Public Hearing: November 7, 2023
Adoption Date: November 12, 2024

City of Northfield

Rice County, Minnesota

MODIFICATION TO THE DEVELOPMENT PROGRAM

Master Development District

&

Tax Increment Financing (TIF) Plan

Establishment of the Archer
Tax Increment Financing District
(a redevelopment district)

EHLERS
PUBLIC FINANCE ADVISORS

Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, Minnesota 55113

BUILDING COMMUNITIES. IT'S WHAT WE DO.

TABLE OF CONTENTS

Modification to the Development Program for Master Development District

FOREWORD

The following text represents a Modification to the Development Program (the “Development Program”) for the Master Development District, previously established as a municipal development district of the City in accordance with Minnesota Statutes, Sections 469.124- 469.134. This modification represents a continuation of the goals and objectives set forth in the Development Program. Generally, the substantive changes include the establishment of the Archer Tax Increment Financing District.

For further information, a review of the Development Program is recommended. It is available from the Economic Development Coordinator at the City of Northfield. Other relevant information is contained in the tax increment financing plans for the tax increment financing districts located within the Master Development District.

Tax Increment Financing Plan for the Archer Tax Increment Financing District

FOREWORD

The City of Northfield (the "City"), staff and consultants have prepared the following information to expedite the establishment of the Archer Tax Increment Financing District (the "TIF District"), a redevelopment tax increment financing district, located in the City's Master Development District.

STATUTORY AUTHORITY

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the City has certain statutory powers pursuant to *Minnesota Statutes ("M.S."), Sections 469.124 - 469.133*, inclusive, as amended (the "Municipal Development Act"), and *M.S., Sections 469.174 to 469.1794*, inclusive, as amended (the "TIF Act"), to assist in financing public costs related to this project.

This section contains the Tax Increment Financing Plan (the "TIF Plan") for the TIF District. Other relevant information is contained in the Modification to the Development Program for the Master Development District (the "Development Program").

STATEMENT OF OBJECTIVES

The TIF District currently consists of one (1) parcel of land and adjacent roads and internal rights-of-way. The TIF District is being created to facilitate the redevelopment of the former site of the historic Archer House hotel into a four story, mixed-use building consisting of approximately 23 units of residential housing, 19 short-term and extended stay hotel units, ground floor retail and associated structured parking in the City. The City plans to enter into an agreement with Manawa LLC as the developer. Construction is anticipated to begin in 2025. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program.

The activities contemplated in the Development Program and the TIF Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of the Master Development District and TIF District.

DEVELOPMENT PROGRAM OVERVIEW

Pursuant to the Development Program and authorizing state statutes, the City is authorized to undertake the following activities in the TIF District:

1. Property to be Acquired - Property located within the TIF District may be acquired by the City and is further described in this TIF Plan.

2. Relocation - Relocation services, to the extent required by law, will be available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.

3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the City may sell to a developer selected properties that it may acquire within the TIF District or may lease land or facilities to a developer.

4. The City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the TIF District.

DESCRIPTION OF PROPERTY IN THE TIF DISTRICT AND PROPERTY TO BE ACQUIRED

The TIF District encompasses all property and adjacent roads rights-of-way and abutting roadways identified by the parcels listed below.

Parcel number	Address	Owner
22.31.3.50.025	212 Division St	Manawa LLC

Please also see the map in Appendix A for further information on the location of the TIF District.

The City may acquire any parcel within the TIF District including interior and adjacent street rights of way. Any properties identified for acquisition will be acquired by the City only in order to accomplish one or more of the following: storm sewer improvements; provide land for needed public streets, utilities and facilities; or carry out land acquisition, site improvements, clearance and/or development to accomplish the uses and objectives set forth in this plan.

The City may acquire property by gift, dedication, or direct purchase from willing sellers in order to achieve the objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs. The City will not exercise eminent domain powers in the TIF District with respect to property for the Development.

The Developer currently owns the property to be included in the TIF District (the "Property").

TIF DISTRICT CLASSIFICATION

The TIF District, to be established, is a redevelopment district pursuant to *M.S., Section 469.174, Subd. 10(a)(1).*

1. The TIF District consists of one (1) parcel (the Property).

2. An inventory showed that parcels consisting of 100%, which is more than 70%, of the area in the TIF District are deemed occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures.

3. An inspection of the buildings located within the TIF District found that more than 50% of the buildings deemed to exist in the TIF District are structurally substandard as defined in the TIF Act. (See Appendix D).

