

Notice of Public Hearing

October 18, 2019
NOTICE OF HEARING
CITY OF NORTH MANKATO
COUNTY OF NICOLLET
STATE OF MINNESOTA

NOTICE IS HEREBY GIVEN that the City Council of the City of North Mankato, Minnesota, will hold a public hearing on Monday, October 28, 2019, at a meeting of the Council beginning at approximately 12:00 p.m. at the North Mankato Municipal Building, 1001 Belgrade Avenue, North Mankato, Minnesota, relating to the proposal of the North Mankato Port Authority Commission to establish Tax Increment Financing District IDD No. 1-26, within Industrial Development District No. 1, and adopt a tax increment financing plan relating thereto, all pursuant to Minnesota Statutes, Chapter 469.

A map showing the boundaries of Industrial Development District No. 1 and Tax Increment Financing District IDD No. 1-26 is attached. A copy of the documentation proposed to be considered at the hearing will be on file and available for public inspection at the office of the City Administrator at the Municipal Building.

All interested persons may appear at the public hearing and present their views orally or in writing.

Dated: This 18th day of October 2019.

BY ORDER OF THE NORTH MANKATO CITY COUNCIL

/s/April Van Genderen
April Van Genderen
City Clerk
North Mankato City Council



AFFIDAVIT OF PUBLICATION

State of Minnesota, ss.
County of Blue Earth

Steve Jameson, being duly sworn, on oath states as follows:

1. I am the publisher of The Free Press, or the publisher's designated agent. I have personal knowledge of the facts stated in this Affidavit, which is made pursuant to Minnesota Statutes §331A.07.
2. The newspaper has complied with all of the requirements to constitute a qualified newspaper under Minnesota law, including those requirements found in Minnesota Statutes §331A.02.
3. The dates of the month and the year and day of the week upon which the public notice attached/copied below was published in the newspaper are as follows:

The printed notice which is attached was cut from the columns of said newspaper, and was printed and published once each week, for 1 successive weeks; it was first published on Friday the 18 day of October, 2019, and was thereafter printed and published on every Friday to and including Friday, the 18 day of October, 2019; and printed below is a copy of the lower case alphabet from A to Z, both inclusive, which is hereby acknowledged as being the size and kind of type used in the composition and publication of the notice:

abcdefghijklmnopqrstuvwxyz

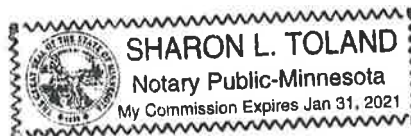
4. The Publisher's lowest classified rate paid by commercial users for comparable space, as determined pursuant to § 331A.06, is as follows: \$132.23.
5. Pursuant to Minnesota Statutes §580.033 relating to the publication of mortgage foreclosure notice: The newspaper's known office is located in Blue Earth County. The newspaper complies with the conditions described in §580.033, subd. 1, clause (1) or (2). If the newspaper's known office of issue is located in a county adjoining the county where the mortgaged premises or some part of the mortgaged premises described in the notice are located, a substantial portion of the newspaper's circulation is in the latter county.

FURTHER YOUR AFFIANT SAITH NOT.

By: Steve Jameson
Steve Jameson, Publisher

Subscribed and sworn to before me on this 18 day of October, 2019.

Sharon L. Toland
Notary Public



RESOLUTION # 80-19

**RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF NORTH MANKATO APPROVING TAX INCREMENT
FINANCING DISTRICT IDD NO. 1-26**

WHEREAS, the City Council of North Mankato (herein called the "City") has held a public hearing to receive input regarding the establishment of Tax Increment Financing District IDD No. 1-26 (herein called the "District") as provided in a report, dated October 28, 2019 (herein called the "Plan"); and

WHEREAS, the City has previously approved a plan for Industrial Development District No. 1 pursuant to Minnesota Statutes, Sections 469.048 to 469.068; thereby creating a Project within the meaning of Minnesota Statutes, Section 469.174, Subdivision 8, which encompasses the District; and

WHEREAS, the Plan sets forth the estimate of the fiscal and economic impact of tax increment financing on the tax capacities of all taxing jurisdictions in which the District is located; and

WHEREAS, the Board of Nicollet County, Minnesota, has been notified of the public hearing for review of the Plan; and

WHEREAS, the School Board of Independent School District No. 77 has been notified of the public hearing for review of the Plan; and

WHEREAS, the City has received and considered the comments of the Nicollet County Board and the School Board of the Independent School District No. 77 with regard to the contents of the Plan; and

WHEREAS, the North Mankato Port Authority Commission has conducted a public hearing on October 28, 2019 and recommended approval of the Plan to the City Council; and

WHEREAS, the City on October 28, 2019, after having published a notice of public hearing in the official newspaper of the City, conducted a public hearing on the Plan and received public comments on the same;

NOW THEREFORE, BE IT RESOLVED, by the North Mankato City Council:

Sec. 1. It is hereby found and determined that there is a need for the Project activities in the District.

Sec. 2. It is hereby found and determined that the Project activities set forth in the Plan will establish, for the City of North Mankato, the opportunity to promote redevelopment of unused and underused land, create jobs and enhance the local tax base.

Sec. 3. It is hereby found and determined that the tax increment financing plan as set forth in the Plan having been duly reviewed and considered is hereby approved and adopted, and the area described in Exhibit A hereto is hereby affirmed and designated as a Redevelopment District pursuant to Minnesota Statutes, Section 469.174, Subdivision 10(a)(1).

Sec. 4. It is hereby found and determined that, in the opinion of the City, the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.

