

City of Northfield, Minnesota

Tax Increment Financing Plan

for

Tax Increment Financing (Economic Development) District

Within

Master Development District

(Strobel & Werner Holdings –
Aurora Pharmaceutical Expansion Project)

Draft Dated: September 3, 2018

Public Hearing Scheduled: September 4, 2018

Anticipated Approval Date: September 4, 2018

Prepared by:

SPRINGSTED INCORPORATED
380 Jackson Street, Suite 300
St. Paul, MN 55101-2887
(651) 233-3000
WWW.SPRINGSTED.COM

TAX INCREMENT FINANCING PLAN NO. 23

<u>Section</u>	<u>Page(s)</u>
A. Definitions	1
B. Statutory Authorization.....	1
C. Statement of Need and Public Purpose	1
D. Statement of Objectives.....	1
E. Designation of Tax Increment Financing District as an Economic Development District.....	1
F. Duration of the TIF District.....	3
G. Property to be Included in the TIF District.....	3
H. Property to be Acquired in the TIF District	3
I. Specific Development Expected to Occur Within the TIF District.....	3
J. Findings and Need for Tax Increment Financing	4
K. Estimated Public Costs.....	5
L. Estimated Sources of Revenue	6
M. Estimated Amount of Bonded Indebtedness	6
N. Original Net Tax Capacity	6
O. Original Tax Capacity Rate.....	7
P. Projected Retained Captured Net Tax Capacity and Projected Tax Increment	7
Q. Use of Tax Increment.....	8
R. Excess Tax Increment.....	8
S. Tax Increment Pooling and the Five Year Rule.....	9
T. Limitation on Administrative Expenses	9
U. Limitation on Property Not Subject to Improvements - Four Year Rule	9
V. Estimated Impact on Other Taxing Jurisdictions	10
W. Prior Planned Improvements.....	10
X. Development Agreements	11
Y. Assessment Agreements	11
Z. Modifications of the Tax Increment Financing Plan.....	11
AA. Administration of the Tax Increment Financing Plan	12
AB. Financial Reporting and Disclosure Requirements	13
 Map of the Tax Increment Financing District within Project Area	 EXHIBIT I
Assumptions Report	EXHIBIT II
Projected Tax Increment Report	EXHIBIT III
Estimated Impact on Other Taxing Jurisdictions Report.....	EXHIBIT IV
Market Value Analysis Report	EXHIBIT V

**TAX INCREMENT FINANCING PLAN
FOR TAX INCREMENT FINANCING DISTRICT**

Section A Definitions

The terms defined in this section have the meanings given herein, unless the context in which they are used indicates a different meaning:

"City" means the City of Northfield, Minnesota; also referred to as a "Municipality".

"City Council" means the City Council of the City; also referred to as the "Governing Body".

"County" means Rice County, Minnesota

"Development District" means Master Development District in the City, which is described in the corresponding Development Program.

"Development Program" means the Development Program for the Development District.

"Project Area" means the geographic area of the Development District.

"School District" means Independent School District No. 659, Minnesota.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794, both inclusive.

"TIF District" means Tax Increment Financing (Economic Development) District (Strobel & Werner Holdings – Aurora).

"TIF Plan" means the tax increment financing plan for the TIF District (this document).

Section B Statutory Authorization

See the Development Program for the Master Development District.

Section C Statement of Need and Public Purpose

See the Development Program for the Master Development District. The Development Program is hereby amended and supplemented to incorporate, by reference, the TIF District and this TIF Plan.

Section D Statement of Objectives

See the Development Program for the Master Development District.

**Section E Designation of Tax Increment Financing District as an
Economic Development District**

Economic development districts are a type of tax increment financing district which consist of any project, or portions of a project, which the City finds to be in the public interest because:

- (1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality;
- (2) it will result in increased employment in the state;
- (3) it will result in preservation and enhancement of the tax base of the state; or
- (4) it satisfies the requirements of a workforce housing project.

The TIF District qualifies as an economic development district in that the proposed development described in this TIF Plan (see Section I) meets the criteria listed above in (2) and (3). Without establishment of the TIF District, the proposed development would not occur within the City. The proposed development will also result in increased employment and enhancement of the tax base in both the City and the State.

Tax increments from an economic development district must be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or other assistance in which at least 85% of the square footage of the facilities to be constructed are used for any of the following purposes:

- (1) manufacturing or production of tangible personal property, including processing resulting in the change of the condition of the property;
- (2) warehousing, storage and distribution of tangible personal property, excluding retail sales;
- (3) research and development related to the activities listed in (1) or (2) above;
- (4) telemarketing if that activity is the exclusive use of the property;
- (5) tourism facilities (see M.S. Section 469.174, Subd. 23);
- (6) space necessary for and related to the activities listed in (1) through (5) above; or
- (7) a workforce housing project that satisfies the requirements.

