

CITY OF NORTHFIELD, MINNESOTA  
TAX INCREMENT FINANCE (TIF)  
REQUIREMENTS & APPLICATION

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**APPLICATION FEE:** The application fee includes two parts:

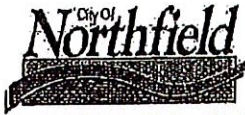
1. A non-refundable application fee of: \$500.00
2. An escrow processing fee deposit of: \$5000.00 to cover staff time, legal fees, consultant time, and other out-of-pocket costs associated with processing the application. If the application is denied or withdrawn, the unused portion of the fee will be refunded.

**SUPPLEMENTAL INFORMATION:** In addition to submitting the completed TIF Assistance Application Form (attached), the applicant is required to submit the following information:

1. A copy of the project pro forma – listing all assumptions made in preparing the project pro forma.
2. Development budget for the project.
3. Sources of all funds including equity and private financing – *please include the rate and terms of all financing.*
4. The number and proposed value of all buildings to be constructed on the site and a timetable for construction.
5. Expected rate of return.
6. Parcel number(s) for the property proposed for the tax increment district – *including a map showing the exact boundaries of the proposed project.*
7. A list of all members of the Development Team and their specific role on the development team. (ie; attorney, architect, engineer, etc.)
8. A list of qualifications demonstrating successful completion of projects similar in size/scale, and a list of references
9. A list of all partners with ownership interest in the project. *Please include copies of any partnership or incorporation documents.*
10. If the proposed tax increment district is for a housing project, a market feasibility study to determine potential demand will be required. If such a study has already been prepared, please submit a copy with the TIF application. Depending on the scope and results of the study the City may require additional research. If such a study has not been prepared, it will be required as part of the tax increment process and paid for by the applicant.
11. Depending on the specific request for tax increment funds, additional information may be necessary as the project is reviewed.

*If the applicant is pursuing Tax Increment Financing – no construction may begin until the tax increment district is approved.*

*Please also note that submitting an application for TIF is not a guarantee that the requested financing will be approved. Approval of TIF is a discretionary act by the City of Northfield and is determined based on the project's furtherance of the goals and objectives of the City.*



**CITY OF NORTHFIELD, MINNESOTA  
APPLICATION FOR TAX INCREMENT FINANCING (TIF) ALLOCATION**

**FINANCING ASSISTANCE**

|                                                                   |                                                       |
|-------------------------------------------------------------------|-------------------------------------------------------|
| Legal Name(s) of Applicant<br>(Corporation/Partnership/Developer) | Strobel and Werner Real Estate holdings Incorporated. |
| Address                                                           | 1196 MN-3, Northfield, MN 55057                       |
| Name of Primary Contact Person                                    | Michael Strobel                                       |
| Telephone Number                                                  | (888) 215-1256                                        |
| Email Address                                                     | mstrobel@aurorapharmaceutical.com                     |
| Fax Number                                                        | N/A                                                   |

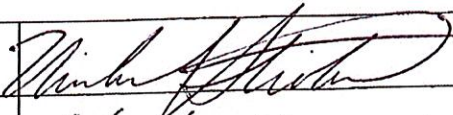
**REQUESTED INFORMATION**

Addendums shall be attached addressing in detail the following requested information:

1. A general description of the project including: size and location of building(s); business type and use; timing of the project; other pertinent information.
2. A statement identifying the public improvements and/or other uses to be financed by the TIF and why the costs of the improvements cannot be paid by the developer/owner (see Exhibit A).
3. A statement identifying the public benefits of the proposed project including estimated increases in property valuation, jobs created/retained, and other community assets.
4. A description of the developer's company and/or owner(s) of the proposed project.

The applicant hereby understands and agrees that the information contained in this application, and the information contained in all supplemental information, is intended for the use by the City of Northfield including its officers, employees, and agents in connection with the City's consideration of the public financing assistance. The City hereby gives no assurance that this information may not be disclosed, in whole or in part, to persons other than the City's officials, employees, or agents.

