

Pursuant to due call and notice thereof, a North Mankato Port Authority Commission meeting was held in the Council Chambers of the Municipal Building on Monday, July 3, 2023.

President Olenius called the meeting to order at 6:45 p.m. The following were present: Commissioners Peterson, Whitlock, Carlson, Olenius, Steiner, and Oachs, Executive Vice President McCann, Assistant Treasurer Ryan, and Secretary Van Genderen. Absent Commissioner Kaus.

Approval of the Minutes

Commissioner Steiner moved, seconded by Commissioner Oachs, to approve the minutes of the Port Authority meeting of June 5, 2023. Vote on the motion: Peterson, Whitlock, Carlson, Olenius, Steiner, and Oachs aye, no nays. Motion carried.

Assignment and Assumption Agreement between the North Mankato Port Authority and the City of North Mankato

Executive Vice President McCann reported on February 1, 2021, that a forgivable loan was granted to WW Land Company for \$118,600. He stated that the City of North Mankato issued the loan with sales tax funds, but due to an error, the documents were recorded with the Port Authority as the mortgage holder. The Assignment and Assumption Agreement would correct the recording error. Executive Vice President McCann noted that the City Council would be requested to transfer the forgivable loan from WW Land Company to AH Hermel Properties LLC and Heidi Hermel. Heidi is the current lessor of the property and is interested in purchasing the property.

Commissioner Steiner moved, seconded by Commissioner Oachs to approve the Assignment and Assumption Agreement between the North Mankato Port Authority and the City of North Mankato. Vote on the motion: Peterson, Whitlock, Carlson, Olenius, Steiner, and Oachs aye, no nays. Motion carried.

Other Business

None

Open Meeting to the Public

Richard Shelton, 1553 Nottingham Drive, appeared before the Port Authority and requested his rental property, which he is trying to sell, be allowed to have fewer parking spaces than required by City Code. Executive Vice President McCann clarified with the resident that the topic should be addressed at the City Council, but said he would take their phone numbers and have the Community Development Director contact them.

There being no further business, Commissioner Steiner moved, seconded by Commissioner Peterson, to adjourn. Vote on the motion: all ayes. Motion carried. The meeting was adjourned at 6:53 p.m.

President

Secretary



City of North Mankato, MN

Port Authority Claims

By Fund

Payment Dates 6/8/2023 - 7/19/2023

Vendor Part Number	Vendor Name	Payment Date	Amount
Fund: 228 - PORT AUTHORITY			
	ABDO FINANCIAL SOLUTIONS	06/20/2023	739.88
	FREDRIKSON & BYRON, P.A.	06/28/2023	143.00
	ABDO FINANCIAL SOLUTIONS	07/03/2023	2,100.00
	ABDO FINANCIAL SOLUTIONS	07/17/2023	386.50
	ABDO FINANCIAL SOLUTIONS	07/17/2023	1,340.00
Fund 228 - PORT AUTHORITY Total:			4,709.38
Fund: 240 - JOINT ECONOMIC DEVELOPMENT			
	FREDRIKSON & BYRON, P.A.	06/28/2023	3,340.72
	NORTHLAND SECURITIES, INC.	07/03/2023	750.00
	BOLTON & MENK, INC.	07/05/2023	477.50
	BOLTON & MENK, INC.	07/19/2023	200.00
	BOLTON & MENK, INC.	07/19/2023	400.00
Fund 240 - JOINT ECONOMIC DEVELOPMENT Total:			5,168.22
Fund: 261 - TIF DIST 23 D & K POWDERCOATING			
	D & K POWDER COATING	07/17/2023	44,863.17
Fund 261 - TIF DIST 23 D & K POWDERCOATING Total:			44,863.17
Fund: 262 - TIF DIST 24 BIRCHWOOD COTTAGES			
	BIRCHWOOD COTTAGES	07/17/2023	19,480.17
Fund 262 - TIF DIST 24 BIRCHWOOD COTTAGES Total:			19,480.17
Fund: 263 - TIF DIST 25 BLUE STAR POWER SYSTEMS			
	BLUE STAR POWER SYSTEMS, I	07/17/2023	200,241.81
Fund 263 - TIF DIST 25 BLUE STAR POWER SYSTEMS Total:			200,241.81
Fund: 371 - PORT AUTH TAX GO TIF REV BONDS 2011B			
	COMPUTERSHARE	07/19/2023	7,765.00
Fund 371 - PORT AUTH TAX GO TIF REV BONDS 2011B Total:			7,765.00
Grand Total:			282,227.75

Authorization Signatures

Port Authority

The above claims list is approved by:

SCOTT CARLSON - COMMISSIONER

JAMES WHITLOCK - COMMISSIONER

WILLIAM STEINER - COMMISSIONER

SANDRA OACHS - COMMISSIONER

MATT PETERSON - COMMISSIONER

DUANE OLENIUS - COMMISSIONER

BENJAMIN KAUS - COMMISSIONER



MEMORANDUM

To: City of North Mankato
From: Tammy Omdal, Managing Director
Date: July 11, 2023
Re: Tax Increment Financing Assistance for Hotel Redevelopment Project

Background

At the request of the City of North Mankato (the "City") Northland has completed a review of the application from 1111 Holdings of Mankato, LLC (the "Developer") requesting tax increment financing assistance for redevelopment of property located at 1111 Range Street in North Mankato. In preparing this review, Northland relied on information included in the application and other information provided by the City.

The Developer is proposing redevelopment of an existing sub-standard building and construction of new space providing for approximately 60 new apartments units and approximately 30,000 SF of commercial space, including restaurant and retail space (the "Project"). The estimated cost for the Project is \$14,700,000 is included in Exhibit A. The proposed development site is on property owned by the North Mankato Port Authority (the "Authority") and is identified as parcel 185130010 (the "Property"). The Property is currently occupied by a hotel formerly known as the Norwood Inn.