Sec. 5. It is hereby found and determined that the tax increment financing plan will afford maximum

opportunity, consistent with sound needs of the City as a whole, for the development of the Project by private enterprise.

Sec. 6. It is hereby found and determined that the tax increment financing plan set forth in the Plan conforms to the general plan for the development of the City as a whole.

Sec. 7. That the reasons and supporting facts for findings 3, 4, 5 and 6 as set forth in the Plan are by this reference confirmed and adopted.

Sec. 8. That the City Clerk shall request the Auditor of Nicollet County to certify the original tax capacity and original local tax rate of the District approved by this resolution.

Sec. 9. That the City Clerk is hereby directed to file a copy of this resolution and a copy of the Plan with the Minnesota Department of Revenue and Office of the State Auditor.

Sec. 10. That the City hereby states its intention to use all of the captured tax capacity for purposes of tax increment financing as per the conditions set forth in the Plan.

The foregoing resolution was offered at a regular meeting of the City Council held on October 28, 2019, by Council Member _____ who moved its adoption, was seconded by Council Member _____ and adopted by the following vote:

AYES:

NAYS:

Whereupon the above resolution was duly adopted.

Attest:

Mark D. Dehen, Mayor

April Van Genderen, City Clerk

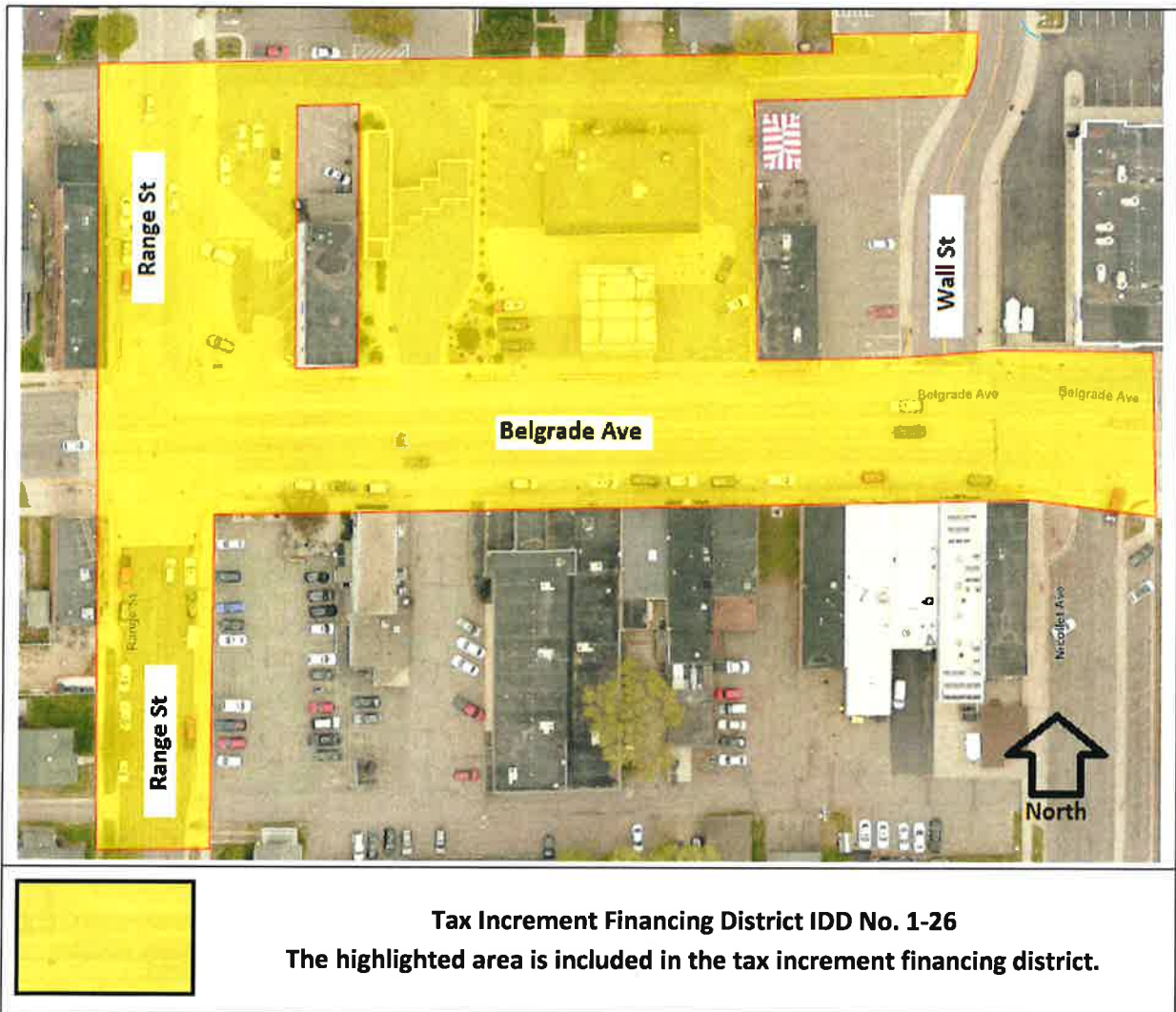
EXHIBIT "A"

TO

CITY COUNCIL RESOLUTION NO. _____-2019

Tax Increment Financing District IDD No. 1-26 includes the following taxable and tax-exempt property: Parcel numbers 18.685.0080, 18.685.0090, 18.685.0100 and 18.685.0110, which are all taxable properties; parcel number 18.685.0130, which is a tax-exempt parcel; and Belgrade Ave. right-of-way as shown on map, Range St. right-of-way as shown on map and the alley right-of-way between Range St. and Wall St. as shown on map, which are City owned tax exempt properties.