In addition, the authority may request inclusion in the tax increment financing district and the county auditor may certify the original tax capacity of a parcel or a part of a parcel that qualified under the provisions of section 273.111, 273.112, 273.114, or chapter 473H for taxes payable in any of the five calendar years before the filing of the request for certification only for:

- (1) a district in which 85 percent or more of the planned buildings and facilities (determined on the basis of square footage) are a qualified manufacturing facility or a qualified distribution facility or a combination of both; or
- (2) a housing district.

A distribution facility means buildings and other improvements to real property that are used to conduct activities in at least each of the following categories:

- (i) to store or warehouse tangible personal property;
- (ii) to take orders for shipment, mailing, or delivery;
- (iii) to prepare personal property for shipment, mailing, or delivery; and
- (iv) to ship, mail, or deliver property.

A manufacturing facility includes space used for manufacturing or producing tangible personal property, including processing resulting in the change in condition of the property, and space necessary for and related to the manufacturing activities.

To be a qualified facility, the owner or operator of a manufacturing or distribution facility must agree to pay and pay 90 percent or more of the employees of the facility at a rate equal to or greater than 160 percent of the federal minimum wage for individuals over the age of 20.

Section F Duration of the TIF District

Economic development districts may remain in existence 8 years from the date of receipt by the City of the first tax increment. The City anticipates that the TIF District will remain in existence the maximum duration allowed by law (projected to be through the year 2028, assuming first increment is received in 2020). The district will remain open through the year 2029 if the first collection of increment is in taxes payable 2021. The City may decertify the TIF District earlier if fulfillment of all District obligations occurs prior to the statutory maximum duration of 9 total years.

Section G Property to be Included in the TIF District

The TIF District is an area of land comprising of one parcel that is approximately .35 acres located within the Project Area. A map showing the location of the TIF District is shown in Exhibit I. The boundaries and area encompassed by the TIF District are described below:

Parcel ID Number Legal Description

22-01-3-02-001	Lot 1 Block 1 of STROBEL-WERNER ADD
----------------	-------------------------------------

The area encompassed by the TIF District shall also include all street or utility right-of-ways located upon or adjacent to the property described above.

Section H Property to be Acquired in the TIF District

The City may acquire and sell any or all of the property located within the TIF District; however, the City does not anticipate acquiring any such property at this time and will sell a portion of City-owned property to the developer.

Section I Specific Development Expected to Occur Within the TIF District

The proposed development is expected to consist of an approximately 25,000 square foot 3-story expansion to an existing building. The City anticipates selling property to the business to allow for additional space for installation of improvements and facilitate subsequent construction of the building expansion. There are significant site improvement costs associated with the proposed expansion. This project will accommodate Aurora Pharmaceutical's business growth in the community. In addition to building construction costs, the project will include the construction of a retaining wall, transformer relocation, relocation and construction of a pond, and moving utility easement.

Construction of the facility is projected to commence in 2018 and expected to be fully constructed in early 2019 and be completed by December 31, 2019 and be 100% assessed and on the tax rolls as of January 2, 2020 for taxes payable in 2021.

At the time this document was prepared there were no signed construction contracts with regards to the above described development.

Section J Findings and Need for Tax Increment Financing

In establishing the TIF District, the City makes the following findings:

- (1) The TIF District qualifies as an economic development district;

See Section E of this document for the reasons and facts supporting this finding.

- (2) 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, and the increased market value of the site that could reasonably be expected to occur without the use of tax increment 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.

Factual basis:

Proposed development not expected to occur:

The project includes the development of an expansion to an existing business facility in the City of Northfield. The proposed developer of the expansion project has submitted information to the city demonstrating that development of this site is not financially feasible without the assistance provided in this TIF Plan.

The City has determined that the proposed development would not occur but for the financial assistance provided in this TIF Plan because of the high cost of construction at the site due to the need for significant site development and public improvement infrastructure costs necessary for development to occur. Due to the high costs of investment for the proposed project, including site improvements, infrastructure and development costs incurred by the developer in conjunction with the project, the developer has stated that the project as proposed would not occur without the financial assistance provided by the City, as it would not be economically feasible without financial assistance. The City finds the use of tax increment necessary to finance a portion of the site improvements costs to facilitate development of the project and developer investment. The City anticipates providing financial assistance on a pay-as-you-go basis.

No higher market value expected:

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. Without the improvements and financial assistance, the City has no reason to expect that significant development would occur without assistance similar to that provided in this plan. For the same reasons that the desired development described above is not feasible without tax increment assistance, the City believes that no alternative development is likely to occur without similar assistance.

To summarize the basis for the City's findings regarding alternative market value, in accordance with Minnesota Statutes, Section 469.175, Subd. 3(d), the City makes the following determinations:

- a. The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is \$0 (for the reasons described above), except some unknown amount of appreciation.
- b. If the proposed development to be assisted with tax increment occurs in the District, the total increase in market value would be approximately \$1,302,773, including the value of the building (See Exhibit V).

c. The present value of tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be \$199,236 (See Exhibit V).

d. Even if some development other than the proposed development were to occur, the City finds that no alternative would occur that would produce a market value increase greater than \$1,103,537 (the amount in clause b less the amount in clause c) without tax increment assistance.