Findings 2 and 3 above are made pursuant to Resolution #2021-125 adopted by the City Council of the City on December 7, 2021. Prior to the demolition and removal of the sole building on the Property (the "Building"), the City adopted Resolution #2021-125 finding that the Building was structurally substandard and the Property otherwise met the conditions of a redevelopment district pursuant to M.S., Section 469.174, Subd. 10. Resolution #2021-125 further stated the City's intent to include the Property in a redevelopment tax increment financing district pursuant to M.S., Section 469.174, Subd. 10(d(3)). The Council based its findings on a report from LHB, Inc. dated March 2, 2021 and titled "Report of Inspection Procedures and Results for Determining Qualifications of a Tax Increment Financing District as a Redevelopment District - Archer House Redevelopment TIF District - Northfield, Minnesota," (the "Inspection Report"). The demolition and removal of the Building was completed by the Developer in 2022 under a Demolition and Development Agreement with the City.

Pursuant to *M.S., Section 469.176, Subd. 7*, the TIF District does not contain any parcel or part of a parcel that qualified under the provisions of *M.S., Sections 273.111*, *273.112, or 273.114* or *Chapter 473H* for taxes payable in any of the five calendar years before the filing of the request for certification of the TIF District.

DURATION & FIRST YEAR OF TIF DISTRICT'S TAX INCREMENT

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration and first year of tax increment of the TIF District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the TIF District will be 25 years after receipt of the first increment by the City (a total of 26 years of tax increment). The City elects to receive the first tax increment in 2027, which is no later than four years following the year of approval of the TIF District.

Thus, it is estimated that the TIF District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2052, or when the TIF Plan is satisfied. The City reserves the right to decertify the TIF District prior to the legally required date.

ORIGINAL TAX CAPACITY, TAX RATE & ESTIMATED CAPTURED NET TAX CAPACITY VALUE/INCREMENT & NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS

Pursuant to M.S., Section 469.174, Subd. 10 (d)(1), the Property must have been occupied by the Building (a structurally substandard building) or met the requirements of M.S., Section 469.174, Subd. 10 (e), within 3 years of filing the request for certification of the Property as part of the TIF District. The Building demolition was completed in 2022, therefore, the City must request certification of the TIF District no later than three years later in 2025.

Upon filing a request for certification of the tax capacity of the Property as part of the TIF District, the City will notify the County Auditor that the original net tax capacity of the Property must be adjusted as provided by M.S., Section 469.177, Subd. 1(f) (See ORIGINAL TAX CAPACITY, TAX RATE & ESTIMATED CAPTURED NET TAX CAPACITY VALUE/INCREMENT & NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS).

Pursuant to M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1, including Subd. 1(f), the Original Net Tax Capacity (ONTC) as certified for the TIF District will be based on the greater of (1) the current net tax capacity of the Property based on the market values placed on the property by the assessor, or (2) the estimated market value of the Property for the year in which the Building was demolished or removed (2022), but applying the classification rates for the current year (2025).

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2027) the amount by which the original value has increased or decreased as a result of:

1. Change in tax exempt status of property;
2. Reduction or enlargement of the geographic boundaries of the TIF District;
3. Change due to adjustments, negotiated or court-ordered abatements;
4. Change in the use of the property and classification;
5. Change in state law governing class rates; or
6. Change in previously issued building permits.

In any year in which the current Net Tax Capacity (NTC) value of the TIF District declines below the ONTC, no value will be captured and no tax increment will be payable to the City.

The original local tax rate for the TIF District will be the local tax rate for taxes payable 2025, assuming the request for certification is made before June 30, 2025. The final rates for 2025 were not available at the time the TIF District was established. Estimates of the ONTC and the Original Local Tax Rate for the TIF District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the TIF District, within the Master Development District, upon completion of the Development within the TIF District, will annually approximate tax increment revenues as shown in the table below. The City requests 100% of the available increase in tax capacity be used for repayment of the obligations of the City and current expenditures, beginning in the tax year payable 2027. The Project Tax Capacity (PTC) listed is an estimate of values when the Development within the TIF District is completed.

Project Tax Capacity		
Estimated Project Tax Capacity	218,260	
Less: estimated Original Net Tax Capacity (ONTC)	6,402	
Estimated Captured Tax Capacity	**211,858**	
Original Local Tax Rate	121.0070%	Pay 2024
Estimated Annual Tax Increment	**$256,363**	
Percent Retained by the City	100%	

Note: Tax capacity estimates include a 0.50% inflation factor applied for the duration of the TIF District. The PTC estimate in this chart is the forecasted net tax capacity of the TIF District in year 26. For reference, the net tax capacity of the TIF District in year one is estimated to be $192,674.

Pursuant to *M.S., Section 469.177, Subd. 4*, the City shall, after a due and diligent search, accompany its request for certification to the County Auditor or its notice of the TIF District enlargement pursuant to *M.S., Section 469.175, Subd. 4*, with a listing of all properties within the TIF District or area of enlargement for which building permits have been issued during the eighteen (18) months immediately preceding approval of the TIF Plan by the City pursuant to M.S., Section 469.175, Subd. 3. The County Auditor shall increase the original net tax capacity of the TIF District by the net tax capacity of improvements for which a building permit was issued.