Parcel numbers 18.685-0080, 18.685.0090, 18.685.0100 and 18.685.0110 are currently being replatted as Lots 1 and 2, Block 1, Romey Hinz Addition. Upon recording of this plat with Nicollet County and following approval of the District, these properties will be certified as part of the District.





**TAX INCREMENT FINANCING DISTRICT IDD NO. 1-26
(Belgrade Avenue Redevelopment Project)**

Adopted: October 28, 2019

**TAX INCREMENT FINANCING DISTRICT IDD NO. 1- 26
(Belgrade Avenue Redevelopment Project)**

CITY OF NORTH MANKATO, MINNESOTA

October 28, 2019

Prepared by

*Ed Tschida, Development Consultant
201 North Broad St., Suite 310
Mankato, MN 56001-3569*

TABLE OF CONTENTS

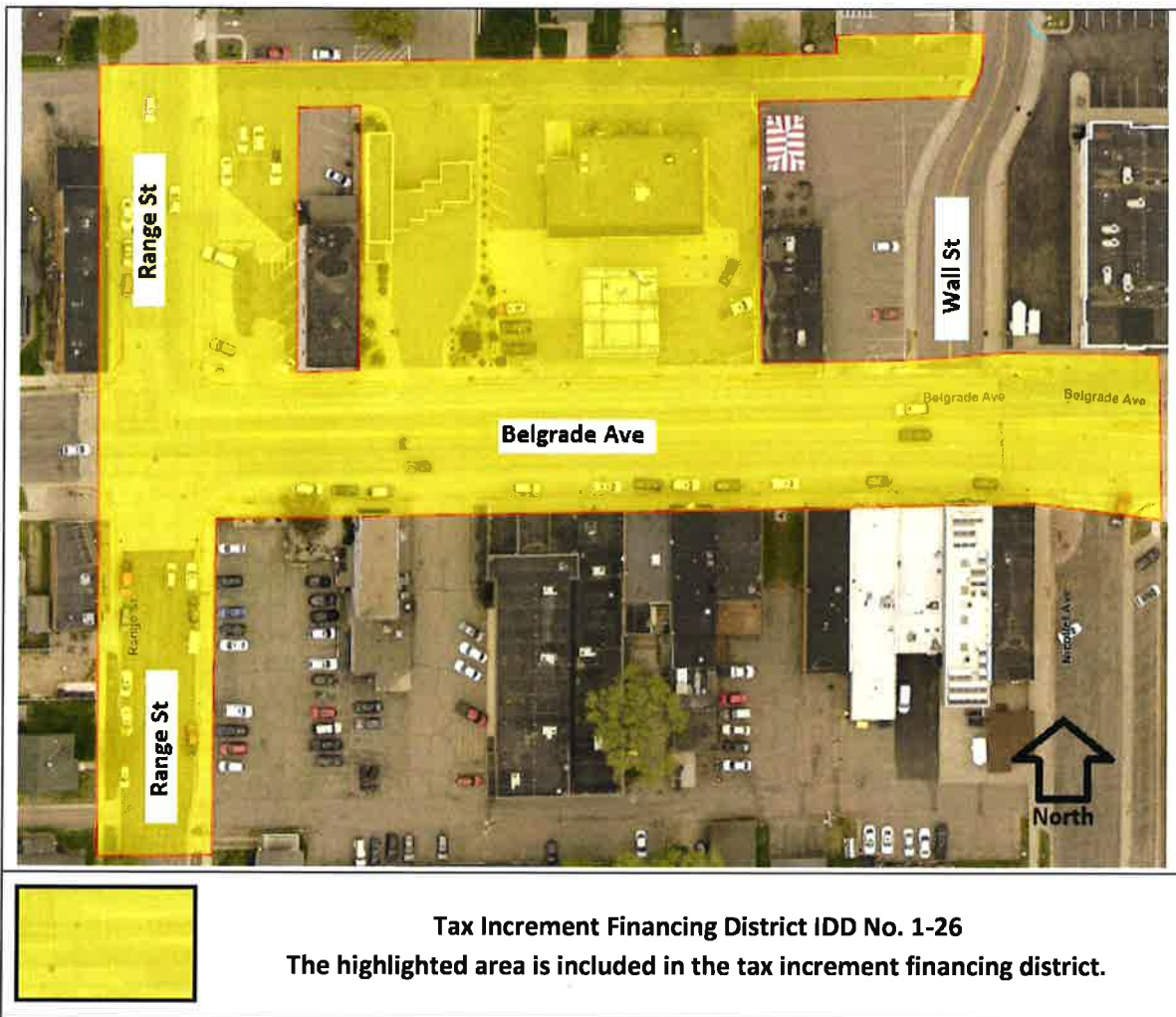
	Page
INTRODUCTION	1
BACKGROUND	1
LOCATION	1
DEFINITIONS	1
DEVELOPMENT STRATEGY	2
DISTRICT DURATION AND PURPOSE OF TAX INCREMENT FINANCING PLAN	3
TAX INCREMENT FINANCING PLAN	4
RELATIONSHIP OF TAX INCREMENT FINANCING DISTRICT TO INDUSTRIAL DEVELOPMENT DISTRICT	4
PROPERTY CONDITIONS AND DEVELOPMENT PROPOSAL	4
DESCRIPTION OF PROPERTY IN TAX INCREMENT DISTRICT	4
FINDINGS	5
STATEMENT OF OBJECTIVES FOR INDUSTRIAL DEVELOPMENT DISTRICT NO. 1	7
DEVELOPMENT PROGRAM FOR INDUSTRIAL DEVELOPMENT DISTRICT	8
TAX INCREMENT FINANCING DISTRICT DEVELOPMENT ACTIVITIES	9
CONFORMANCE WITH PLAN FOR THE CITY	9
PROCEDURE FOR MODIFYING AN APPROVED TAX INCREMENT FINANCING DISTRICT PLAN	9
RELOCATION POLICY	10
PROPERTY ACQUISITION AND DISPOSITION	10
NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS	10
METHOD OF FINANCE	10
FINANCIAL PLAN	10
Estimate of Public Cost	10
Financing Assumptions	11
Sources of Revenue	12
Bonded Indebtedness	13
TIF Business Subsidy	13
Limitation on Use of Tax Increment; Redevelopment Districts	13
Impact of the Use of Tax Increment on Taxing Jurisdictions	13