- (3) The TIF Plan would afford maximum opportunity, consistent with the sound needs of the City as a whole, for development of the Project Area by private enterprise.

Factual basis: The proposed development is the construction of a business expansion to an existing building in the Project Area that is proposed to retain existing jobs in the original building within the City, while creating new jobs in the State, plus create new tax base for the City and the State. The development meets the City's economic development goals in terms of tax base expansion, job retention and creation, and wage levels.

- (4) The TIF Plan conforms to general plans for development of the City as a whole.

Factual basis: The City has determined that the development as described in the TIF Plan conforms to the City comprehensive plan.

Section K Estimated Public Costs

The estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District.

Land/building acquisition	22,716
Site improvements	208,620
Land/building acquisition	0
Utilities	0
Other qualifying improvements	22,488
Loan Interest payments	0
Administrative expenses	<u>13,359</u>
Total	<u>267,183</u>

The City anticipates using tax increment to the extent available to assist with financing a portion of the site improvement and infrastructure costs, related administrative expenses, and other TIF-eligible expenditures as necessary and related to development of the project.

The City reserves the right to administratively adjust the amount of any of the items listed above or to incorporate additional eligible items, so long as the total estimated public cost (\$267,183) is not increased. The City also reserves the right to fund any of the identified costs with any other legally available revenues, such as grants and/or loans, but anticipates that such costs will be primarily financed with tax increments.

Section L Estimated Sources of Revenue

Tax increment revenue	267,183
Interest and investment earnings	0
Sales/lease proceeds	0
TIF Credits	0
Other	<u>0</u>
Total	<u>\$267,183</u>

The City anticipates providing financial assistance on a pay-as-you-go basis for site improvement costs, as well as other TIF-eligible expenses related to the proposed development. As tax increments are collected from the TIF District in future years, a portion of these taxes will be used by the City to reimburse the developer/owner for public costs incurred (see Section K).

The City reserves the right to finance any or all public costs of the TIF District using pay-as-you-go assistance, internal funding, general obligation or revenue debt, or any other financing mechanism authorized by law. The City also reserves the right to use other sources of revenue legally applicable to the Project Area to pay for such costs including, but not limited to, special assessments, utility revenues, federal or state funds, and investment income. The projected tax increment report is included as Exhibit III.

Section M Estimated Amount of Bonded Indebtedness

The maximum principal amount of bonds (as defined in the TIF Act) secured in whole or part with tax increment from the TIF District is \$267,183. The City currently plans to finance the improvement costs in the form of a pay-as-you go revenue note but reserves the right to issue bonds in any form, including without limitation any interfund loan with interest not to exceed the maximum permitted under Section 469.178, subd. 7 of the TIF Act.

Section N Original Net Tax Capacity

The County Auditor shall certify the original net tax capacity of the TIF District. This value will be equal to the total net tax capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The Estimated Taxable Value of all property within the TIF District as of January 2, 2018, for taxes payable in 2019, is \$4,935,600 and the estimated tax capacity is \$97,968, which is estimated to be the original net tax capacity of the TIF District upon establishment of the District and classification as commercial-industrial property upon subsequent certification.

Each year the County Auditor shall certify the amount that the original net tax capacity has increased or decreased as a result of:

- (1) changes in the tax-exempt status of property;
- (2) reductions or enlargements of the geographic area of the TIF District;
- (3) changes due to stipulation agreements or abatements; or
- (4) changes in property classification rates.

Section O Original Tax Capacity Rate

The County Auditor shall also certify the original tax capacity rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the original net tax capacity.

In future years, the amount of tax increment generated by the TIF District will be calculated using the lesser of (a) the sum of the current local tax rates at that time or (b) the original tax capacity rate of the TIF District.

For purposes of estimating the tax increment generated by the TIF District, the sum of the local tax rates for taxes levied in 2017 and payable in 2018 is 133.854% as shown below. The request for certification will be made prior to June 30, 2019, as a result the original local tax capacity rate will be the rate that applies for taxes payable in 2019 and the County Auditor shall certify this amount as the original tax capacity rate of the TIF District. Those rates are not yet available at the time of drafting of the TIF Plan.

<u>Taxing Jurisdiction</u>	<u>2017/2018 Local Tax Rate</u>
City of Northfield	57.164%
Rice County	40.264%
ISD #659	33.023%
Other	<u>3.403%</u>
Total	133.854%

**Section P Projected Retained Captured Net Tax Capacity and
Projected Tax Increment**

The City anticipates that the project will begin construction in 2018 and be fully completed by December 31, 2019, creating a total tax capacity for the TIF District of \$120,651 as of January 2, 2020. The captured tax capacity as of that date is estimated to be \$22,683. The first year of tax increment is estimated to be \$7,553 with partial value and \$30,362 with full value payable in 2021. A complete schedule of estimated tax increment from the TIF District is shown in Exhibit III.

he estimates shown in this TIF plan assume that commercial class rates remain at 1.5% of the estimated market value up to \$150,000 and 2.0% of the estimated market value over \$150,000 and assume 2% annual increases in market values.