The City has reviewed the area to be included in the TIF District and found no parcels for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.

SOURCES OF REVENUE/BONDS TO BE ISSUED

The total estimated tax increment revenues for the TIF District are shown in the table below:

SOURCES		
Tax Increment	$	6,232,401
Interest		311,620
TOTAL	**$**	**6,544,021**

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The City reserves the right to issue bonds (as defined in the TIF Act) or incur other indebtedness as a result of the TIF Plan.

As presently proposed, the projects within the TIF District will be financed by pay-as-you-go notes and interfund loans. Any refunding amounts will be deemed a budgeted cost without requiring a formal modification to this TIF Plan. This provision does not obligate the City to incur debt.

The City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

The City may issue bonds secured in whole or in part with tax increments from the TIF District in a maximum principal amount of $6,544,021. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

USES OF FUNDS

Currently under consideration for the TIF District is a proposal to facilitate the redevelopment of the former site of the historic Archer House hotel into a four-story, mixed-use building consisting of 23 residential units, 19 short-term and extended stay hotel units, ground floor retail, and associated structured parking. The City has determined that it will be necessary to provide assistance to the project for certain TIF District costs, as described herein.

The City has studied the feasibility of the development or redevelopment of property in and around the TIF District. To facilitate the establishment and development or redevelopment of the TIF District, this TIF Plan authorizes the use of tax increment financing to pay for the cost of certain eligible expenses. The estimate of public costs and uses of funds associated with the TIF District is outlined in the following table.

USES		
Land/Building Acquisition	$	500,000
Site Improvements/Preparation		1,250,000
Affordable Housing		-
Utilities		250,000
Other Qualifying Improvements		1,561,889
Administrative Costs (up to 10%)		77,905
PROJECT COSTS TOTAL	**$**	**3,639,794**
Interest		2,904,227
PROJECT AND INTEREST COSTS TOTAL	**$**	**6,544,021**

The total project cost, including financing costs (interest) listed in the table above does not exceed the total projected tax increments for the TIF District as shown in the Sources of Revenue section.

Estimated costs associated with the TIF District are subject to change among categories without a modification to the TIF Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory requirements. Pursuant to *M.S., Section 469.1763, Subd. 2*, no more than 25% of the tax increment paid by property within the TIF District will be spent on activities related to development or redevelopment outside of the TIF District but within the boundaries of Master Development District (including administrative costs, which are considered to be spent outside of the TIF District), subject to the limitations as described in the TIF Plan.

ESTIMATED IMPACT ON OTHER TAXING JURISDICTIONS

The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the TIF Plan would occur without the creation of the TIF District. However, the City has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is $0. The estimated fiscal impact of the TIF District would be as follows if the "but for" test was not met:

Impact on Tax Base			
Entity	2023/Pay 2024 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
Rice County	101,526,152	211,858	**0.2087%**
City of Northfield	23,427,842	211,858	**0.9043%**
ISD 659 (Northfield Schools)	45,000,418	211,858	**0.4708%**

Note: The Total Net Tax Capacity figures above represent only the portion of each jurisdiction's tax base located within Rice County.

Impact on Tax Rates				
Entity	Pay 2024 Extension Rate	Percent of Total	CTC	Potential Taxes
Rice County	35.1280%	29.03%	211,858	**$ 74,422**
City of Northfield	62.2240%	51.42%	211,858	**131,827**
ISD 659 (Northfield Schools)	20.2940%	16.77%	211,858	**42,994**
Other	3.3610%	2.78%	211,858	**7,121**
	121.0070%	**100.00%**		**$ 256,363**

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Pay 2024 rate. The total net capacity for the entities listed above are based on Pay 2024 figures. The TIF District will be certified under the Pay 2025 rates, which were unavailable at the time this TIF Plan was prepared.

Pursuant to *M.S., Section 469.175 Subd. 2(b)*:

(1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the TIF District is $6,232,401.

(2) Probable impact of the TIF District on city provided services and ability to issue debt.
An impact of the TIF District on police protection is expected. With any addition of new residents or businesses, police calls for service will be increased. New developments are expected to add an increase in traffic, and additional overall demands to the call load. Based on the expected property use, the Police Department estimates 114 calls annually for this development. The call load represents a $20,000 impact to the annual police budget, however this is consistent to the operational impact of the prior development on the site. Further, the City does not expect that the proposed development, in and of itself, will necessitate new capital investment in police vehicles or facilities.