INTRODUCTION

BACKGROUND

The North Mankato Port Authority Commission and City Council have previously established and subsequently modified Industrial Development District No. 1 (IDD No. 1) Project Area and have created and operated tax increment financing districts within the boundaries of the Project Area. At the present, the Port Authority and City Council are proposing to establish Tax Increment Financing District IDD No. 1-26 in order to assist Belgrade Business Center, LLC (the “Developer”) in its plans to redevelop two Belgrade Ave. properties.

LOCATION



DEFINITIONS

For the purpose of this Tax Increment Financing Plan, the following terms shall have the meanings specified below, unless the context otherwise requires.

“Authority” means the North Mankato Port Authority Commission, which has been granted port authority powers pursuant to Minnesota Statutes, Sections 469.048 to 469.068.

“Bonds” means any bonds or other obligations as defined in Minnesota Statutes, section 469.174, subdivision 3, including pay-as-you-go tax increment financing revenue notes.

“City” means the City of North Mankato, Minnesota.

“Council” means the City Council of the City of North Mankato, Minnesota.

“Development” means the parcels of property upon which identified activities will occur as described in this Plan resulting in community redevelopment, job creation and tax base enhancement.

“Redevelopment District” means a type of tax increment financing district consisting of a project, or portions of a project, within which the City finds by resolution that the following conditions, reasonable distributed throughout the District, exist: Parcels consisting of 70 percent of the area of the District are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

“Industrial Development District Plan” means the plan for Industrial Development District No. 1 prepared pursuant to the provisions of Minnesota Statutes, Sections 469.048 to 469.068, which provides an outline for the development, construction and improvement of the port authority and is sufficiently complete (1) to indicate its relationship to definite local objectives as to appropriate land uses; and (2) to indicate general land uses and general standards of development or redevelopment consistent with a municipality's comprehensive plan.

“Project” is an industrial development district as defined in Minnesota Statutes, section 469.058, Subdivision 1.

“Tax Increment Financing District” or “District” means a contiguous or noncontiguous geographic area within a project delineated in the tax increment financing plan, as provided by section 469.175, subdivision 1, for the purpose of financing redevelopment, housing or economic development in municipalities through the use of tax increment generated from the captured net tax capacity in the tax increment financing district.

“Tax Increment Financing Plan” or “Plan” means the plan for establishment of Tax Increment Financing District IDD No. 1-26 prepared pursuant to the provisions of Minnesota Statutes, Sections 469.174 to 469.1794, which provides a statement of objectives, the development program, development activities, project timing, budget estimates, estimated impact on affected taxing jurisdictions, identification of studies or analysis used to determine need for financing and identification of parcels to be included in the District.

DEVELOPMENT STRATEGY

The proposed Belgrade Avenue Redevelopment Project requires a public/private financing strategy that includes the following:

1. Formation of Tax Increment Financing District IDD No. 1-26 pursuant to Minnesota Statutes, sections 469.174 to 469.1794.

2. Authorization of tax increment financing to pay eligible Project costs. The City proposes to use pay-as-you-go tax increment financing assistance to finance or otherwise pay the cost of redevelopment pursuant to Minnesota Statutes sections 469.048 to 469.068 to reimburse Developer costs. In addition, the City proposes to issue debt to fund the cost of eligible public improvements.

DISTRICT DURATION AND PURPOSE OF TAX INCREMENT FINANCING PLAN

Minnesota Statutes, Chapter 469 authorizes the City Council to establish the District and to use tax increment financing as a funding source, to pay eligible Project expenses. Under Chapter 469, a tax increment district has to be established as a housing district, a redevelopment district, a renewal and renovation district, a soils condition district or an economic development district. Because this area qualifies as a redevelopment district, pursuant to Minnesota Statutes, section 469.174, subdivision 10(a)(1), it will have duration of not greater twenty-five years from the date of receipt by the City of the first tax increment.

It is the intention of the Authority to support the redevelopment of vacant or underdeveloped properties to facilitate community redevelopment, job creation and tax base enhancement.

TAX INCREMENT FINANCING PLAN

RELATIONSHIP OF TAX INCREMENT FINANCING DISTRICT TO INDUSTRIAL DEVELOPMENT DISTRICT

Port Authority law (Minnesota Statutes, Sections 469.048 to 469.068) authorizes the use of tax increment funds to pay for Project improvements. When using tax increment funds, it is necessary to establish a tax increment financing district according to Minnesota Statutes, Sections 469.174 to 469.1794, inclusive. Approval of this Plan establishes a tax increment financing district, the purpose of which is to finance the development activities authorized by the creation and subsequent modifications of Industrial Development District No. 1.