The City contracted with a private inspection firm, LHB, to inspect the property and prepare the findings for establishment of a tax increment financing (TIF) redevelopment district. LHB concludes in the report dated June 28, 2023, that the five parcels the City proposes to include within Tax Increment Financing District No. 2-2, which includes the Property for the Project, meet the requirements for establishment of a redevelopment TIF district. The maximum duration for collection of tax increment for a redevelopment TIF district is 26 years.

The application from the Developer includes a request from the Developer for public financial assistance for the Project in the form of tax increment financing (TIF) revenue note in the amount of \$3,250,000 plus simple interest of 5.0% per annum.

Northland reviewed the information submitted by the Developer based on general industry standards for land acquisition, construction costs, fees, operating expenses, and rental rates and occupancy, among other items. We find the information provided to be within general industry standards.

Observations

It is Northland's observation that the Project, as proposed, is feasible only through assistance, in part from TIF. This observation may change if information about the Project changes. Financing redevelopment takes multiple sources to achieve sufficient returns and debt service coverage for a project to be financially feasible.

Based on the pro forma developed by Northland, using information from the Developer and information independently prepared by Northland, we find the request for TIF is reasonable and necessary.

Northland estimates the Project is feasible with TIF assistance to the Developer in an amount not to exceed \$2,616,000, with a maximum term of 26 years and simple interest of 5.0%. The future value of the payments, with interest, is estimated at approximately \$5,415,000. This is based on the City providing a percent of the TIF collected to payment on a note issued to the Developer. The percent of TIF to the Developer is as follows:

- Years 1 through 5 the developer will receive 98% of the tax increment
- Years 6 through 10 the developer will receive 95% of the tax increment
- Years 11 through 26 the developer will receive 90% of the tax increment

The TIF assistance to the Developer will be on a "pay-go" basis, meaning the payments to the Developer will be payable solely from tax increment from the Project. The City will retain tax increments not payable to the Developer to pay administrative costs of the district.

Exhibit B provides estimated tax increment (TIF) cash flow, increased property taxes from the Project, that will be captured to assist the Project. For purposes of the TIF Plan, the property classification for estimating property taxes is assumed at the "4a" classification (Rental Housing 4 or more units) for the apartment units and commercial classification for the restaurant and commercial-retail spaces.

Exhibit C shows the estimated return on cash, net operating income divided by total equity, and estimated debt service coverage for the Project with and without TIF assistance.

Use of Tax Increment Financing (TIF)

Tax increment financing is a public finance tool that upon approval and establishment of a TIF district will allow the City to capture the increase in property taxes from the Project, with certain exceptions to the taxes that may be captured, to assist the Project.

A decision to deny the request for TIF assistance does not necessarily mean that there will be no future improvements on the Property. A decision to approve may be made based on a finding that the Project, as proposed, would not be reasonably expected to occur solely through private investment within the reasonably near future. It does not mean a finding that “no” development, housing or commercial, will occur on the site ever.

The analysis shows that an induced development will yield a net increase in taxable market value of approximately \$17.5 million (future value) for the site compared to the likely taxable market value of \$3.9 million (future value) without TIF based on the duration of the TIF district and assumed 1.5% annual appreciation of taxable market value.

North Mankato Port Authority Debt Obligation for Property

The Authority issued Taxable General Obligation Bonds, Series 2021B (the “Bonds”), in the par amount of \$4,500,000, dated December 9, 2021, to finance the acquisition of the Property, among other related purposes. The Property is located within the Webster Avenue Industrial Development District. The Bonds are general obligation of the City.

The City pledged ad valorem taxes for payment of the Bonds. The current outstanding balance on the Bonds is \$4,500,000 as of June 9, 2023. The first principal payment on the Bonds is due February 1, 2024. The Bonds have an optional redemption call date of February 1, 2030.

The City and Authority may determine to use land sale proceeds from sale of the Property, in addition to other funds to defease the Bonds. Defeasance of the Bonds will require an estimated deposit of cash to an escrow fund in the approximate amount of \$4,162,852. Figure 1 below includes the estimated source and use of funds for the defeasance of the Bonds, estimated as of June 9, 2023.

Figure 1.
Port Authority of the City of North Mankato, MN
Taxable General Obligation Bonds, Series 2021B
Preliminary Estimated Source and Use of Funds for Defeasance
Estimated as of June 9, 2023, Subject to Change

Sources & Uses

Dated 09/01/2023 | Delivered 09/01/2023

Sources Of Funds

Proceeds From Building Sale	3,250,000.00
Unspent Bond Proceeds	850,000.00
Additional Issuer Equity Contribution	\$85,852.06
Total Sources	\$4,185,852.06

Uses Of Funds

Deposit to Net Cash Escrow Fund	4,162,852.06
Costs of Issuance	23,000.00
Total Uses	\$4,185,852.06

Summary

This memorandum was prepared to assist with evaluation of the request for assistance submitted by the Developer. The assumptions and estimated amounts provided in this memorandum and exhibits are subject to change. The key items to note for the Project are as follows:

- All of the approximately 60 apartment units and approximately 30,000 SF of commercial-retail space will be leased at market rates.
- The Developer may request the City to approve assignment of the TIF revenue note to be issued by the City to the Developer to a third party. The assignment by the City would allow the Developer to mortgage or leverage the TIF revenue note to provide cash for the Project.
- Northland's review suggests the Project, as proposed, is feasible only through assistance, in part from TIF. The TIF assistance is not to exceed \$2,616,000, with a maximum term of 26 years and simple interest 5.0%. Unpaid principal amount will bear interest from the date of the TIF revenue note at the simple non-compounded rate of 5.0% per annum. The first payment date is to be August 1, 2026, and on each February 1 and August 1 thereafter to and including February 1, 2052. The TIF note shall be payable from a declining percent of the tax increment, ranging from an initial 98% declining to 90% by year 11.