Each year the County Auditor shall determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the original net tax capacity, the difference shall be known as the captured net tax capacity of the TIF District.

The County Auditor shall certify to the City the amount of captured net tax capacity each year. The City may choose to retain any or all of this amount. It is the City's intention to retain 100% of the captured net tax capacity of the TIF District. Such amount shall be known as the retained captured net tax capacity of the TIF District.

Exhibit II gives a listing of the various information and assumptions used in preparing a number of the exhibits contained in this TIF Plan, including Exhibit III which shows the projected tax increment generated over the anticipated life of the TIF District.

Section Q Use of Tax Increment

Each year the County Treasurer shall deduct 0.36% of the annual tax increment generated by the TIF District and pay such amount to the State's General Fund. Such amounts will be appropriated to the State Auditor for the cost of financial reporting and auditing of tax increment financing information throughout the state. Exhibit III shows the projected deduction for this purpose over the anticipated life of the TIF District.

The City has determined that it will use 100% of the remaining tax increment generated by the TIF District for any of the following purposes:

- (1) pay for the estimated public costs of the TIF District (see Section K) and County administrative costs associated with the TIF District (see Section T);
- (2) pay principal and interest on one or more pay-as-you-go notes, tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (3) accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (4) pay all or a portion of the county road costs as may be required by the County Board under M.S. Section 469.175, Subdivision 1a; or
- (5) return excess tax increments to the County Auditor for redistribution to the City, County and School District.

Tax increments from property located in one county must be expended for the direct and primary benefit of a project located within that county, unless both county boards involved waive this requirement. Tax increments shall not be used to circumvent levy limitations applicable to the City.

Tax increment shall not be used to finance the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the State or federal government, or for a commons area used as a public park, or a facility used for social, recreational, or conference purposes. This prohibition does not apply to the construction or renovation of a parking structure or of a privately-owned facility for conference purposes.

If there exists any type of agreement or arrangement providing for the developer, or other beneficiary of assistance, to repay all or a portion of the assistance that was paid or financed with tax increments, such payments shall be subject to all of the restrictions imposed on the use of tax increments. Assistance includes sale of property at less than the cost of acquisition or fair market value, grants, ground or other leases at less than fair market rent, interest rate subsidies, utility service connections, roads, or other similar assistance that would otherwise be paid for by the developer or beneficiary.

Section R Excess Tax Increment

In any year in which the tax increments from the TIF District exceed the amount necessary to pay the estimated public costs authorized by the TIF Plan, the City shall use the excess tax increments to:

- (1) prepay any outstanding tax increment bonds;
- (2) discharge the pledge of tax increments thereof;
- (3) pay amounts into an escrow account dedicated to the payment of the tax increment bonds; or

- (4) return excess tax increments to the County Auditor for redistribution to the City, County and School District. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

Section S Tax Increment Pooling and the Five-Year Rule

At least 80% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District (see Section E for additional restrictions). No more than 20% of the tax increments may be spent on costs outside of the TIF District but within the boundaries of the Project Area, except to pay debt service on credit enhanced bonds. All administrative expenses are considered to have been spent outside of the TIF District. Revenues derived from tax increments paid by properties in the district are considered to have been spent within the TIF District if such amounts are:

- (1) actually paid to a third party for activities performed within the TIF District within five years after certification of the district;
- (2) used to pay bonds that were issued and sold to a third party, the proceeds of which are reasonably expected on the date of issuance to be spent within the later of the five-year period or a reasonable temporary period or are deposited in a reasonably required reserve or replacement fund.
- (3) used to make payments or reimbursements to a third party under binding contracts for activities performed within the TIF District, which were entered into within five years after certification of the district; or
- (4) used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district.

Beginning with the sixth year following certification of the TIF District, at least 80% of the tax increments must be used to pay outstanding bonds or make contractual payments obligated within the first five years. When outstanding bonds have been defeased and sufficient money has been set aside to pay for such contractual obligations, the TIF District must be decertified.

The City does not anticipate any pooling expenditures will be made outside of the TIF District and within the Project Area (along with allowable administrative expenses), however such expenditures are expressly authorized in this TIF Plan.

Section T Limitation on Administrative Expenses

Administrative expenses are defined as all costs of the City other than:

- (1) amounts paid for the purchase of land;
- (2) amounts paid for materials and services, including architectural and engineering services directly connected with the physical development of the real property in the project;
- (3) relocation benefits paid to, or services provided for, persons residing or businesses located in the project;
- (4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 469.178; or
- (5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clause (1) to (3).