**SIGNATURE**

|                       |                                                                                     |
|-----------------------|-------------------------------------------------------------------------------------|
| Applicant's Signature |  |
| Date                  | 6/14/2018                                                                           |

# **FINANCIAL DESCRIPTION**

The applicant shall provide the following information regarding the proposed project cost and financing (*this information should be the same as the information included in the "sources and uses statement" and project pro-forma*):

| Estimated Project Cost    |                                    |                              |
|---------------------------|------------------------------------|------------------------------|
| A                         | Land Acquisition                   | \$ City to determine         |
| B                         | Relocation                         | \$ N/A                       |
| C                         | Site Development                   | \$ 130,340                   |
| D                         | Building Cost                      | \$ 1,500,000 <i>estimate</i> |
| E                         | Demolition                         | \$ N/A                       |
| F                         | Environmental Clean-Up             | \$ N/A                       |
| G                         | Arch. / Eng. / Legal Fees          | \$ TBD                       |
| H                         | Interest During Construction       | \$ TBD                       |
| I                         | Financing Fees (private)           | \$ N/A                       |
| J                         | Financing Fees / Interest (public) | \$ N/A                       |
| K                         | Contingency                        | \$ 1,000,000                 |
|                           | <b>SUBTOTAL</b>                    | \$                           |
| L                         | Machinery                          | \$ 5,750                     |
|                           | <b>TOTAL</b>                       | \$                           |
| Proposed Sources of Funds |                                    |                              |
| A                         | Lender(s)                          | \$ %                         |
| B                         | Equity                             | \$ %                         |
| C                         | Tax Increment Request              | \$ %                         |
| D                         | Other                              | \$ %                         |
|                           | <b>TOTAL</b>                       | \$ 100.0%                    |

**PROPERTY INFORMATION**

Please provide the following information, specific to the proposed project and its location:

**The project will be:**

*Please select*

|                          |                                  |                          |                  |                          |           |
|--------------------------|----------------------------------|--------------------------|------------------|--------------------------|-----------|
| <input type="checkbox"/> | Vacant Land Development          | <input type="checkbox"/> | New Construction | <input type="checkbox"/> | Expansion |
| <input type="checkbox"/> | Commercial or Retail Development | <input type="checkbox"/> | New Construction | <input type="checkbox"/> | Expansion |
| <input type="checkbox"/> | Industrial Development           | <input type="checkbox"/> | New Construction | <input type="checkbox"/> | Expansion |
| <input type="checkbox"/> | Housing                          | <input type="checkbox"/> | New Construction | <input type="checkbox"/> | Expansion |
| <input type="checkbox"/> | Other:                           |                          |                  |                          |           |

**The project will be:**

*Please select one*

|                          |                |                          |              |
|--------------------------|----------------|--------------------------|--------------|
| <input type="checkbox"/> | Owner Occupied | <input type="checkbox"/> | Leased Space |
|--------------------------|----------------|--------------------------|--------------|

If leased space – please attach a list of names and addresses of future lessees and indicate the status of commitments on lease arrangements.

|   |                                   |                                                       |
|---|-----------------------------------|-------------------------------------------------------|
| A | Project Address                   | 1196 MN-3, Northfield, MN 55057                       |
| B | Area (square feet)                | Land<br>Building<br>Both                              |
| C | Current Market Value              | 4,935,900                                             |
|   | Current Appraised Value           |                                                       |
| D | Estimated Future Market Value     | 6,064,400                                             |
| E | Current Owner of Building         | Strobel and Werner Real Estate holdings Incorporated. |
|   | Current Owner of Property/Site    | Strobel and Werner Real Estate holdings Incorporated. |
| F | Property Identification Number    | ZZU13U2UU1      220132001                             |
| G | Estimated Construction Start Date | 8/15/2018                                             |

*Please provide a map and site plan of the proposed project site.*

## EXHIBIT "A"

A "but for" letter for tax increment financing assistance is required. A statement must be provided by the applicant that indicates that the proposed project would not occur/proceed "but for" the public financing assistance. One or more of the following reasons should be identified and fully justified/supported:

1. A financing gap exists whereby private sector funds are insufficient to complete the project.
2. A return on investment (ROI) gap exists to equity investors that is below the market's rate of interest for similar projects.
3. A determination is made that the project could be built substantially more cheaply elsewhere.
4. Higher than normal infrastructure costs are evident, sometimes located off the site.

Aurora Pharmaceutical  
1196 MN-3  
Northfield, MN 55057

6/5/2018

City of Northfield  
801 Washington St.  
Northfield, MN 55057

Dear City of Northfield,

Strobel and Werner Real Estate Holdings Incorporated in conjunction with Aurora Pharmaceutical is announcing their intent to acquire the parcel of land behind the existing property which will now be even with the neighboring property to the South-West. Strobel and Werner Real Estate Holdings is seeking to obtain 0.35 acres (46.83' x 330') of Parcel ID No. 2201276001 from the City of Northfield to be able to move forward with a \$1.25 million expansion project for Aurora Pharmaceutical. For the reasons listed below, we believe that the acquisition of this parcel is essential for this expansion project. After examining several potential options, we have found no other alternative plans that will accommodate our needs and facilitate this expansion project.