The probable impact of the TIF District on fire protection is not expected to be significant. Typically new buildings generate few calls, if any, and are of superior construction. Having a new fire alarm system on site is expected to reduce false alarms experienced for the property over the past 30 years. Further, the prior building located at the site was subject to a fire and subsequently demolished in the interest of public safety. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in fire service vehicles or facilities.

The impact of the TIF District on public infrastructure is expected to be minimal. The development will include underground parking and is not expected to significantly impact any traffic movements in the area. The current infrastructure for roadways, sanitary sewer, storm sewer and water will be able to handle the volume generated from the proposed development.

Based on the development plans, there are no new additional costs associated with street maintenance, sweeping, plowing, lighting and sidewalks particular to this project from its prior development use. Based on the estimated new residential units contained in the development plans, the development within the TIF District is expected to contribute an estimated $121,170 in sanitary sewer (SAC) and water (WAC) connection fees.

The probable impact of the issuance of any general obligation tax increment bonds payable from tax increment revenues from the TIF District on the City's ability to issue debt for general purposes is expected to be minimal. It is not anticipated that there will be any general obligation debt issued in relation to this project, therefore there will be no impact on the City's ability to issue future debt or on the City's debt limit.

(3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the TIF 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 $1,045,232.

(4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the TIF 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 $1,809,249.

(5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S., Section 469.175 Subd. 2(b)* within 15 days after receipt of the TIF Plan.

No requests for additional information from the county or school district regarding the proposed development for the TIF District have been received.

SUPPORTING DOCUMENTATION

Pursuant to *M.S., Section 469.175, Subd. 1 (a), clause 7* this TIF Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S., Section 469.175, Subd. 3, clause (b)(2)* and the findings are required in the resolution approving the TIF District.

(i) In making said determination, reliance has been placed upon (1) written representation made by the Developer to such effects, (2) review of the Developer's proforma; and (3) City staff awareness of the feasibility of developing the project site within the TIF District, which is further outlined in the City Council resolution approving the establishment of the TIF District and Appendix C.

(ii) A comparative analysis of estimated market value both with and without establishment of the TIF District and the use of tax increments has been performed. Such analysis is included with the cashflow in Appendix B and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the TIF District and the use of tax increments.

TIF DISTRICT ADMINISTRATION

Administration of the TIF District will be handled by the Economic Development Coordinator.