PROPERTY CONDITIONS AND DEVELOPMENT PROPOSAL

Belgrade Business Center, LLC has submitted a request for financial assistance to the City and Port Authority in conjunction with its proposal to redevelop 238 Belgrade Ave. (currently occupied with a vacant gas station and convenience store) and 245 Belgrade Ave. (currently occupied with the Frandsen Bank & Trust drive-through). Property redevelopment consists of building demolition, site clearance and construction of two new projects. A two-story, 200 seat restaurant of approximately 7,800 ft.² and associated parking behind the building and a two-story, 10,370 ft.² office building with Frandsen Bank as the main anchor tenant occupying the entire first floor and a majority of the second floor. The second floor will have 1,767 ft.² of leasable space for a commercial type tenant. The projects are located on an approximately 1.13-acre site. The Developer is requesting the City and Port Authority approve tax increment financing assistance to finance building demolition and other qualified redevelopment costs. The estimated construction cost of the projects is \$2,800,000 for the restaurant and \$3,000,000 for the office building. The construction timeline begins in the fall of 2019, with anticipated completion in 2020. Job creation associated with the restaurant consists of 60-80 full and part-time employees. As the bank is an existing downtown business, no new employment is anticipated.

In addition, the City has evaluated range of public improvements consistent with its plans for downtown redevelopment that it may consider implementing in conjunction with the proposed redevelopment project. The City proposes to issue debt to fund these public improvements. This debt will be funded as a general obligation of the City, and may be funded in whole or in part with tax increments generated by development in the District.

The Authority will use increment generated by the Development to reimburse the Developer eligible redevelopment costs that include land acquisition, site improvements and other qualified costs. In addition, the City will issue general obligation debt to fund eligible public improvement costs within the District.

DESCRIPTION OF PROPERTY IN TAX INCREMENT DISTRICT

Tax Increment Financing District IDD No. 1-26 includes the following taxable and tax-exempt property: Parcel numbers 18.685.0080, 18.685.0090, 18.685.0100 and 18.685.0110, which are all taxable properties; parcel number 18.685.0130, which is a tax-exempt parcel; and Belgrade Ave. right-of-way as depicted on map on page 1, Range St. right-of-way as depicted on map on page 1 and the alley right-of-way between Range St. and Wall St. as depicted on map on page 1, which are City owned tax exempt properties.

Parcel numbers 18.685-0080, 18.685.0090, 18.685.0100 and 18.685.0110 are currently being replatted as Lots 1 and 2, Block 1, Romey Hinz Addition. Upon recording of this plat with Nicollet County and following approval of the District, these properties will be certified as part of the District.

FINDINGS

Before a municipality approves a tax increment financing plan, the statutory findings of Minnesota Statutes, section 469.175, subdivision 3, must be made and the reasons for those findings must be set forth in writing along with supporting facts for each determination. The findings and supporting facts for the District are as follows:

1. FINDING. That the proposed tax increment financing district is a redevelopment district.

SUPPORTING FACTS. Minnesota Statutes, Chapter 469, provides for five types of districts – a redevelopment district, renewal and renovation district, soils condition district, housing district, and an economic development district – each serving a well-defined need and each having different qualifying standards. Tax Increment Financing District IDD No. 1-26 is established as a “Redevelopment District”. Minnesota Statutes, section 469.174, subdivision 10(a)(1), defines “Redevelopment District”. This definition is also set forth on page 1 of this Plan. In order to qualify as a “Redevelopment District” the property must meet the following requirements:

A. Parcels consisting of 70 percent of the area of the District must be occupied by buildings, streets, or other improvements. Currently, the District consists of four taxable parcels, which are occupied by a vacant service station/convenience store and bank drive-through, one tax-exempt parcel occupied with the City parking lot and adjacent public street and alley right of ways. Collectively, the parcels are 100% occupied by buildings, streets, or other improvements; thus exceeding the statutory requirement of 70 percent.

B. More than 50 percent of the buildings in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. The District contains two buildings not including outbuildings. Surveys and inspections of the buildings located within the District have been conducted. Two or 100 percent of the buildings have been found to be substandard to a degree requiring substantial renovation or clearance; thus exceeding the statutory requirement of 50 percent. The City has examined the buildings according to the requirements of Minnesota Statutes, section 469.174, subdivision 10(c) and has retained written documentation thereof.

2. FINDING. That, in the opinion of the City:

A. The proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and

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

SUPPORTING FACTS. *In the opinion of the City, the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.* This finding is supported by the fact that the District is comprised of properties in an area of the City in need of redevelopment. These properties contain substandard buildings. In order to remedy this situation, the City proposes redevelopment of the area as generally described in the Development Proposal on page 3 this Plan. Without tax increment financing assistance, the Developer is unable to undertake the necessary activities to redevelop the area.

Furthermore, the City has determined that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the Plan. The City supports this finding because the redevelopment costs increase total project costs to a financially unfeasible level. The City recognizes the impediments to redevelop in the absence of public assistance, and therefore agrees that tax increment assistance is reasonably necessary for the redevelopment to proceed. Based on this analysis, the City reasonably determines that no other development of any kind is anticipated in this area without substantially similar assistance being provided to the redevelopment project. Accordingly, the increased market value anticipated without tax increment assistance is \$0.

A comparative analysis of the estimated taxable market values both with and without establishment of the District and the use of tax increments has been performed. If all proposed development that is to be assisted with tax increments occurs in the District, the total increased taxable market value would be up to \$2,927,900. The estimated present value of tax increments from the District is \$1,005,812. It is the City's finding that no development with a taxable market value of greater than \$1,922,088 would occur without tax increment assistance in the reasonably foreseeable future. This finding is based upon general past experience wherein the extraordinary costs of redevelopment hamper and discourage public/private redevelopment efforts. The City believes this project qualifies for tax increment financing and is prepared to commit this resource to the project.