Administrative expenses include amounts paid for services provided by bond counsel, fiscal consultants, planning or economic development consultants, and actual costs incurred by the County in administering the TIF District. Tax increments may be used to pay administrative expenses of the TIF District up to the lesser of (a) 10% of the total tax increment expenditures authorized by the TIF Plan or (b) 10% of the total tax increments received by the TIF District.

Section U Limitation on Property Not Subject to Improvements - Four Year Rule

If after four years from certification of the TIF District no demolition, rehabilitation, renovation, or qualified improvement of an adjacent street has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The City must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the City or owner of the parcel subsequently commences any of the above activities, the City shall certify to the County Auditor that such activity has commenced and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

Section V Estimated Impact on Other Taxing Jurisdictions

Exhibit IV shows the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The City believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The fiscal and economic implications of the proposed tax increment financing district, as pursuant to Minnesota Statutes, Section 469.175, Subdivision 2, are listed below.

1. The total amount of tax increment that will be generated over the life of the district is estimated to be \$268,148.
2. To the extent the facility in the proposed TIF District generates any public cost impacts on city-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the district, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the District. The City does not anticipate issuing tax increment revenue bonds in conjunction with this project but reserves the right to issue bonds as necessary to facilitate development.
3. The amount of tax increments over the life of the 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 estimated to be \$66,155.
4. The amount of tax increments over the life of the 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 estimated to be \$80,660.
5. The amount of tax increments over the life of the district that would be attributable to city levies, assuming the city's share of the total local tax rate for all taxing jurisdictions remained the same is estimated to be \$114,516.

6. No additional information has been requested by the county or school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district.

Section W Prior Planned Improvements

The City shall accompany its request for certification to the County Auditor (or notice of district enlargement), with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District.

Section X Development Agreements

If within a project containing an economic development district, more than 10% of the acreage of the property to be acquired by the City is purchased with tax increment bonds proceeds (to which tax increment from the property is pledged), then prior to such acquisition, the City must enter into an agreement for the development of the property. Such agreement must provide recourse for the City should the development not be completed.

The City anticipates entering into an agreement for development but does not anticipate acquiring any property located within the TIF District.

Section Y Assessment Agreements

The City may, upon entering into a development agreement, also enter into an assessment agreement with the developer, which establishes a minimum market value of the land and improvements for each year during the life of the TIF District.

The assessment agreement shall be presented to the County or City Assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land, and so long as the minimum market value contained in the assessment agreement appears to be an accurate estimate, shall certify the assessment agreement as reasonable. The assessment agreement shall be filed for record in the office of the County Recorder of each county where the property is located. Any modification or premature termination of this agreement must first be approved by the City, County and School District.

The City does not anticipate entering into an assessment agreement to establish a minimum market value of the land and improvements within the TIF District.

Section Z Modifications of the Tax Increment Financing Plan

Any reduction or enlargement in the geographic area of the Project Area or the TIF District; increase in the amount of bonded indebtedness to be incurred; increase in the amount of capitalized interest; increase in that portion of the captured net tax capacity to be retained by the City; increase in the total estimated public costs; or designation of additional property to be acquired by the City shall be approved only after satisfying all the necessary requirements for approval of the original TIF Plan. This paragraph does not apply if:

- (1) the only modification is elimination of parcels from the TIF District; and

- (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The City must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

Section AA Administration of the Tax Increment Financing Plan

Upon adoption of the TIF Plan, the City shall submit a copy of such plan to the Minnesota Department of Revenue. The City shall also request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements. The City shall also send the County Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District and shall request that the County Assessor review and certify this assessment agreement as reasonable.

The County shall distribute to the City the amount of tax increment as it becomes available. The amount of tax increment in any year represents the applicable property taxes generated by the retained captured net tax capacity of the TIF District. The amount of tax increment may change due to development anticipated by the TIF Plan, other development, inflation of property values, or changes in property classification rates or formulas. In administering and implementing the TIF Plan, the following actions should occur on an annual basis:

