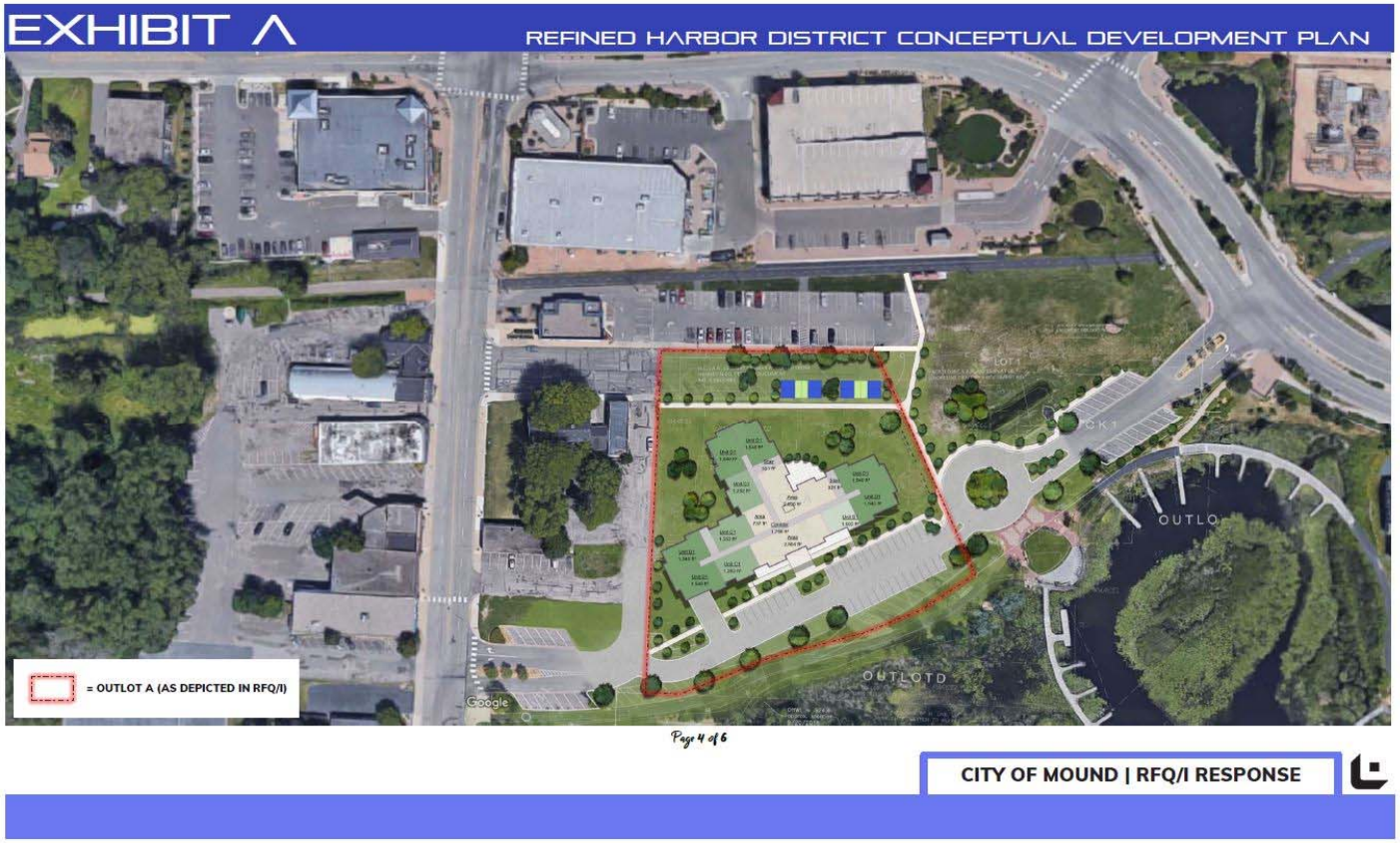
Purchase & Development Agreement with Lifestyle Communities