3. FINDING. That the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

SUPPORTING FACTS. The tax increment financing plan conforms to the general plan of the City for the following reason:

- A. The Comprehensive Plan has designated the District as appropriate for commercial development.
- B. The Comprehensive Plan supports redevelopment of underutilized parcels or outdated and deteriorated buildings, increasing the number of businesses in the downtown and provision of adequate parking for all businesses.
- C. Public streets and utilities are available to service property included in the District.

D. The District is designated in the zoning ordinance for commercial development. Plan activities and subsequent development encourage and result in redevelopment of downtown properties meeting the goals, objectives and policies of the City of North Mankato Comprehensive Plan.

4. FINDING. That the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

SUPPORTING FACTS. By adopting the Industrial Development District No. 1 development program, the Authority and City approved a blueprint for development and redevelopment within the community. The Development District plan encourages cooperation with private enterprise. Information contained in the development program along with other City plans and reports has been used in the preparation of this Plan. Based upon the objective of cooperation and upon the guidance provided by City plans and ordinances, the Authority has determined Project costs that will be paid for by tax increment revenues. As the Financial Plan, on pages 10 through 14 of this Plan, shows the Authority intends to concentrate the use of tax increment revenue on those improvements that would not reasonably be expected to occur solely through private action. Private enterprise will be responsible for the vast majority of the expenses and activities normally associated with land development.

STATEMENT OF OBJECTIVES FOR INDUSTRIAL DEVELOPMENT DISTRICT NO. 1

The Authority and City Council have previously determined that is necessary, desirable, and in the public interest to establish/modify, designate, develop and administer an industrial development district in the City pursuant to the provisions of Minnesota Statutes, section 469.048 to 469.068, inclusive. The Authority and City Council further determine that the funding of the necessary activities and improvements in the Industrial Development District may be financed through a wide array of funding mechanisms, including tax increment financing, and other appropriate sources. Prior to involving itself in financing project activities or a development, the Authority and City Council shall determine financial feasibility of the Project or development. Any public or private activity, when municipally financed, shall demonstrate how said financing is going to be repaid.

The Authority and City Council seek to achieve the following objectives through this Plan:

1. Encourage the retention, expansion and development of commercial and industrial enterprises within the City.
2. Remove structurally substandard buildings for which rehabilitation is not feasible.
3. Acquire and remove economically or functionally obsolete or underutilized buildings.
4. Acquire land and/or buildings, which are vacant, unused, underused or inappropriately used.
5. Acquire property of irregular form and shape or inadequate size, which has prevented normal development.
6. Eliminate blighting influences, which impede potential development.

7. Encourage the rehabilitation of remaining intensive businesses.
8. Achieve a high standard of buildings that remain in the Project area.
9. Provide adequate streets, utilities and other public improvements and facilities to enhance the area for both new and existing development.
10. Eliminate or correct physical deterrents to the development of land.
11. Provide development sites of such size and character to assure the development of the area.
12. Achieve a high level of design and landscaping quality to enhance the area's physical environment.
13. Accomplish convenient and adequate parking to serve the needs of the area.
14. Combine elements of other City plans with these Project objectives.
15. Improve the financial base of the City.
16. Provide maximum opportunity, consistent with the need of the City for development by private enterprise.
17. Promote development of adequate parking areas.
18. Provide housing opportunities for various age and income groups in proximity to necessary goods, services and employment opportunities.
19. Develop the river bank and other natural resources to serve as an aesthetic focal point for the downtown area.
20. Provide increased employment opportunities and, as much as possible, seek businesses which would employ the unemployed and underemployed.
21. Provide a retail service level required by the residents of the community and surrounding region.
22. Eliminate the hazards, impediments and existence of marginal lands.
23. Foster industrial development by related growth and development activities (i.e. commercial, residential, recreational developments).

DEVELOPMENT PROGRAM FOR INDUSTRIAL DEVELOPMENT DISTRICT

Minnesota Statutes, section 469.175, Subdivision 1(2) requires "A statement as to the development

program for the project, including the property within the project, if any, which the authority intends to acquire;"

The Development Program for Industrial Development District No. 1 is delineated in a report entitled "Modification of Industrial Development District No. 1", adopted September 18, 2017, and is on file in the City Clerk's office. By this reference, said development program is incorporated as part of this tax increment financing plan.

TAX INCREMENT FINANCING DISTRICT DEVELOPMENT ACTIVITIES

Development activities to be financed in whole or in part because of the implementation of this Plan include:

1. The Authority will use tax increments, generated by development in the District, to reimburse the Developer for eligible redevelopment costs, which includes, but is not limited to property acquisition and site improvements. The reimbursement of tax increment will occur via a development agreement between the Authority and Developer.

2. The City will issue bonds to finance the cost of public improvements within the District.

3. The Developer will commence construction of the facilities, in the District, in 2020.

4. The City will commence installation of public improvements, in the District, in 2020.

The above activities and improvements are within the boundaries of Tax Increment Financing District IDD No. 1-26. For the purposes of budgeting in this Plan, the anticipated construction start is 2020 with total project completion by December 31, 2020.

The above activities are, at the time of preparation of this Plan, the only activities proposed for the Development District because of the formation of the District. The Authority and the Developer anticipate execution of a development agreement in 2019.

CONFORMANCE WITH PLAN FOR THE CITY

The Authority and City Council, by approval of this Plan, believe that implementation of the District meets the intent of the plan for the City by providing employment opportunities, enhancing the local tax base, maintaining the quality of existing development, and improving the quality of life through orderly planned improvements.