- Property shall not be subject to a minimum assessment agreement for taxable market value.
- Upon sale of the Property, the Authority and City shall act to defease (full net defeasance) the North Mankato Port Authority Taxable General Obligation Bonds, Series 2021B.

EXHIBIT A
North Mankato, MN
Hotel Redevelopment
60 Unit Residential Apartment Building with Commercial Development
Developer Sources and Uses of Funds for Construction

	Total	% of Total	Per Hotel Unit
Sources of Funds (Permanent)			
First mortgage	\$11,025,000	75.0%	\$183,750
Equity	\$3,675,000	25.0%	\$61,250
TIF revenue note mortgage (assignment)*	\$0	0.0%	\$0
Total Sources of Funds	\$14,700,000	100.0%	\$245,000
Uses of Funds			
Acquisition	\$3,250,000	22.11%	\$54,167
Site development	\$1,550,000	10.54%	\$25,833
Construction	\$9,275,000	63.10%	\$154,583
All other costs	\$625,000	4.25%	\$10,417
Total Uses of Funds	\$14,700,000	100.00%	\$245,000
Estimated Number of Hotel Units		60	
Estimated Commercial SF		30,000	

* Developer may request assignment of the TIF revenue note from the city.

EXHIBIT B
City of North Mankato
Tax Increment Financing District No. 2-2 (Redevelopment)
Hotel Redevelopment
Projected Tax Increment Financing (TIF) Cash Flow

TIF District Year	Taxes Payable Year	Taxable Market Value (TMV)	TIF from District	TIF to City for Admin	TIF to Developer	Present Value of TIF to Developer
1	2026	14,437,462	178,192	3,564	174,628	151,838
2	2027	14,654,023	181,580	3,632	177,948	299,106
3	2028	14,873,834	185,019	3,700	181,318	441,933
4	2029	15,096,941	188,509	3,770	184,739	580,443
5	2030	15,323,395	192,052	3,841	188,211	714,756
6	2031	15,553,246	195,648	9,782	185,866	841,004
7	2032	15,786,545	199,298	9,965	189,333	963,411
8	2033	16,023,343	203,003	10,150	192,852	1,082,085
9	2034	16,263,693	206,762	10,338	196,424	1,197,132
10	2035	16,507,649	210,579	10,529	200,050	1,308,658
11	2036	16,755,263	214,452	21,445	193,007	1,411,072
12	2037	17,006,592	218,385	21,838	196,546	1,510,339
13	2038	17,261,691	222,376	22,238	200,138	1,606,549
14	2039	17,520,617	226,426	22,643	203,783	1,699,791
15	2040	17,783,426	230,538	23,054	207,484	1,790,152
16	2041	18,050,177	234,711	23,471	211,240	1,877,716
17	2042	18,320,930	238,947	23,895	215,052	1,962,565
18	2043	18,595,744	243,246	24,325	218,922	2,044,778
19	2044	18,874,680	247,610	24,761	222,849	2,124,434
20	2045	19,157,800	252,039	25,204	226,835	2,201,607
21	2046	19,445,167	256,535	25,654	230,882	2,276,372
22	2047	19,736,845	261,098	26,110	234,988	2,348,801
23	2048	20,032,897	265,730	26,573	239,157	2,418,962
24	2049	20,333,391	270,431	27,043	243,388	2,486,924
25	2050	20,638,392	275,203	27,520	247,682	2,552,752
26	2051	20,947,968	280,045	28,005	252,041	2,616,511
Total			5,878,413	463,049	5,415,365	2,616,511

Key Assumptions:

- 1 Taxable market value (TMV) annual growth assumption = 1.5%
- 2 Original Tax Capacity Rate estimated based on Taxes Payable Year 2023
- 3 Election for captured tax capacity is 100.00%
- 4 Base Tax Capacity is calculated based on a TMV = \$3,144,000
- 5 Present Value is based on semi-annual payments and dated date 1/1/2024.
- 6 Analysis is based on 60 apartment units at average taxable market value of \$190,000 per unit; and 30,000 SF of commercial space with average taxable market value of \$180 per SF.
- 7 TIF from District is after deduction of State Auditor fee of 0.36%
- 8 Elect year 2026 as first year of tax increment collection.

EXHIBIT C
North Mankato, MN
Hotel Redevelopment
60 Unit Residential Apartment Building with Commercial Development
Summary of Pro Forma

	1	5	10	15	20	25
First Stabilized	Year	Year 5	Year 10	Year 15	Year 20	Year 25
Income before TIF	1,483,140	1,574,151	1,695,807	1,826,866	1,968,054	2,120,153
TIF to Developer	174,628	188,211	200,050	207,484	226,835	247,682
Income after TIF	1,657,768	1,762,362	1,895,858	2,034,350	2,194,889	2,367,835
Less operating expense	538,836	571,947	616,206	663,887	715,252	770,587
Net operating income	1,118,932	1,190,415	1,279,651	1,370,464	1,479,638	1,597,249
Less debt service	935,069	935,069	935,069	935,069	935,069	935,069
Net cash flow	183,863	255,346	344,582	435,395	544,569	662,180
Cash on cash with TIF (NOI / Equity)	5.0%	6.9%	9.4%	11.8%	14.8%	18.0%
Cash on cash without TIF	0.3%	1.8%	3.9%	6.2%	8.6%	11.3%
Debt service coverage with TIF	1.20	1.27	1.37	1.47	1.58	1.71
Debt service coverage without TIF	1.01	1.07	1.15	1.24	1.34	1.44

EXTRACT OF MINUTES OF A MEETING OF THE
CITY COUNCIL OF THE CITY
OF NORTH MANKATO, MINNESOTA

HELD: July 17, 2023

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of North Mankato, Nicollet and Blue Earth Counties, Minnesota, was duly called and held on July 17, 2023 at 7:00 p.m.