Appendix A: Map of Master Development District and the TIF District

Archer House TIF District

PID 22.31.3.50.025

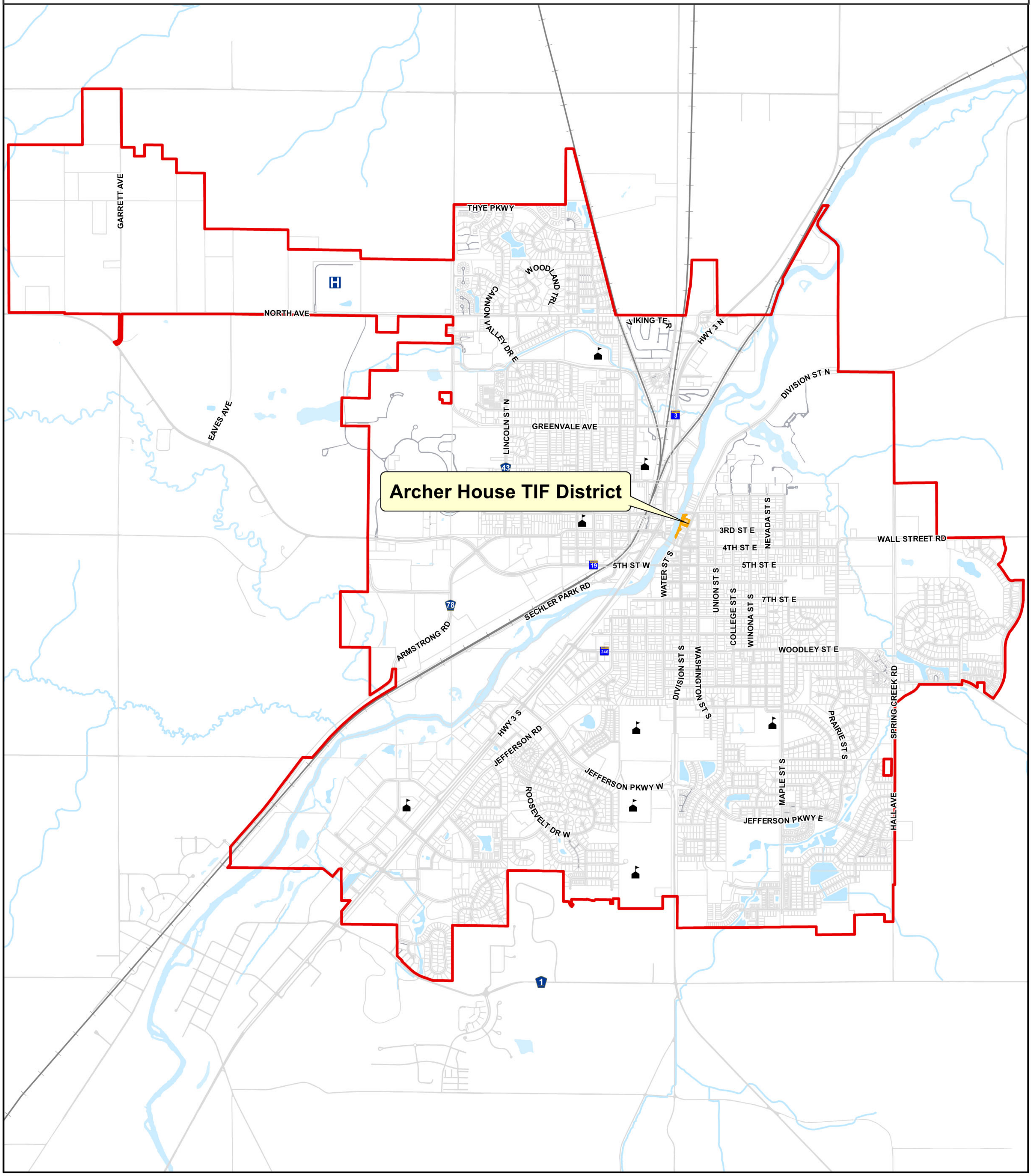
Master Development Area

City Of Northfield Minnesota

10/18/2023

0 1,500 3,000 Feet

The boundaries of the Master Development District are coterminous with the corporate boundaries of the City of Northfield.



Appendix B: Estimated Cash Flow for the TIF District

Archer House Redevelopment

City of Northfield, MN

Mixed Use - Apartment, Hotel and Retail Space

EHLERS PUBLIC FINANCE ADVISORS

ASSUMPTIONS AND RATES

DistrictType:	**Redevelopment**	
District Name/Number:	**TBD**	
County District #:	**TBD**	
First Year Construction or Inflation on Value	**2025**	
Existing District - Specify No. Years Remaining		
Inflation Rate - Every Year:	**0.50%**	
Interest Rate:	**5.00%**	
Present Value Date:	**1-Feb-26**	
First Period Ending	1-Aug-26	
Tax Year District was Certified:	**Pay 2025**	
Cashflow Assumes First Tax Increment For Development:	2027	
Years of Tax Increment	26	
Assumes Last Year of Tax Increment	2052	
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	**NA**	
Incremental or Total Fiscal Disparities		
Fiscal Disparities Contribution Ratio		
Fiscal Disparities Metro-Wide Tax Rate		
Maximum/Frozen Local Tax Rate:	121.007%	Pay 2024
Current Local Tax Rate: (Use lesser of Current or Max.)	121.007%	Pay 2024
State-wide Tax Rate (Comm./Ind. only used for total taxes)	29.2940%	Pay 2024
Market Value Tax Rate (Used for total taxes)	0.34693%	Pay 2024

Tax Rates

Exempt Class Rate (Exempt)			0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)			
	First	$150,000	1.50%
	Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)			2.00%
Rental Housing Class Rate (Rental)			1.25%
Affordable Rental Housing Class Rate (Aff. Rental)			
	First	$100,000	0.75%
	Over	$100,000	0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)			
	First	$500,000	1.00%
	Over	$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)			
	First	$500,000	1.00%
	Over	$500,000	1.25%
Agricultural Non-Homestead			1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/ Phase
1	22.31.3.50.025	Manawa LLC	212 Division St	357,600	0	357,600	100%	357,600	Pay 2025	C/I Pref.	6,402	C/I Pref.	6,402	
				718,800	**0**	**718,800**		**718,800**			**6,402**		**6,402**	

Note:

1. **Base values are for pay 2025 based upon review of County website on 7.23.2024. Per M.S. 469.177(1)(f): greater of current NTC (Pay 2025) or EMV of parcel in year of demolition (Pay 2022).**
2. **Located in SD # 659.**

Archer House Redevelopment

City of Northfield, MN

Mixed Use - Apartment, Hotel and Retail Space

EHLERS PUBLIC FINANCE ADVISORS

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2025	Percentage Completed 2026	Percentage Completed 2027	Percentage Completed 2028	First Year Full Taxes Payable
1	Apartments	200,000	200,000	23	4,600,000	Rental	57,500	2,500	100%	100%	100%	100%	2027
1	Retail	350	350	8,554	2,996,193	C/I Pref.	59,174	6.92	100%	100%	100%	100%	2027
1	Hotel	200,000	200,000	19	3,800,000	C/I	76,000	4,000	100%	100%	100%	100%	2027
TOTAL					11,396,193		192,674						

Note:

1. Market value information is based upon updated estimates provided by the Rice County Assessor's office in September, 2024.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Apartments	57,500	0	57,500	69,579	0	0	15,959	85,538	3,719.04
Retail	59,174	0	59,174	71,605	0	16,675	10,395	98,674	11.54
Hotel	76,000	0	76,000	91,965	0	21,385	13,183	126,533	6,659.65
TOTAL	192,674	0	192,674	233,149	0	38,060	39,537	310,746	

Note:

1. Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law and other factors which cannot be predicted. The TIF District will be certified under the Pay 2025 tax rates which were unavailable at the time this estimate was prepared.

