

Exhibit "3"
Cost-Benefit Analysis for Phase II

Section 18-2113 of the Act requires the CDA conduct a cost-benefit analysis for each redevelopment project for which TIF will be used. This analysis addresses the following statutory issues pertaining to Phase II of the Project:

Phase II Sources and Uses. Approximately \$4,785,488 in public funds from tax increment financing provided by the CDA will be required to complete Phase II. This investment by the CDA will leverage \$15,909,553 in private sector financing; a private investment of approximately \$3.32 for every TIF dollar.

Use of Funds			
Description	TIF Funds	Private Funds	Total
Site Acquisition	560,000	0	560,000
Site Preparation/Infrastructure – paving, sanitary sewer, storm sewer and water	2,183,783	0	2,183,783
Street Trees/ Street Lights /Neighborhood Park Equipment	125,000	275,000	400,000
Legal/Accounting, Finance	281,480	145,450	426,930
Building Costs	0	14,620,878	14,620,878
Architecture Engineering	375,225	198,225	573,450
Planning, Development and Permitting	650,000	0	650,000
Contingencies	610,000	670,000	1,280,000
TOTALS	4,785,488	15,909,553	20,695,041

Tax Revenue. The Phase II Project Site is anticipated to have a January 1, 2018, valuation of approximately \$127,641. Based on the 2017 levy this would result in a real property tax of approximately \$2,487. It is anticipated that the assessed value will increase by \$20,567,400 upon full completion as a result of redevelopment. This redevelopment will result in an

estimated tax increase of approximately \$400,863 annually. The tax increment gained from Phase II would not be available for use as City general tax revenues for the lesser of 15 years from the effective date (as defined in the Act) or the time as may be required to amortize the TIF bond, but would be used for eligible redevelopment costs to enable Phase II to be realized.

Estimated 2018 assessed value:	\$127,641
Estimated value after completion:	\$20,695,041
Increment value:	\$20,567,400
Annual TIF generated (estimated):	\$400,863
TIF bond issue:	Not to exceed \$4,785,488

** The projected tax increment is based on assumed values and levy rates; actual amounts and rates will vary from those assumptions, and it is understood that the actual tax may vary materially from the projected amount. The levy rate is assumed to be the 2017 levy rate. There has been no accounting for incremental growth over the 15 year TIF period.*

(a) Tax shifts resulting from the approval of the use of Tax Increment Financing;

The Phase II Project Site currently has an estimated valuation of \$127,641. The proposed redevelopment will create additional valuation of \$20,567,400. As such, redevelopment of the Phase II Project Site will create additional valuation that will support taxing entities long after the taxes are divided. No tax shifts are anticipated from the project.

Additionally, Phase II will require considerable purchases of construction materials, resulting in sales taxes collected by the City.

(b) Public infrastructure and community public service needs impacts and local tax impacts arising from the approval of the redevelopment project;

No additional public service needs have been identified other than the public infrastructure constructed to serve the Phase II Project Site. Existing water and waste water facilities will not be negatively impacted by this development. The electric utility has sufficient capacity to support the development. Fire and police protection are available and should not be negatively impacted by this development.

(c) Impacts on employers and employees of firms locating or expanding within the boundaries of the area of the redevelopment project;

Phase II will have minimal impact on employers or employees within the Phase II Project Site. However, the development will increase housing availability in northeast Norfolk and may positively impact recruitment of employees for businesses located in this part of the community.

(d) Impacts on other employers and employees within the city or village and the immediate area that are located outside of the boundaries of the area of Phase II:

Phase II should have a positive impact on other employees and employers within the Norfolk area by helping alleviate the existing housing shortage to provide housing for current and future employees of employers within the City and the immediate area.

(e) Impacts on student populations of school districts within the City:

The addition of school age children as a result of this redevelopment project will have an impact on the Norfolk School District. Assuming each dwelling will result in 2.35 persons and there is a traditional family in each dwelling, a student population increase of .35 children per dwelling is possible. Single parents with multiple school age children will skew this number higher. The district will not receive taxes from the housing built during the time the increased taxes are utilized to pay the TIF bond. The district has received state aid to education in the past. Part of the school aid formula involves assessed valuation in the district. The valuation that generates the TIF bond payments is not included in the formula and does not count against the state aid that the district would receive. Taxes on any increase in the base value of the land will benefit the school district. After the TIF bond is paid, or at the end of the respective 15 years of division of taxes, whichever is sooner, the increased valuation from the residential construction will be available to all taxing entities.

(f) Any other impacts determined by the CDA to be relevant to the consideration of costs and benefits arising from the second phase of the redevelopment project.

Phase II consists of a housing project in northeast Norfolk. It should encourage the development of additional retail in close proximity to the development and will be the catalyst for future phases.

(g) Assessment districts and Infrastructure

Assessment districts may be formed to facilitate water, sewer, and paving on a portion of the Phase II Project Site. If formed, Redeveloper will utilize TIF to repay the assessments. The assessment districts will be amortized over 10 years, and will be kept current by Redeveloper.

(h) But-For Determination

With a total build cost of \$20,695,041, Phase II would not be feasible except for the availability of TIF in the amount not to exceed \$4,785,488, which is necessary to offset the base cost of infrastructure and other attached costs that occur early in the Project but cannot

be recovered for many years.