The following members of the Council were present:

and the following were absent:

Member _____ introduced the following resolution and moved its adoption:

RESOLUTION NO. 48-23

RESOLUTION ESTABLISHING TAX INCREMENT FINANCING DISTRICT
NO. 2-2 WITHIN DEVELOPMENT DISTRICT NO. 2 AND ADOPTING THE
TAX INCREMENT FINANCING PLAN THEREFOR; AND AUTHORIZING
AN INTERFUND LOAN

A. WHEREAS, it has been proposed that the City of North Mankato, Minnesota (the "City") (1) establish Tax Increment Financing District No. 2-2 (the "TIF District") within Municipal Development District No. 2 (the "Development District"); (2) approve and adopt the proposed Tax Increment Financing Plan therefor under the provisions of Minnesota Statutes, Sections 469.174 to 469.1794, as amended (the "Act"); and (3) authorize an Interfund Loan (hereinafter defined); and

B. WHEREAS, the City Council has investigated the facts and has caused to be prepared a proposed tax increment financing plan for the TIF District therein (the "TIF Plan"); and

C. C. WHEREAS, the City has performed all actions required by law to be performed prior to the establishment of the TIF District, and the adoption of the TIF Plan therefor, including, but not limited to, notification of Nicollet County and Independent School District No. 77 having taxing jurisdiction over the property to be included in the TIF District, and the holding of a public hearing upon published and mailed notice as required by law.

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

1. Tax Increment Financing District No. 2-2. There is hereby established in the City within the Development District, Tax Increment Financing District No. 2-2, an redevelopment tax increment financing district, the initial boundaries of which are fixed and determined as described in the TIF Plan.

2. Tax Increment Financing Plan. The TIF Plan is adopted as the tax increment financing plan for the TIF District, and the City Council makes the following findings:

(a) The TIF District is an redevelopment district as defined in Minnesota Statutes, Section 469.174, Subd. 10, the specific basis for such determination is set forth in Section 2.03.3 of the TIF Plan.

(b) 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. The reasons for such determination are set forth in Section 2.05.5 of the TIF Plan.

(c) In the opinion of the City Council, the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan. The reasons supporting this finding are set forth in Section 2.05.5 and Exhibit I of the TIF Plan.

(d) The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City as a whole. The reasons for supporting this finding are set forth in Section 2.02.2 of the TIF Plan.

(e) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Development District by private enterprise. The reasons supporting this finding are set forth in Section 2.05.5 of the TIF Plan.

3. Public Purpose. The adoption of the TIF Plan for the TIF District within the Development District conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the State which is already built up to provide employment opportunities, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose.

4. Certification. The Auditor of Nicollet County is requested to certify the original net tax capacity of the TIF District as described in the TIF Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased in accordance with the Act; and the City Clerk is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding the adoption of this Resolution.

5. Filing. The City Clerk is further authorized and directed to file a copy of the TIF Plan for the TIF District with the Commissioner of Revenue and the Office of the State Auditor.

6. Interfund Loan. The City has determined to pay for certain costs (the "Qualified Costs") identified in the TIF Plan consisting of certain administrative expenses, which costs may be financed on a temporary basis from the City's general fund or any other fund from which such

advances may be legally made (the "Fund"). Under Minnesota Statutes, Section 469.178, Subd. 7, the City is authorized to advance or loan money from the Fund in order to finance the Qualified Costs. The City intends to reimburse itself for the payment of the Qualified Costs, plus interest thereon, from tax increments derived from the TIF District in accordance with the following terms (which terms are referred to collectively as the "Interfund Loan"):

(a) The City shall repay to the Fund from which the Qualified Costs are initially paid, the principal amount of \$463,049 (or, if less, the amount actually paid from such fund) together with interest at 5.00% per annum (which is not more than the greater of (i) the rate specified under Minnesota Statutes, Section 270C.40, or (ii) the rate specified under Minnesota Statutes, Section 549.09) from the date of the payment.

(b) Principal and interest on the Interfund Loan ("Payments") shall be paid annually on each December 31 commencing with the date the tax increments from the TIF District are available and not otherwise pledged to and including the earlier of (a) the date the principal and accrued interest of the Interfund Loan is paid in full, or (b) the date of last receipt of tax increment from the TIF District ("Payment Dates") which Payments will be made in the amount and only to the extent of available tax increments. Payments shall be applied first to accrued interest, and then to unpaid principal.

(c) Payments on the Interfund Loan are payable solely from the tax increment generated in the preceding twelve (12) months with respect to the TIF District and remitted to the City by Nicollet County, all in accordance with Minnesota Statutes, Sections 469.174 to 469.1794, as amended. Payments on this Interfund Loan are subordinate to any outstanding or future bonds, notes or contracts secured in whole or in part with tax increment, and are on parity with any other outstanding or future interfund loans secured in whole or in part with tax increments.

(d) The principal sum and all accrued interest payable under this Interfund Loan are pre-payable in whole or in part at any time by the City without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Interfund Loan.

(e) The Interfund Loan is evidence of an internal borrowing by the City in accordance with Minnesota Statutes, Section 469.178, Subd. 7, and is a limited obligation payable solely from tax increment pledged to the payment hereof under this resolution. The Interfund Loan and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the City. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Interfund Loan or other costs incident hereto except out of tax increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on the Interfund Loan or other costs incident hereto. The City shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the termination of the TIF District.