WHAT IS EXCLUDED FROM TIF?

Total Property Taxes	310,746
less State-wide Taxes	(38,060)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(39,537)
less Base Value Taxes	(7,747)
Annual Gross TIF	225,402

MARKET VALUE BUT / FOR ANALYSIS

Current Market Value - Est.	718,800
New Market Value - Est.	11,396,193
Difference	10,677,393
Present Value of Tax Increment	3,265,462
Difference	7,411,931
Value likely to occur without Tax Increment is less than:	7,411,931

EHLERS
PUBLIC FINANCE ADVISORS

Archer House Redevelopment

City of Northfield, MN

Mixed Use - Apartment, Hotel and Retail Space

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	City Retention at 2.5%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
						-	-	-	-				08/01/26
						-	-	-	-				02/01/27
100%	192,674	(6,402)	186,272	121.007%	225,402	112,701	(406)	(2,807)	109,488	101,670	0.5	2027	08/01/27
						112,701	(406)	(2,807)	109,488	200,861	1	2027	02/01/28
100%	193,637	(6,402)	187,235	121.007%	226,568	113,284	(408)	(2,822)	110,054	298,133	1.5	2028	08/01/28
						113,284	(408)	(2,822)	110,054	393,032	2	2028	02/01/29
100%	194,605	(6,402)	188,203	121.007%	227,739	113,870	(410)	(2,836)	110,623	486,096	2.5	2029	08/01/29
						113,870	(410)	(2,836)	110,623	576,889	3	2029	02/01/30
100%	195,578	(6,402)	189,176	121.007%	228,917	114,458	(412)	(2,851)	111,195	665,926	3.5	2030	08/01/30
						114,458	(412)	(2,851)	111,195	752,792	4	2030	02/01/31
100%	196,556	(6,402)	190,154	121.007%	230,100	115,050	(414)	(2,866)	111,770	837,977	4.5	2031	08/01/31
						115,050	(414)	(2,866)	111,770	921,084	5	2031	02/01/32
100%	197,539	(6,402)	191,137	121.007%	231,289	115,645	(416)	(2,881)	112,348	1,002,583	5.5	2032	08/01/32
						115,645	(416)	(2,881)	112,348	1,082,095	6	2032	02/01/33
100%	198,527	(6,402)	192,125	121.007%	232,484	116,242	(418)	(2,896)	112,928	1,160,068	6.5	2033	08/01/33
						116,242	(418)	(2,896)	112,928	1,236,139	7	2033	02/01/34
100%	199,519	(6,402)	193,117	121.007%	233,686	116,843	(421)	(2,911)	113,512	1,310,738	7.5	2034	08/01/34
						116,843	(421)	(2,911)	113,512	1,383,518	8	2034	02/01/35
100%	200,517	(6,402)	194,115	121.007%	234,893	117,446	(423)	(2,926)	114,098	1,454,889	8.5	2035	08/01/35
						117,446	(423)	(2,926)	114,098	1,524,520	9	2035	02/01/36
100%	201,520	(6,402)	195,118	121.007%	236,106	118,053	(425)	(2,941)	114,687	1,592,803	9.5	2036	08/01/36
						118,053	(425)	(2,941)	114,687	1,659,421	10	2036	02/01/37
100%	202,527	(6,402)	196,125	121.007%	237,325	118,663	(427)	(2,956)	115,280	1,724,750	10.5	2037	08/01/37
						118,663	(427)	(2,956)	115,280	1,788,485	11	2037	02/01/38
100%	203,540	(6,402)	197,138	121.007%	238,551	119,275	(429)	(2,971)	115,875	1,850,987	11.5	2038	08/01/38
						119,275	(429)	(2,971)	115,875	1,911,964	12	2038	02/01/39
100%	204,558	(6,402)	198,156	121.007%	239,782	119,891	(432)	(2,986)	116,473	1,971,761	12.5	2039	08/01/39
						119,891	(432)	(2,986)	116,473	2,030,100	13	2039	02/01/40
100%	205,580	(6,402)	199,178	121.007%	241,020	120,510	(434)	(3,002)	117,074	2,087,310	13.5	2040	08/01/40
						120,510	(434)	(3,002)	117,074	2,143,124	14	2040	02/01/41
100%	206,608	(6,402)	200,206	121.007%	242,264	121,132	(436)	(3,017)	117,678	2,197,858	14.5	2041	08/01/41
						121,132	(436)	(3,017)	117,678	2,251,257	15	2041	02/01/42
100%	207,641	(6,402)	201,239	121.007%	243,514	121,757	(438)	(3,033)	118,286	2,303,622	15.5	2042	08/01/42
						121,757	(438)	(3,033)	118,286	2,354,710	16	2042	02/01/43
100%	208,679	(6,402)	202,277	121.007%	244,770	122,385	(441)	(3,049)	118,896	2,404,809	16.5	2043	08/01/43
						122,385	(441)	(3,049)	118,896	2,453,687	17	2043	02/01/44
100%	209,723	(6,402)	203,321	121.007%	246,033	123,016	(443)	(3,064)	119,509	2,501,618	17.5	2044	08/01/44
						123,016	(443)	(3,064)	119,509	2,548,380	18	2044	02/01/45
100%	210,772	(6,402)	204,370	121.007%	247,301	123,651	(445)	(3,080)	120,125	2,594,237	18.5	2045	08/01/45
						123,651	(445)	(3,080)	120,125	2,638,975	19	2045	02/01/46
100%	211,825	(6,402)	205,423	121.007%	248,577	124,288	(447)	(3,096)	120,745	2,682,847	19.5	2046	08/01/46
						124,288	(447)	(3,096)	120,745	2,725,650	20	2046	02/01/47
100%	212,884	(6,402)	206,482	121.007%	249,858	124,929	(450)	(3,112)	121,367	2,767,623	20.5	2047	08/01/47
						124,929	(450)	(3,112)	121,367	2,808,573	21	2047	02/01/48
100%	213,949	(6,402)	207,547	121.007%	251,146	125,573	(452)	(3,128)	121,993	2,848,730	21.5	2048	08/01/48
						125,573	(452)	(3,128)	121,993	2,887,908	22	2048	02/01/49
100%	215,019	(6,402)	208,617	121.007%	252,441	126,220	(454)	(3,144)	122,622	2,926,327	22.5	2049	08/01/49
						126,220	(454)	(3,144)	122,622	2,963,809	23	2049	02/01/50
100%	216,094	(6,402)	209,692	121.007%	253,742	126,871	(457)	(3,160)	123,254	3,000,565	23.5	2050	08/01/50
						126,871	(457)	(3,160)	123,254	3,036,425	24	2050	02/01/51
100%	217,174	(6,402)	210,772	121.007%	255,049	127,525	(459)	(3,177)	123,889	3,071,590	24.5	2051	08/01/51
						127,525	(459)	(3,177)	123,889	3,105,898	25	2051	02/01/52
100%	218,260	(6,402)	211,858	121.007%	256,363	128,182	(461)	(3,193)	124,527	3,139,541	25.5	2052	08/01/52
						128,182	(461)	(3,193)	124,527	3,172,364	26	2052	02/01/53
	Total					6,254,919	(22,518)	(155,810)	6,076,591				
			Present Value Rate	5.00%		3,265,462	(11,756)	(81,343)	3,172,364				