Additionally, this building expansion will involve building a retaining wall, relocating our chilling unit, removing our current pond to then increase the size of the existing secondary pond, relocating the transformer, and moving the current 10' utility easement. The retaining wall is planned to run along the flood fringe of 910', its purpose is to allow for even elevation with the current building floor. The chilling unit will be moved along what will be the new back of the building, along the south westerly part of the purchased land. Since the new addition will take up the space currently occupied by our runoff pond, the pond will have to be relocated. We intend to redirect our current runoff into the existing city pond in the North East corner of the lot after expanding it to absorb the capacity from the pond that is being removed. Our transformer currently sits in the path of the planned expansion, we intend to move it to the west side of where the switchgear currently sits. Finally, the utility easement is planned to be 10 feet; this is because of the need to lay utilities below the ground along that area.

In regards to the purchase of this parcel from the City of Northfield, we intend to submit an application for an Economic Development Tax Increment Finance (TIF) District to assist with the acquisition of land and site preparation work related to storm water management and general site preparation to bring up to the current building floor level. Based on preliminary calculations, the increase in taxes for the additional square footage of the facility is estimated to increase by \$57,000 per year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Strobel', with a long, sweeping horizontal line extending to the right.

Michael Strobel

Aurora Pharmaceutical  
1196 MN-3  
Northfield, MN 55057

6/21/18

City of Northfield  
801 Washington St.  
Northfield, MN 55057

Dear City of Northfield,

Strobel and Werner Real Estate Holdings Incorporated's planned use for this financial help can be broken down between four different portions: removing the existing pond and expanding the shared pond, raising the grade where the expansion will be to match the grade of the current building, building a retaining wall to help maintain grade and stay as high above the flood fringe as we can, and purchasing the land required for the full expansion.

Strobel and Werner Real Estate Holdings Incorporated finds that this expansion could be built more economically, possibly out of state. If this expansion and addition of employment cannot happen here in Northfield, Aurora will be forced to move elsewhere. Pharmaceutical needs for infrastructure are inherently more expensive. Additional drainage and site modification is needed to accommodate this addition. This addition is well over \$1 million and will have a dramatic effect on taxes and additional employment. Aurora is a small, growing company, and a financial investment of this caliber will put a strain on our finances. Any help Strobel-Werner can receive from the State of Minnesota and the City of Northfield would help ease this burden and increase both the City's and State's tax revenue. The additional jobs created will also add to the City's and State's tax revenue, and help expand the City of Northfield.

During the construction process Strobel-Werner will, and already has, utilized local contractors and businesses to assist us in our building process. Strobel-Werner plans that this project will take place over winter 2018/2019, employing normally furloughed workers during this time of the year.

With your assistance we see this project moving forward, and Aurora Pharmaceutical helping the State of Minnesota and the City of Northfield create and retain jobs in Minnesota.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Michael Strobel', with a stylized, flowing script.

Michael Strobel

## **City of Northfield Tax Increment Supplemental Information:**

### **1. Project Timetable:**

- Application: June 2018
- Land Closing: August 2018 – September 2018
- Project Documents: July 2018 – October 2019
- Construction Start: September 2018 – October 2018
- Construction Completion: November 2019 - December 2019

### **2. Identified use for TIF:**

Strobel Werner Real Estate Holding Company, LLC's planned use for this financial help can be broken down between five different portions:

1. Removing the existing pond and expanding the shared pond.
  2. Raising the grade to match the grade of the current building,
  3. Building a retaining wall to help maintain grade and stay as high above the flood fringe as possible.
  4. Moving the utilities out around the construction area.
  5. Improving the flood fringe area for the public.
  6. Purchasing the land required for the full expansion.
- 
1. Currently there is a runoff pond residing in the space which will be used for the Aurora Expansion, this will need to be removed before any construction can take place. For this to be achieved, Strobel Werner Real Estate Holding Company, LLC will reroute any runoff water from the facility to what will be the expanded shared pond between Aurora Pharmaceutical and the City of Northfield. The shared pond will be expanded by 300 CF to the West.
  2. Aurora Pharmaceutical sits at an elevation of 915.8 ft. The expansion planned would land in an area that is currently at an elevation of 911 ft. Based on this, the grade of the area where the expansion is planned will be raised to the current 915.8 ft.
  3. To accomplish the rise in elevation while still building as close to the existing flood fringe, Aurora plans to install a retaining wall. This wall will allow Aurora to build our full expansion closely to the current flood fringe, while retaining the ability to control erosion and be at a confident grade above the flood fringe.
  4. Utilities currently are under the expansion area. Aurora will need to move the electrical cables and chiller out from within the expansion area. Aurora plans on direct boring to move the electrical supply lines so as to save as many trees as possible.
  5. Improvements of the flood fringe area. Aurora is proposing improvements to the area for a public sitting area, some landscaping and a path to the BIT trail.