(f) The City may amend the terms of the Interfund Loan at any time by resolution of the City Council, including a determination to forgive the outstanding principal amount and accrued interest to the extent permissible under law.

The motion for the adoption of the foregoing resolution was duly seconded by member _____ and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

STATE OF MINNESOTA
COUNTIES OF NICOLLET AND BLUE EARTH
CITY OF NORTH MANKATO

I, the undersigned, being the duly qualified and acting Clerk of the City of North Mankato, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on the date therein indicated, insofar as such minutes relate to the establishment of Tax Increment Financing District No. 2-2 and approving the Tax Increment Financing Plan therefor, and the authorization of an interfund loan.

WITNESS my hand July 17, 2023.

City Clerk

DRAFT

**CITY OF NORTH MANKATO, MINNESOTA
TAX INCREMENT FINANCING PLAN FOR
TAX INCREMENT FINANCING (REDEVELOPMENT)
DISTRICT NO. 2-2 (HOTEL REDEVELOPMENT)
WITHIN MUNICIPAL DEVELOPMENT DISTRICT NO. 2**

PROPOSED PUBLIC HEARING DATE: JULY 17, 2023

PLAN APPROVED DATE: _____, 2023

PLAN CERTIFICATION REQUEST DATE: _____, 2023

PLAN CERTIFIED DATE: _____, 2023



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(800) 851-2920
Member NASD and SIPC
Registered with SEC and MSRB

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ARTICLE I – INTRODUCTION AND DEFINITIONS

SECTION 1.01 INTRODUCTION

The City of North Mankato proposes to provide tax increment financing assistance through the establishment of Tax Increment Financing (Redevelopment) District No. 2-2 (Hotel Redevelopment) (the “TIF District”) within Municipal Development District No. 2 to assist with the redevelopment of an existing sub-standard building and construction of new space providing for 60 new apartments units, 30,000 SF of commercial space, including restaurant and retail space.

This document contains the plan for the TIF District which is consistent with the objectives of the Development Program for Municipal Development District No. 2, as most recently adopted pursuant to City Resolution No. 25-23 adopted March 20, 2023.

SECTION 1.02 DEFINITIONS

For the purposes of this document, the terms below have the meanings given in this section, unless the context in which they are used indicates a different meaning:

1. “Authority” means the Port Authority of the City of North Mankato, Minnesota.
2. “City” means the City of North Mankato, Minnesota.
3. “City Council” means the City Council of the City.
4. “County” means Nicollet County, Minnesota.
5. “County Auditor” means the County Auditor/Treasurer of the County.
6. “Developer” means the party undertaking construction of the Development in the TIF District, which is anticipated to be 1111 Holdings of Mankato, LLC, its successors or assigns.
7. “Development” means the redevelopment of an existing sub-standard building and construction of new space providing for 60 new apartments units, 30,000 SF of commercial space, including restaurant and retail space.
8. “Development District” means Municipal Development District No. 2 within the City, which was established pursuant to the Development District Act.
9. “Development District Act” means Minnesota Statutes, Sections 469.124 through 469.134, as amended and supplemented from time to time.
10. “Development Program” means the Development Program for the Development District, as amended and supplemented from time to time.
11. “Property” means the approximate 5.62 acre area within the TIF District as described in Section 2.03.2 of the TIF Plan.
12. “Project Area” means the geographic area of the Development District.
13. “Public Development Costs” means the cost of the development activities that will or are expected to occur within the Project Area or TIF District.
14. “School District” means Mankato Area Public Schools ISD 77.
15. “State” means the State of Minnesota.
16. “Tax Increment Bonds” means any tax increment bonds as defined in Section 469.174, Subd. 3 of the TIF Act, issued by the City to finance Public Development Costs, and any obligations issued to refund such bonds, pursuant to Section 469.178 of the TIF Act.

17. "TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794 as amended, both inclusive.
18. "TIF District" means Tax Increment Financing (Redevelopment) District No. 2-2 (Hotel Redevelopment).
19. "TIF Plan" means the tax increment financing plan for the TIF District (this document).

SECTION 1.03 PLAN PREPARATION

This document was prepared for the City by Northland Securities, Inc.

ARTICLE II - TAX INCREMENT FINANCING PLAN

SECTION 2.01 STATUTORY AUTHORITY

The TIF District and this TIF Plan are established under the authority of the TIF Act.

SECTION 2.02 PLANNED DEVELOPMENT

2.02.1 Development Description

The Developer proposes to undertake the redevelopment of an existing sub-standard building located on the Property and construction of new space providing for 60 new apartments units, 30,000 SF of commercial space, including restaurant and retail space.

2.02.2 City Plans and Development Program

In addition to achieving the objectives of the Development Program, the Development is consistent with and works to achieve the development objectives of the City. The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City as a whole.

The City has adopted land use controls to guide the use of property. The development plans for the Development in the TIF District have been reviewed by the Planning Commission and the City Council, and conform to current land use controls.

2.02.3 Land Acquisition

The Developer will acquire land within the TIF District.

2.02.4 Development Activities

As of the date of approval of the TIF Plan, the City anticipates that activities proposed in the TIF Plan will be subject to contracts. The City anticipates entering into a contract with the Developer to provide tax increment financing assistance to the Developer to reimburse the Developer for Public Development Costs to be incurred by the Developer.