Appendix C: Findings Including But/For Qualifications

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan (TIF Plan) for Archer Tax Increment Financing District (the “TIF District”), as required pursuant to *Minnesota Statutes (M.S.), Section 469.175, Subdivision 3* are as follows:

1. *Finding that Archer Tax Increment Financing District is a redevelopment district as defined in M.S., Section 469.174, Subd. 10.*

   The TIF District is, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10, a “redevelopment district” because it consists of a project or portions of a project within which the following conditions, reasonably distributed throughout the District, exist: (1) parcels consisting of at least 70% of the area of the TIF District are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and (2) more than 50% of the buildings located within the TIF District are deemed “structurally substandard” (within the meaning of Minnesota Statutes, Section 469.174, Subdivision 10(b) and (c)) to a degree requiring substantial renovation or clearance.

   The Inspection Report shows that, as of the date of the report, the TIF District consisted of 2 parcels and 1 building. Parcels consisting of 100% of the area of the TIF District were “occupied” as defined in Minnesota Statutes, Section 469.174, Subd. 10(e), in that at least 15% of the area of the parcels is occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures. In addition, 100% of the buildings in the TIF District are structurally substandard to a degree requiring substantial renovation or clearance. In addition, the costs of bringing the structurally substandard buildings into compliance with building codes applicable to new buildings would exceed 15% of the cost of constructing new structures of the same size and type on the site.