PROCEDURE FOR MODIFYING AN APPROVED TAX INCREMENT FINANCING DISTRICT PLAN

The Authority and City Council may modify the Plan under provisions of Minnesota Statutes, section 469.175, subdivision 4.

RELOCATION POLICY

The Plan does not require relocation. The Authority and City Council have previously adopted relocation policies and procedures, which conform to the Uniform Relocation Act. If in the future project activities require relocation, the Authority and City Council shall apply those policies and procedures in implementing relocation activities.

PROPERTY ACQUISITION AND DISPOSITION

Property acquisition will occur in the District in order to provide financial assistance to enable property redevelopment and job creation. All parcels identified within the boundaries of District are eligible for property acquisition and disposition. Any purchase will be in conformance with applicable rules and regulations and will be facilitated with a development agreement, when the purchase results in private development and use of the property.

Acquisition of the properties may be financed from the sale of tax increment general obligation bonds or notes, tax increment revenues or other sources, provided that in no case shall City general funds be used to pay acquisition costs without a prior agreement for its reimbursement from other sources.

NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS

Minnesota Statutes, section 469.177, Subdivision 4, requires that the request for certification of original net tax capacity be accompanied by a listing of properties within the tax increment district for which building permits have been issued in the 18 months preceding approval of the tax increment financing plan. There have been no building permits issued in the 18 months preceding approval of the District; accordingly, the original tax capacity is estimated at 13,524.

METHOD OF FINANCE

The Authority and City Council elect to use Tax Increment Financing pursuant to Minnesota Statutes, Chapter 469, to finance all or part of the costs of the Project. By electing this method of financing, the Authority and City Council are not precluding the use of other methods provided by State law.

FINANCIAL PLAN

ESTIMATE OF PUBLIC COST

The following is an estimate of public cost, including cost of District indebtedness, source of revenue, most recent tax capacity and estimate of captured tax capacity.

1. Activities. Activities within the District consist of the property acquisition, public improvements, interest expense and the allocated administrative expenses of the City. The estimated cost for undertaking these activities is:

A. Property acquisition	\$750,000
B. Public improvements	\$425,000
C. Interest expense on public improvements	\$116,800
D. Administration	\$39,953
TOTAL USES OF FUNDS	<u>\$1,331,753</u>

2. Source of Funds. The Authority/City may use tax increment bonds, revenue notes, tax increment reserves or other financing mechanisms to fund the above activities. The Authority/City reserve the right to finalize the funding strategy later based on factors such as construction timing requirements, economic conditions, the status of interest rates and the availability of tax increment. Based upon current information it is planned that tax increment in the following amount will become available to repay the Total Uses of Funds:

A. Tax increment from TIF IDD No. 1-26	\$1,331,753
TOTAL SOURCE OF FUNDS	<u>\$1,331,753</u>

The above estimated uses and sources of funds are subject to fluctuation and changes within line items as various elements of the project are clarified. The Authority/City reserves the right to adjust the line items within the parameters of the total uses and sources of funds. In addition, the amount of tax increments may vary due to changes in property valuations, interest earnings, etc. which may result in a lesser source of funds.

FINANCING ASSUMPTIONS

Tax increment will finance activities in the District. Calculating financing costs for the activities in the District uses the following information and assumptions:

1. Table 2 provides an estimate of the increment that would be available for Project costs.

TABLE 2: PROJECT ESTIMATE OF VALUE AND TAX INCREMENT								
Local Tax Rate = 127.905% (North Mankato, Payable 2019)								
Property Classification: Commercial								
Completion Prior to December 31, 2021								
Estimated Completion Market Value: \$3,679,100								
YEAR TAXES PAYABLE	BASE TAX CAPACITY	PROJECT'S TAX CAPACITY	CAPTURED TAX CAPACITY	PROJECT'S ANNUAL TIF	LESS OSA FEE OF 0.250%	ADJUSTED TAX INCREMENT	LESS ADMIN. OF 5.0%	NET ANNUAL TIF
2020	13,524	0	0	0	0	0	0	0
2021	13,524	0	0	0	0	0	0	0
2022	13,524	72,082	58,558	74,899	187	74,711	3,736	70,976
Through								
2047	13,524	72,082	58,558	74,899	187	74,711	3,736	70,976
TOTALS				\$1,348,175	\$3,370	\$1,331,753	\$39,953	\$1,291,800

2. Project development activities are scheduled to begin in 2020, and shall be completed by December 31, 2020.

3. Financing the Project activities will be undertaken in 2020.

4. The 2019 local tax rate of 127.905% and 2019 tax values are used to calculate the estimate of increment in this Plan. The project is classified as "Class 3a" commercial. The 2019 classification rate for Class 3a property is 1.5% of the first \$150,000 of market value and 2.00% on market value over \$150,000.

5. Annual tax increments, as per Table 2, in 2022 through 2047 generated because of formation of this District will be the source of funds used to finance the Project area activities. Pursuant to Minnesota Statutes, section 469.176, subdivision 1b.(4), the Authority is basing the District duration on the requirements for statutory decertification of a tax increment financing district, which permits increment to be paid to the City for 25 years after receipt of the first increment for an economic development district. This provision allows the District to continue through 2047.

6. The City may claim up to 10% of the annual increment for administrative expenses. North Mankato's policy is to collect for actual administrative expenses only. In this instance, due to the size of the project increment, this analysis assumes retaining 3.0% of the increment for administrative purposes. Final analysis and approval of the project may adjust this percentage.