2.02.5 Need for Tax Increment Financing

In the opinion of the City, the Development would not reasonably be expected to occur solely through private investment within the foreseeable future and 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 Development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

The reasons and facts supporting this finding include the following:

- The Development requires public financial assistance to offset land and building acquisition and site improvement and preparation costs to allow for the Developer to proceed with construction of the Development.
- A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above and is shown in Exhibit I. This analysis indicates that the increase in estimated market value of the Development (less the present value of the projected tax increments for the maximum duration permitted by the TIF Plan) exceeds the estimated market value of the site prior to the establishment of the TIF District.

SECTION 2.03 TAX INCREMENT FINANCING DISTRICT**2.03.1 Designation**

This TIF District is designated as Tax Increment Financing (Redevelopment) District No. 2-2 (Hotel Redevelopment).

2.03.2 Boundaries of TIF District

The boundaries of the TIF District are depicted in Exhibit V. The TIF District includes the following three parcels and the immediate adjacent roads and right-of-way to these parcels:

- 18.513.0010 (Block 1, Lot 1, Subdivision Cd, Nicollet County, Minnesota)
- 18.557.2980 (W HODAPP'S ADD. Beg at SE Cor. of Bl 36 N 150'; W 150'; S 30' W 60'; S 120' to S line of Bl 36; E 210' to point of beginning)
- 18.707.0050 (Lot 5, Polquin's Subdivision)
- 18.513.0020 (Block 1 Lot Wly 305.25' of Lot 2 SubdivisionCd 18513 Subdivision Name DDD SUBDIVISION)
- 18.513.0025 (Block 1 Lot 2 "Ex Wly 305.25" = 0.43 Ac +/- SubdivisionCd 18513 Subdivision Name DDD SUBDIVISION)

2.03.3 Type of District

The TIF District is established as a "redevelopment district" pursuant to Section 469.174, Subd. 10 of the TIF Act. The City has determined that the property in the TIF District meets the statutory criteria for a redevelopment district.

Section 469.174, Subd. 10 (a) (1) of the TIF Act requires two tests for occupied parcels be met to qualify as a "redevelopment district": a conditions test and coverage test. For a "redevelopment district" more than 50% of the buildings, not including outbuildings, must be found to be structurally substandard to a degree requiring substantial renovation or clearance.

The conditions test for structurally substandard is defined under Section 469.174, Subd. 10(b) of the TIF Act. For purposes of this subdivision, "structurally substandard" means containing 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."

Buildings are not eligible to be considered structurally substandard unless they meet certain additional criteria, as set forth in Section 469.174, Subd. 10(c) of the TIF Act. A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could 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 site.

The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. Items of evidence that support such a conclusion that the building is not disqualified include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence.

Furthermore, parcels consisting of 70% of the area of the district must be occupied by buildings, streets, utilities, or paved or gravel parking lots to meet the required coverage test. The coverage required by the parcel to be considered occupied is defined under Section 469.174, Subd. 10(e) of the TIF Act. For purposes of such subdivision, a parcel is not occupied by buildings, streets, utilities, or paved or gravel parking lots unless 15% of the area of the parcel contains building, streets, utilities, or paved or gravel parking lots.

As summarized in the table below, 100% of the area of the TIF District is occupied by improved parcels, and 100% of the buildings within the TIF District are found to be substandard. The substandard buildings are reasonably distributed.

The result of the building inspection and analysis performed by LHB, Inc. is contained in the report from LHB, Inc., dated June 28, 2023, and included in Exhibit VI of the TIF Plan. In summary the findings are as follows:

Number of Parcels.....	5
Site Area Included (square feet without roads).....	333,907
Area of Improved Parcels (square feet)	263,726
Percent of Area Improved.....	100%
Number of Parcels with Buildings	3
Number of Buildings found Substandard.....	2
Percent of Buildings found Substandard.....	66.7%

SECTION 2.04 PLAN FOR USE OF TAX INCREMENT

2.04.1 *Estimated Tax Increment*

The original net tax capacity of value of the TIF District will be set by the County upon request for certification. For the purposes of the TIF Plan, the estimated original net tax capacity is \$42,631. This amount is estimated based on the most recent published estimated market value for the parcels within the TIF District with tax capacity value calculated based on apartment and commercial property classification.

The total tax capacity value of the property after Development completion is estimated at \$201,967 for tax year 2026. This amount is based on a total estimated taxable market value of \$14,437,462 for tax year 2026, with property classified as apartment and commercial. The estimated difference between the total tax capacity value after Development completion and the original net tax capacity value is the captured tax capacity value in the amount of \$159,336 for the creation of tax increment.

The total local tax rate is estimated at 112.24% based on the tax rates for taxes payable in 2023. The TIF Plan uses this rate for purpose of estimating tax increment for the TIF District. At the time of certification of the original net tax capacity for the TIF District, the County Auditor shall certify the original local tax rate that applies to the TIF District, which will vary from the estimate used in the TIF Plan. The original local tax rate is the sum of all the local tax rates, excluding that portion of the school rate attributable to the general education levy under Minnesota Statutes Section 126C.13, that apply to a property in the TIF District. The local tax rate to be certified is the rate in effect for the same taxes payable year applicable to the tax capacity values certified as the TIF District's original tax capacity. The resulting tax capacity rate is the original local tax rate for the life of the TIF District.

Under these assumptions, the estimated annual tax increment will be \$178,192 after Development completion and after deducting for the State Auditor's fee (0.36% of the captured tax increments). The actual tax increment will vary according to the certified original tax capacity value and original tax rate, the actual property value produced by the Development and the changes in property value and State tax policy over the life of the TIF District.

It is the intent of the City to retain 100% of the captured tax capacity value for the duration of the TIF district. Exhibit II contains the projected tax increment over the life of the TIF District.

2.04.2 Public Development Costs

The City will use tax increment to pay Public Development Costs. A contract between the City and the Developer will define the means for verifying Public Development Costs incurred by the Developer that will be eligible for reimbursement and the means of disbursing tax increments collected by the City.