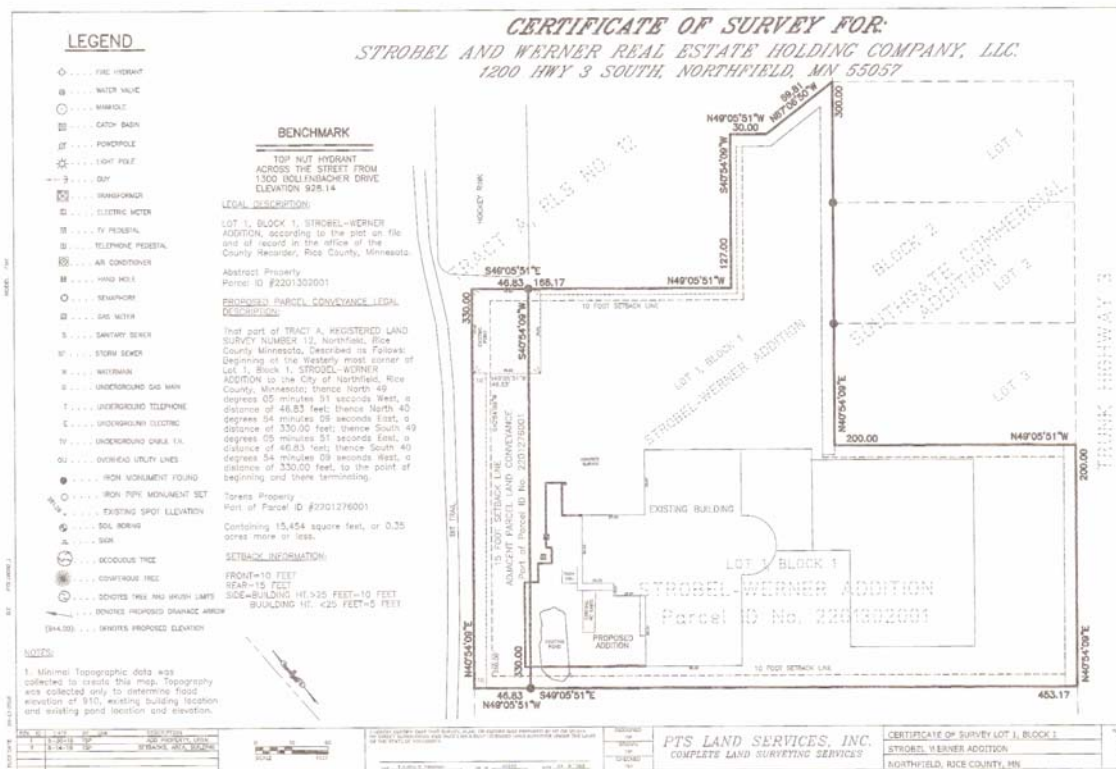
- (1) prior to July 1, the City shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to ensure that the new value will be recorded in a timely manner.
- (2) if the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.
- (3) each year the County Auditor shall certify the amount of the original net tax capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:
 - (a) the value of property that changes from tax-exempt to taxable shall be added to the original net tax capacity of the TIF District. The reverse shall also apply;
 - (b) the original net tax capacity may be modified by any approved enlargement or reduction of the TIF District;
 - (c) if laws governing the classification of real property cause changes to the percentage of estimated market value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the original net tax capacity and the retained captured net tax capacity of the TIF District.

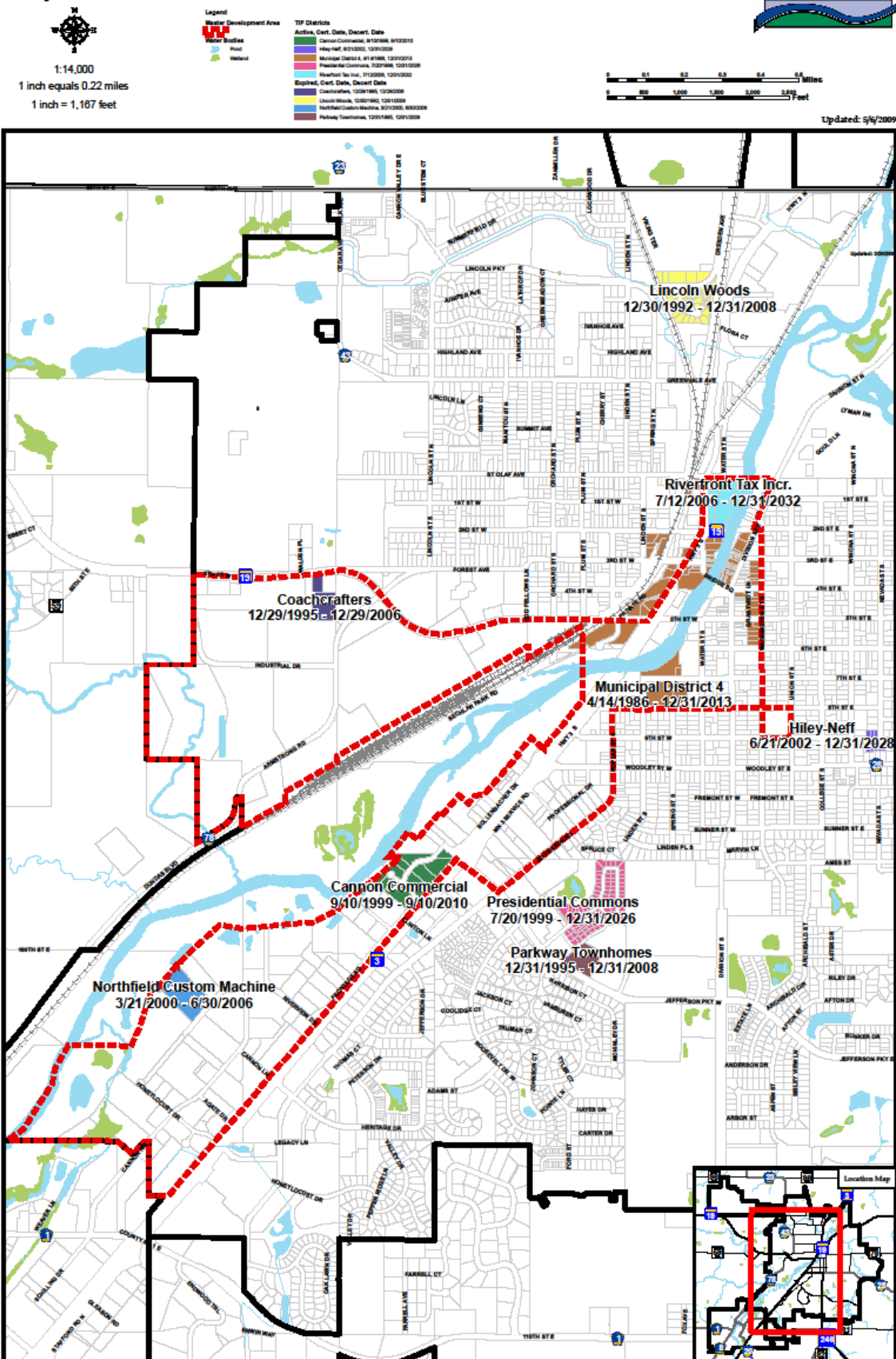
The County Auditor shall notify the City of all changes made to the original net tax capacity of the TIF District.