   The Council previously found the Building to be structurally substandard in the Blight Resolution. Prior to the demolition or removal of the Building, the City entered into the Demolition Agreement. Therefore, in accordance with Section 469.174, Subd. 10(d) of the TIF Act, such Building is deemed to exist in the TIF District notwithstanding its demolition prior to the certification of the TIF District.

   The Materials, including without limitation the supporting facts for these determinations, are on file with the staff of the City. There have been no building permits issued or improvements made to the buildings since the date of the report. (See Appendix D of the TIF Plan.)

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and 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 Archer Tax Increment Financing District permitted by the TIF Plan.*

   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:

   The property on which the proposed Development will occur would not be developed in the reasonably foreseeable future. The demolition and redevelopment costs are higher than for new development and the costs of the public infrastructure necessary to enable development in this area would make development infeasible. The Developer has represented that they could not proceed with the Development without tax increment assistance. The Developer has provided the City its estimated Development proforma outlining project sources and uses as well as projected rent, vacancy and financing assumptions. City staff and the City's advisors reviewed the information and have determined the Development is not feasible without the proposed assistance due to anticipated rent levels and market returns not supporting the redevelopment costs. Based on the review, the City does not expect that a development of this type would occur in the reasonably foreseeable future but for the use of tax increment assistance.

   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 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:

   This finding is justified on the grounds that the desired development intensity and tax base created on currently underutilized and declining downtown property requires site and public improvement costs that are improbable without public assistance. The costs of site preparation, demolition, remediation and public improvements add significantly to the total redevelopment cost of any development in this area and make redevelopment infeasible without tax increment assistance. The City reasonably determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

Therefore, the City concludes as follows:

a. The City's estimate of the amount by which the market value of the entire TIF District will increase without the use of tax increment financing is $0.

b. If the proposed development occurs, the total increase in market value will be $10,677,393.

c. The present value of tax increments from the TIF District for the maximum duration permitted by the TIF Plan is estimated to be $3,265,462.

d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than $7,411,931 (the amount in clause b less the amount in clause c) without tax increment assistance.

3. *Finding that the TIF Plan for the TIF District conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The TIF Plan will generally complement and serve to implement policies adopted in the City's comprehensive plan. The construction of the Development contemplated is or will be in substantial accordance with the existing zoning or any permitted exception for the property and is consistent with other uses in the area. The Planning Commission reviewed the Plan Documents and approved a resolution that affirms that the plans conform to the general development plan of the City.

4. *Finding that the TIF Plan for the Archer Tax Increment Financing District will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Master Development District by private enterprise.*

The Development proposed to occur within the TIF District will afford maximum opportunity for the development of the applicable parcels consistent with the needs of the City and the removal of blighted buildings will increase the potential for future redevelopment. The Development will increase the taxable market valuation of the City. The Development will expand the number and type of available housing options in the City and help fulfill the need for such housing in the City.

Appendix D: Redevelopment Qualifications for the TIF District

The TIF District is a redevelopment district pursuant to M.S., Section 469.174, Subd. 10(a)(1).

1. *The TIF District consists of one parcel (the Property).*

2. *The Property (i.e. parcels consisting of 100%, which is more than 70%) of the area in the TIF District are deemed occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures.*

3. *An inspection of the buildings located within the TIF District found that more than 50% of the buildings deemed to exist in the TIF District are structurally substandard as defined in the TIF Act. (See attached Inspection Report).*

Findings 2 and 3 above are made pursuant to Resolution #2021-125 adopted by the City Council of the City on December 7, 2021. Prior to the demolition and removal of the sole building on the Property (the "Building"), the City adopted Resolution #2021-125 finding that the Building was structurally substandard and the Property otherwise met the conditions of a redevelopment district pursuant to M.S., Section 469.174, Subd. 10. Resolution #2021-125 further stated the City's intent to include the Property in a redevelopment tax increment financing district pursuant to M.S., Section 469.174, Subd. 10(d(3)). The Council based its findings on a report from LHB, Inc. dated March 2, 2021 and titled "Report of Inspection Procedures and Results for Determining Qualifications of a Tax Increment Financing District as a Redevelopment District - Archer House Redevelopment TIF District - Northfield, Minnesota," (the "Inspection Report"). The demolition and removal of the Building was completed by the Developer in 2022 under a Demolition and Development Agreement with the City.

Based on the attached Inspection Report, the Council found that:

- *The Building was structurally substandard within the meaning of M.S., Section 469.174, Subd. 10(b), because it contained 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;*

- *The Building was not in compliance with the building code applicable to new buildings and could not be modified to satisfy the building code at a* *cost of less than 15% of the cost of constructing a new structure of the same square footage and type on the Property; and*

- *More than 15% of the area of the City Parcel and 15% of the area of the Developer Parcel contained buildings, streets, utilities, paved or gravel parking lots, or similar structures.*