The City will use tax increment to pay financing costs. The interest rate payable on bonds issued, will be set pursuant to approving resolutions. The definition of "bonds" includes interfund loans and tax increment financing revenue notes.

2.04.3 Estimated Sources and Uses of Funds

The estimated sources of revenue, along with the estimated Public Development Costs of the TIF District, are itemized in Figure 2-1 that follows. Such costs are eligible for reimbursement from tax increments, and other listed sources of revenue from the TIF District.

The City reserves the right to administratively adjust the amount of any of the Public Development Cost items listed in Figure 2-1, so long as the total estimated tax increment project costs amount, not including financing costs, is not increased.

**FIGURE 2-1
ESTIMATED SOURCES AND USES OF FUNDS**

	Total
Estimated Tax Increment Revenues (from tax increment generated by the district)	
Tax increment revenues distributed from the county	\$5,878,413
Interest and investment earnings	\$100,000
Total Estimated Tax Increment Revenues	\$5,978,413
Estimated Project/Financing Costs (to be paid or financed with tax increment)	
Project costs	
Land/building acquisition	\$1,851,707
Site improvements/preparation costs	\$899,813
Utilities	\$0
Other qualifying improvements	\$0
Administrative costs	\$117,568
Estimated Tax Increment Project Costs	\$2,869,088
Estimated financing costs	
Interest expense	\$3,109,325
Total Estimated Project/Financing Costs to be Paid from Tax Increment	\$5,978,413
Estimated Financing	
Total amount of bonds to be issued	\$5,978,413

2.04.4 Administrative Costs

The City plans to use tax increment revenues to pay for administrative expenses for the TIF District. The use of tax increment revenues to pay administrative expenses will not exceed a maximum amount of 10% of tax increment revenues pursuant to the TIF Act. The City will use tax increments to pay for and reimburse itself for costs of administering the TIF District as allowed by the TIF Act. The estimated amount of tax increment revenue planned to pay administrative expense is shown in Figure 2-1. Anticipated administrative expenses of the TIF District include annual audit of the fund for the TIF District, preparation of annual reporting, legal publication of annual report, and administration of the development agreement.

2.04.5 County Road Costs

The Development will not substantially increase the use of county roads and necessitate the need to use tax increments to pay for county road improvements.

2.04.6 Bonded Indebtedness

The total amount of bonds estimated to be issued is shown in Figure 2-1. The City will not issue any general obligation bonded indebtedness as a result of the TIF Plan.

Pursuant to Section 469.178, Subd. 7 of the TIF Act, the City may advance or loan money to finance expenditures under Section 469.176, Subd. 4 of the TIF Act, from the general fund of the City or any other legally authorized fund under which it has legal authority to do so, subject to the following provisions:

- (a) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized by resolution of the City.
- (b) The resolution may generally grant to the City the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.
- (c) The terms and conditions for repayment of the loan must be provided in writing. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the City before the latest decertification of any tax increment financing district from which the interfund loan is to be repaid. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.
- (d) The City shall report in the annual report submitted under Section 469.175, Subd. 6 of the TIF Act:
 - (1) the amount of any interfund loan or advance made in a calendar year; and
 - (2) any amendment of an interfund loan or advance made in a calendar year.

2.04.7 Election of First Year of Tax Increment and Duration of TIF District

Pursuant to Section 469.175, Subd. 1 of the TIF Act, the City elects year 2026 to be the first year to receive increment. The duration to collect and spend tax increments on eligible purposes is set at the maximum duration of twenty-five (25) years after the date of receipt of the first tax increment or twenty-six (26) years of tax increment collection. Based on the elected year for first collection of tax increment, the decertification date is December 31, 2052.

2.04.8 Estimated Impact on Other Taxing Jurisdictions

Exhibits III and IV show 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 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 City anticipates minimal impact of the Development on City-provided services. There may be minimal borrowing costs to the City for the Development. A manageable increase in water and sewer usage is expected. It is anticipated that there may be a slight but manageable increase in police and fire protection duties due to the Development.

2.04.9 Prior Planned Improvements

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District. The City will include this statement with the request for certification to the County Auditor.

ARTICLE III – ADMINISTERING THE TIF DISTRICT

SECTION 3.01 FILING AND CERTIFICATION

The filing and certification of the TIF Plan consists of the following steps:

1. The City shall 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.
2. The City will file a copy of the TIF Plan and any amendments to the TIF Plan with the commissioner of revenue and the state auditor, along with other required documents pursuant to Section 469.175, Subd. 4a of the TIF Act.
3. The City shall send the County Assessor any assessment agreement establishing the minimum market value of land and improvements within the TIF District and shall request that the County Assessor review and certify the assessment agreement as reasonable. The City does not expect to enter into an assessment agreement in connection with the Development.

SECTION 3.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN

The City reserves the right to modify the TIF District and the TIF Plan. Under current State law, the following actions can only be approved after satisfying all the necessary requirements for approval of the original TIF Plan (including notifications and public hearing):

- Reduction or enlargement in the geographic area of the Development District 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 Development Costs, including administrative costs of the City.
- Designation of additional property to be acquired by the City.

Other modifications can be made by resolution of the City. In addition, the original approval process does not apply if (A) (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 (B) 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 3.03 CORRECTING REDEVELOPMENT CONDITIONS

Section 469.176, Subd. 4j of the TIF Act requires that at least 90% of the revenues derived from tax increments from the TIF District be used to finance the cost of correcting conditions that allow designation of the TIF District as a redevelopment district. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, the removal of hazardous substances or remediation necessary for the development of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the City, including the cost of preparation of the development action response plan, may be included in the qualifying costs.