6. Lastly, Strobel Werner Real Estate Holding Company, LLC will need to make the purchase of 0.35 acres adjacent to the current property. Without the land acquisition, Aurora Pharmaceutical would not be able to move forward with an expansion to the level where it would make financial sense.

Aurora does not see a path forward on this project in Northfield without the assistance of TIF. The land conveyance is needed to build an expansion large enough for what is needed for the future expansion of the company (Aurora is going at a rate of 40% year over year and we expect this to go higher). Site improvements are needed to raise the grade to the level of our current building. Utilities need to be moved in into the flood fringe (the land conveyance) to allow for the expansion of the planned building. Aurora would also like to improve the flood fringe area.

Aurora has been approached as recently as last week (07/02/18) by Georgia offering business incentives to move Aurora to Georgia. Some of these incentives include Tax Credits, Tax Exemptions, Small Business Incentives, and Financial assistance.

Just to be clear Aurora does not want to move, but with other opportunities that are available to Aurora we do not see this project moving forward in Northfield without TIF assistance.

3. Ownership in Strobel Werner Real Estate Holding Company, LLC

- Michael Strobel: 25%
- Shelly Strobel: 25%
- Mark Werner: 25%
- Mary Werner: 25%

4. Development team contacts:

**Development Team:**

Michael Strobel: Property Owner

- Email: mstrobel@aurorapharmaceutical.com
- Phone: 888-215-1256

Mark Werner: Property Owner

- Email: mwerner@aurorapharmaceutical.com
- Phone: 888-215-1256

Randy Ernste: Facilities Manager, Project Lead

- Email: rernste@aurorapharmaceutical.com
- Phone: 507-210-5282

Mark Reich: Engineering Manager

- Email: mreich@aurorapharmaceutical.com
- Phone: 612-483-3349

Michael Stifter: Mechanical Engineer

- Email: mstifter@aurorapharmaceutical.com
- Phone: 651-788-1654

**Design/Architectural:**

DJ Medin Architects:

- Email: dmedin@djmedinarchitects.com, lmiller@djmedinarchitects.com
- Phone: 507-334-2252

**Land Survey:**

Tim Peterson:

- Email: tim@ptsland.com
- Phone: 507-291-1137

**Utilities Management:**

Dan Behrens:

- Email: dan.behrens@bcmgrading.com
- Phone:

## FINANCING PROFORMA STATEMENT

CLIENT: STROBEL AND WERNER REAL ESTATE HOLDINGS INCORPORATED

## SOURCES AND USES STATEMENT SUMMARY

## Development Cost

|                            |    |              |                 |
|----------------------------|----|--------------|-----------------|
| Construction               | \$ | 1,000,000.00 |                 |
| Site Development           | \$ | 117,138.75   | TIF Expenditure |
| Design/Engineering         | \$ | 82,900.00    |                 |
| Footings/Foundation Design | \$ | 10,300.00    | TIF Expenditure |
| Footings/Foundation        | \$ | 238,134.00   | TIF Expenditure |
| Survey                     | \$ | 3,500.00     |                 |
| Landscaping                | \$ | 9,000.00     |                 |
| Moving Utilities           | \$ | 7,500.00     | TIF Expenditure |
| Land Acquisition           | \$ | 23,000.00    | TIF Expenditure |

|            |    |              |  |
|------------|----|--------------|--|
| Total Uses | \$ | 1,491,472.75 |  |
|------------|----|--------------|--|

|                |    |              |  |
|----------------|----|--------------|--|
| Owner supplied | \$ | 1,260,136.75 |  |
|----------------|----|--------------|--|

|     |    |            |  |
|-----|----|------------|--|
| TIF | \$ | 231,336.00 |  |
|-----|----|------------|--|

|               |    |              |  |
|---------------|----|--------------|--|
| Total Sources | \$ | 1,491,472.75 |  |
|---------------|----|--------------|--|