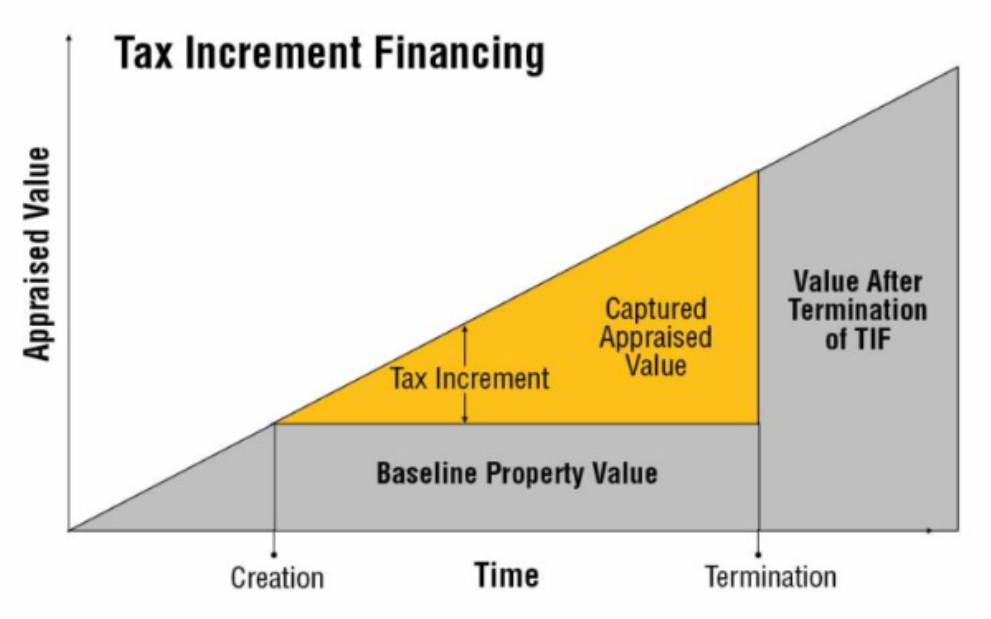


Remaining open spaces will be among the largest in the City parks inventory

- Block 1, Lot 1 2.1 acres + 1 acre Dakota Trail + 0.25 acre Veteran's Memorial Plaza = **3.35 acres of open spaces**
- Philbrook Park 3.3 acres
- Crescent Park 3 acres
- Swenson Park 3 acres
- Surfside Park & Beach 3.3 acres
- Highland/Three Points 2.4 acres

Mound Harbor TIF District

Tax Increment Financing (TIF) is a popular economic development tool by which the local governments use incremental property tax to fund the public costs of *economic revitalization and growth*.



Mound Harbor TIF District

TIF 1-3 Related Expenditures	Total 2002 - 2015
Dump Remediation/Lost Lake Dredge	3,281,764.72
Property Purchases/Improvements/Options	1,824,120.14
Greenway Phase I and II/Signage	1,693,924.18
Auditor's Road	746,300.08
Professional Fees/Extension of TIF District/Salary Allocation/etc.	484,876.27
Federal Lobbying/Special Legislation	39,773.51
Consulting for Redevelopment	23,898.75
Deck II	10,125.89
Pumphouse Relocation/Renovation	276,544.46
Wayfinding Sinage	138,621.50
Veterans Memorial Park (most donations in-kin	101,134.90
2012 Market Study	14,502.53
Total	8,635,586.93

Of the $8.635M – the City bonded for $4M

The total represents the cost of mitigating blight, making public improvements, and administering the TIF district – all of which are qualified expenditures for TIF – these are costs no developer would cover compared to developing on a green field. These investments were necessary to be able to attract development but they don't equate to the property's value.

2009 Recession Hit – Remaining Lost Lake lots back to bank in foreclosure – TIF dropped to $37K in ensuing years

Mound Harbor TIF District in 2009 when recession hit

Mound Harbor TIF District Today

Scenario 1: No Further Development			
Debt service on $4.02M bond issue	**$**	**5,656,870**	
Tax Increment from Villas on Lost Lake 2009 - 2031 projected	$	(2,272,073)	
Lost Lake Slip Fees	$	(550,000)	
Tax Levy 2011 - 2020	$	(1,984,797)	*
Tax Levy 2021 - 2031	$	(850,000)	*
Net	$	-	

* Total Taxpayer Responsibility
$2.835M for debt levies + $$$$ to improve/maintain public spaces .... $4M est

Scenario 2: Lifestyle Development Proceeds			
Land Acquistion Price	$	700,000	
Projected TIF 2023 - 2031 $192,950 X 9 years (note no inflation assumed)	$	1,736,550	= no further debt levies of $850K + repayment of $750K for previous levies
Park Dedication Fees (in kind)	$	70,000	
Sewer & Water Trunk Charges	$	108,000	
Base Utility Bills (2023 - 2031) (note no variable water or sewer)	$	981,000	
Incremental Revenues thru 2031	**$**	**3,595,550**	
Tax payer w/o $4M vs w/ $1.235M	$	2,765,000	Taxpayer Savings
Land acquisition + Park Ded + UB	$	1,859,000	Incremental Revenues
Opportunity Cost of doing nothing	**$**	**4,624,000**	

Purchase & Development Agreement Highlights

- Essentially same document as was approved by Council in 2018 with Homestead Partners and included in the RFQ/I issuance, so this greatly informed expectations and made negotiation quicker and smoother

- Changes to better reflect specific details of this project
  - Streamlined timelines because this is a single development and not phased units
  - 6 month discovery, land use application process
  - Construction to commence by July 1, 2021 with anticipated completion by October 31, 2022 and final landscaping/site restoration by November 30, 2022
  - Some flexibility options built in for COVID with closing to occur no later than April 30, 2021

Recommendation/ Action / Next Steps

- Lifestyle Communities presentation on proposed development
- Public comments taken
  (note a formal public hearing is not required to sell land per MSS 412.211)
- Questions/discussion among City Council
- Recommend approval of resolution approving Purchase and Development Agreement with Lifestyle Communities, LLC