Section AB Filing TIF Plan, Financial Reporting and Disclosure Requirements

The City will file the TIF Plan, and any subsequent amendments thereto, with the Commissioner of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes, Section 469.175, subdivision 4A. The City will comply with all reporting requirements for the TIF District under Minnesota Statutes, Section 469.175, subdivisions 5 and 6.

Map of Tax Increment Financing (Economic Development) District





Assumptions Report

City of Northfield, Minnesota
Tax Increment Financing (Economic Development) District
Strobel & Werner Holdings - Aurora Pharmaceutical Proposed Expansion
Draft TIF Plan Exhibits: \$1,128,500 Taxable Value

Type of Tax Increment Financing District
Maximum Duration of TIF District

Economic Development
8 years from 1st increment

Projected Certification Request Date
Decertification Date

12/30/18
12/31/28 (9 Years of Increment)

	<u>2018/2019</u>
Base Estimated Market Value *	\$4,935,900
Parcel ID 22.01.3.02.001	

Original Net Tax Capacity *	\$97,968
-----------------------------	----------

	Assessment/Collection Year			
	2018/2019	2019/2020	2020/2021	2021/2022
Base Estimated Market Value	\$4,935,900	\$4,935,900	\$4,935,900	\$4,935,900
Increase in Estimated Market Value	0	282,125	1,134,143	1,156,825
Total Estimated Market Value	4,935,900	5,218,025	6,070,043	6,092,725
Total Net Tax Capacity	\$97,968	\$103,611	\$120,651	\$121,105

City of Northfield	57.164%
Rice County	40.264%
ISD #659	33.023%
Other	3.403%
Local Tax Capacity Rate	133.854% 2017/2018 133.8540%

Fiscal Disparities Contribution From TIF District	NA
Administrative Retainage Percent (maximum = 10%)	5.00%
Pooling Percent	0.00%

Bonds		PayGo Loan	
Bonds Dated	NA	Loan Dated	02/01/19
Bond Issue @ 0.00% (NIC)	NA	Loan Rate	0.00%
Eligible Project Costs	NA	Loan Amount	\$231,336
Present Value Date & Rate	02/01/19 4.00%	Present Value Amount	\$200,370

Notes

Assumptions assume no change to future tax rates, class rates, and a 2% annual MV inflator is assumed

Calculations include payable 2018 final tax capacity rates

Total EMV upon completion based on County Assessor review

* Base EMV of properties as provided by Rice County

Projected Tax Increment Report

City of Northfield, Minnesota
 Tax Increment Financing (Economic Development) District
 Strobel & Werner Holdings - Aurora Pharmaceutical Proposed Expansion
 Draft TIF Plan Exhibits: \$1,128,500 Taxable Value