7. Increment revenues will be used to finance or otherwise pay the cost of redevelopment pursuant to Minnesota Statutes, Sections 469.048 to 469.068. All tax increment generated by the formation of the District will be used to finance the activities of the Plan.

8. The Authority may use internal funds or bond proceeds to be repaid by tax increments to service Project costs. "Project costs" means all expenditures of the Authority or reimbursement of eligible developer costs for the purchase of land or amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the District, including interest thereon. Project costs also include all administrative expenses as defined in Minnesota Statutes, section 469.174, Subdivision 14. Based upon projected tax increment revenue from the District, the Authority would be able to finance Project costs of approximately \$1,331,753 including interest and administrative expenses. This amount is adequate to fund the costs within the identified budget. The first increment would be available to the Authority in 2022 and would continue through 2047 unless the Authority chooses to discontinue/decertify the District at an earlier date.

SOURCES OF REVENUE

The proposed source of revenue to finance the cost of redevelopment in the District is tax increment generated because of the taxation of the land and improvements in the District. Tax increment financing refers to a funding technique that uses increases in assessed valuation and the property taxes attributed to new development to finance, or assist in the financing of development costs. The improvements resulting from development of the property by private business within the District will generate an anticipated annual tax increment, as per Table 2, in 2022 through 2047 based on a full assessment.

The District's tax increment is generated from development a two-story, 200 seat restaurant of approximately 7,800 ft.² and associated parking behind the building and a two-story, 10,370 foot square-foot,

office building. The City proposes to issue bonds to fund the cost of property acquisition and public improvements.

BONDED INDEBTEDNESS

Upon approval of this Plan and execution of a development agreement, the Authority may issue Bonds (in the form of a tax increment financing, pay-as-you-go, revenue note for developer reimbursement of property acquisition) up to \$750,000 and \$425,000 of tax increment, general obligation bonds to finance public improvements identified in this Plan. \$1,175,000 total bonds may be issued pursuant to this Plan.

BUSINESS SUBSIDY

The project is exempted from the provisions of the Minnesota statutes, sections 116J.993 to 116J.985 (The Business Subsidies Act) pursuant to section 116J.993, subdivision 3(17), which requires that the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value. The Developer's \$750,000 investment in the purchase of the site is equal to 104% of the assessor's current year's estimated market value (\$721,200), which exceeds the threshold requirement of 70% of the assessor's current year's market value.

LIMITATION ON USE OF TAX INCREMENT; REDEVELOPMENT DISTRICTS

Pursuant to Minnesota Statutes, section 469.176, subdivision 4j, "At least 90 percent of the revenues derived from tax increments from a redevelopment district or renewal and renovation district must be used to finance the cost of correcting conditions that allow designation of redevelopment and renewal and renovation districts under section 469.174. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, the removal of hazardous substances or remediation necessary to development of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The Mankato fireplace repair allocated administrative expenses of the authority, including the cost of preparation of the development action response plan, may be included in the qualifying costs."

IMPACT OF THE USE OF TAX INCREMENT ON TAXING JURISDICTIONS

Minnesota Statutes, section 469.175, subdivision 1(6), requires, "statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict".

Table 3, on page 14 shows the impact of tax increment financing on the tax capacity of the affected

taxing jurisdictions assuming (1) none of the increment would be available, and (2) the increment would be available to the tax jurisdictions.

TABLE 3
NORTH MANKATO, MINNESOTA
TAX INCREMENT FINANCING DISTRICT IDD NO. 1-26

	WITHOUT PROJECT		
	Estimated 2019 Tax Capacity	Estimated Ad Valorem Taxes Generated	Estimated 2019 Tax Rate
City	13,432,345	\$6,843,780	50.950%
County	41,058,468	\$22,191,691	54.049%
School District	13,632,345	\$3,059,235	22.441%
HRA	41,058,468	\$69,799	0.170%
RDC 9	41,058,468	\$121,122	0.295%
TOTALS			127.905%

	WITH PROJECT							
	Estimated 2019 Tax Capacity	Projected Captured Tax Capacity	Projected Tax Capacity	Estimated Ad Valorem Taxes Generated	Adjusted Local Tax Rate	Tax Rate Impact	Projected Captured Tax Capacity	Projected Increment Income
City	13,432,345	58,558	13,490,903	\$6,843,780	50.729%	0.22115%	58,558	\$29,835
County	41,058,468	58,558	41,117,026	\$22,191,691	53.972%	0.07698%	58,558	\$31,650
School District	13,632,345	58,558	13,690,903	\$3,059,235	22.345%	0.09598%	58,558	\$13,141
HRA	41,058,468	58,558	41,117,026	\$69,799	0.170%	0.00024%	58,558	\$100
RDC 9	41,058,468	58,558	41,117,026	\$121,122	0.295%	0.00042%	58,558	\$173
TOTALS					<u>127.510%</u>	<u>0.39477%</u>		<u>\$74,899</u>

Statement 1: The current tax capacity times the local tax rate produces current taxes generated. If the captured tax capacity were available to each taxing jurisdiction, the result would be a lower or adjusted local tax rate to produce the same amount of taxes. Thus, with the addition of captured value of 58,558 the overall local tax rate would be reduced by 0.39477% to a level of 127.510%. The captured tax capacity times the original local tax rate of 127.905% would generate \$74,899 in increment income, which represents the loss of new tax revenues if the development had occurred without inclusion in a tax increment district.

Statement 2: If no captured tax capacity is available to each of the taxing jurisdictions without creation of the District, there is no impact on the taxes heretofore levied and therefore no impact on local tax rates. The captured tax capacity at the original local tax rate would generate \$74,899 in increment income annually.