exterior Construction

Exterior Brick and Mortar

Repair/replace damaged/missing brick and mortar to prevent water intrusion per code	\$ 500.00	Lump	1	\$	500.00
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Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
	Stucco				
	Repair damaged/cracked stucco to prevent water intrusion per code	\$ 250.00	Lump	1	\$ 250.00
	Caulking				
	Repair/replace damaged/missing caulking to prevent water intrusion per code	\$ 150.00	Lump	1	\$ 150.00
Roof Construction					
	No Deficiencies Observed				\$ -
Mechanical - Electrical					
	Mechanical				
	Install a code compliant HVAC system	\$ 7.23	SF	1,400	\$ 10,122.00
	Install a code compliant plumbing system	\$ 1.99	SF	1,400	\$ 2,786.00
	Electrical				
	Install a code compliant electrical wiring system	\$ 6.94	SF	1,400	\$ 9,716.00
	Install code compliant lighting	\$ 10.73	SF	1,400	\$ 15,022.00
Total Code Improvements					\$ 69,844

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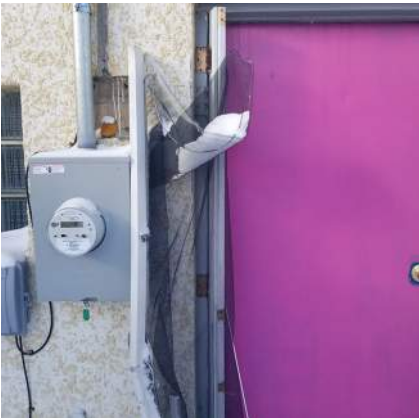
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Thirty White Redevelopment TIF District | Parcel C: 215 South 8th Street



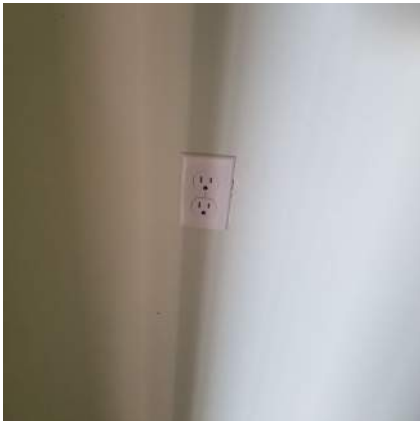
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