Annual Period Ending (1)	Total Estimated Market Value ⁽¹⁾ (2)	Total Net Tax Capacity ⁽²⁾ (3)	Less: Original Net Tax Capacity ⁽³⁾ (4)	Retained Captured Net Tax Capacity (5)	Times: Tax Capacity Rate ⁽⁴⁾ (6)	Annual Gross Tax Increment (7)	Less: State Aud. Deduction 0.360% (8)	Subtotal Net Tax Increment (9)	Less: Admin. Retainage 5.00% (10)	Annual Net Revenue (11)	P.V. Annual Net Rev. To 02/01/19 4.00%
12/31/18	4,935,900	97,968	97,968	0	133.854%	0	0	0	0	0	0
12/31/19	4,935,900	97,968	97,968	0	133.854%	0	0	0	0	0	0
12/31/20	5,218,025	103,611	97,968	5,643	133.854%	7,553	27	7,526	376	7,150	6,698
12/31/21	6,070,043	120,651	97,968	22,683	133.854%	30,362	109	30,253	1,513	28,740	25,886
12/31/22	6,092,725	121,105	97,968	23,137	133.854%	30,969	111	30,858	1,543	29,315	25,388
12/31/23	6,115,862	121,567	97,968	23,599	133.854%	31,589	114	31,475	1,574	29,901	24,900
12/31/24	6,139,461	122,039	97,968	24,071	133.854%	32,220	116	32,104	1,605	30,499	24,421
12/31/25	6,163,532	122,521	97,968	24,553	133.854%	32,865	118	32,747	1,637	31,110	23,952
12/31/26	6,188,085	123,012	97,968	25,044	133.854%	33,522	121	33,401	1,670	31,731	23,491
12/31/27	6,213,129	123,513	97,968	25,545	133.854%	34,192	123	34,069	1,703	32,366	23,039
12/31/28	6,238,673	124,023	97,968	26,055	133.854%	34,876	126	34,750	1,738	33,012	22,595
						\$268,148	\$965	\$267,183	\$13,359	\$253,824	\$200,370

⁽¹⁾ value based on estimate provided by County assessor

⁽²⁾ tax capacity based on commercial-industrial class rate of 1.50% for first \$150,000 of value and 2% for value above \$150,000

⁽³⁾ original net tax capacity will be based on existing land values and commercial-industrial class rate for payable 2019

⁽⁴⁾ combined local tax capacity rate of City of Northfield, ISD 659 and Rice County for payable 2018

Estimated Impact on Other Taxing Jurisdictions Report

City of Northfield, Minnesota

Tax Increment Financing (Economic Development) District

Strobel & Werner Holdings - Aurora Pharmaceutical Proposed Expansion

Draft TIF Plan Exhibits: \$1,128,500 Taxable Value

Taxing Jurisdiction	Without Project or TIF District		With Project and TIF District					
	2017/2018 Taxable Net Tax Capacity (1)	2017/2018 Local Tax Rate	2017/2018 Taxable Net Tax Capacity (1)	Projected Retained Captured Net Tax + Capacity	= New Taxable Net Tax Capacity	Hypothetical Adjusted Local Tax Rate (*)	Hypothetical Decrease In Local Tax Rate (*)	Hypothetical Tax Generated by Retained Captured N.T.C. (*)
City of Northfield	68,985,265	57.164%	68,985,265	\$26,055	69,011,320	57.142%	0.022%	14,889
Rice County	455,146,423	40.264%	455,146,423	26,055	455,172,478	40.262%	0.002%	10,490
ISD #659	58,844,645	33.023%	58,844,645	26,055	58,870,700	33.008%	0.015%	8,600
Other (2)	---	3.403%	---	26,055	---	3.403%	---	---
Totals		133.854%				133.815%	0.039%	

*** Statement 1:** If the projected Retained Captured Net Tax Capacity of the TIF District was hypothetically available to each of the taxing jurisdictions above, the result would be a lower local tax rate (see Hypothetical Adjusted Tax Rate above) which would produce the same amount of taxes for each taxing jurisdiction. In such a case, the total local tax rate would decrease by 0.039% (see Hypothetical Decrease in Local Tax Rate above). The hypothetical tax that the Retained Captured Net Tax Capacity of the TIF District would generate is also shown above.

Statement 2: Since the projected Retained Captured Net Tax Capacity of the TIF District is not available to the taxing jurisdictions, then there is no impact on taxes levied or local tax rates.

(1) Taxable net tax capacity = total net tax capacity - captured TIF - fiscal disparity contribution, if applicable.

(2) The impact on these taxing jurisdictions is negligible since they represent only 2.54% of the total tax rate.

Market Value Analysis Report

City of Northfield, Minnesota

Tax Increment Financing (Economic Development) District

Strobel & Werner Holdings - Aurora Pharmaceutical Proposed Expansion

Draft TIF Plan Exhibits: \$1,128,500 Taxable Value

<u>Assumptions</u>			
Present Value Date		12/30/18	
P.V. Rate - Gross T.I.		4.00%	
Increase in EMV With TIF District		\$1,302,773	
Less: P.V of Gross Tax Increment		<u>210,964</u>	
Subtotal		\$1,091,809	
Less: Increase in EMV Without TIF		<u>0</u>	
Difference		\$1,091,809	
	Year	Annual Gross Tax Increment	Present Value @ 4.00%
1	2020	7,553	7,051
2	2021	30,362	27,255
3	2022	30,969	26,730
4	2023	31,589	26,217
5	2024	32,220	25,712
6	2025	32,865	25,218
7	2026	33,522	24,733
8	2027	34,192	24,257
9	2028	<u>34,876</u>	<u>23,791</u>
		\$268,148	\$210,964