SECTION 3.04 FOUR-YEAR KNOCKDOWN RULE

The provision of the TIF Act referred to as the Four-Year Knockdown Rule requires development activity to take place on each parcel within a tax increment financing district within four years from the date of certification of the original net tax capacity of such tax increment financing district. If development activity on a parcel has not begun within the required time frame, no additional tax increment may be collected from that parcel and its value must be excluded from the district's original net tax capacity.

Development activity includes demolition, rehabilitation, renovation or site improvement, including a qualified improvement of an adjacent street, on a parcel located within the TIF District. If no development activity has occurred within four years from the date of certification then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. 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 recertify 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 3.05 POOLING AND FIVE-YEAR RULE

Section 469.176 of the TIF Act provides for certain limitations on the use of tax increments. This includes provision that an amount equal to at least 75% of the total revenue derived from tax increments paid by properties in the TIF District must be expended on activities in the TIF District or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the TIF District or to pay, or secure payment of, debt service on credit enhanced bonds, among other limitations in the TIF Act.

Not more than 25% of the total revenue derived from tax increments paid by properties in the TIF District may be expended, through a development fund or otherwise, on activities outside of the TIF District but within the defined geographic area of the Project Area except to pay, or secure payment of, debt service on credit enhanced bonds.

Revenue derived from tax increments paid by properties in the TIF District are considered to have been “spent” within the TIF District if such amounts are:

- actually paid to a third party for activities performed within the TIF District within five years after certification of the district;
- 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.
- 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
- used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district.

It is anticipated that all revenue derived from tax increments paid by properties in the TIF District will be spent or obligated within the first five years after certification of the TIF District and all tax increments will be spent on Public Development Costs within the boundaries of the TIF District.

SECTION 3.06 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS

The City will comply with the annual reporting requirements of the TIF Act pursuant to the guidelines of the Office of the State Auditor. Under current law, the City must prepare and submit a report on the TIF District on or before August 1 of each year. The City must also annually publish in a newspaper of general circulation in the City an annual statement for the TIF District, in the format as prescribed by the Office of the State Auditor.

The reporting and disclosure requirements outlined in this section begin with the year a tax increment financing district is certified, and shall end in the year in which both the district has been decertified and all tax increments have been spent or returned to the County for redistribution. Failure to meet these requirements, as determined by the State Auditors Office, may result in suspension of distribution of tax increments.

SECTION 3.07 BUSINESS SUBSIDY COMPLIANCE

The City will comply with the business subsidy requirements specified in Minnesota Statutes, Sections 116J.993 to 116J.995, as amended.

Exhibit I
City of North Mankato
Tax Increment Financing District No. 2-2
Present Value Analysis As Required By Section
469.175(3)(2) of the TIF Act

1	Estimated Future Market Value w/ Tax Increment Financing	20,638,392 ¹
2	Payable 2023 Market Value	<u>3,144,000</u>
3	Market Value Increase (1-2)	17,494,392
4	Present Value of Future Tax Increments	<u>2,807,673</u>
5	Market Value Increase Less PV of Tax Increments	14,686,719
6	Estimated Future Market Value w/o Tax Increment Financing	4,561,772 ¹
7	Payable 2023 Market Value	<u>3,144,000</u>
8	Market Value Increase (6-7)	<u>1,417,772</u>
9	Increase in MV From TIF	<u><u>13,268,946</u></u> ²

¹ Assume 1.50% annual appreciation over 26 year life of district.

² Statutory compliance achieved if increase in market value from TIF (Line 9) is greater than or equal to zero.

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 2-2

Exhibit II
City of North Mankato
Tax Increment Financing District No. 2-2 (Redevelopment)
Hotel Redevelopment
Projected Tax Increment Financing (TIF) Cash Flow

TIF District Year	Taxes Payable Year	Taxable Market Value (TMV)	Tax Capacity	Original Base Tax Capacity	Captured Tax Capacity for TIF	Original Tax Rate	TIF from District	Present Value TIF from District (5% rate)
1	2026	14,437,462	201,967	42,631	159,336	112.24%	178,192	154,936
2	2027	14,654,023	204,996	42,631	162,365	112.24%	181,580	305,211
3	2028	14,873,834	208,071	42,631	165,440	112.24%	185,019	450,952
4	2029	15,096,941	211,192	42,631	168,561	112.24%	188,509	592,289
5	2030	15,323,395	214,360	42,631	171,729	112.24%	192,052	729,343
6	2031	15,553,246	217,576	42,631	174,945	112.24%	195,648	862,236
7	2032	15,786,545	220,839	42,631	178,208	112.24%	199,298	991,085
8	2033	16,023,343	224,152	42,631	181,521	112.24%	203,003	1,116,005
9	2034	16,263,693	227,514	42,631	184,883	112.24%	206,762	1,237,107
10	2035	16,507,649	230,927	42,631	188,296	112.24%	210,579	1,354,502
11	2036	16,755,263	234,391	42,631	191,760	112.24%	214,452	1,468,296
12	2037	17,006,592	237,906	42,631	195,276	112.24%	218,385	1,578,593
13	2038	17,261,691	241,475	42,631	198,844	112.24%	222,376	1,685,493
14	2039	17,520,617	245,097	42,631	202,466	112.24%	226,426	1,789,095
15	2040	17,783,426	248,774	42,631	206,143	112.24%	230,538	1,889,497
16	2041	18,050,177	252,505	42,631	209,875	112.24%	234,711	1,986,790
17	2042	18,320,930	256,293	42,631	213,662	112.24%	238,947	2,081,066
18	2043	18,595,744	260,137	42,631	217,507	112.24%	243,246	2,172,414
19	2044	18,874,680	264,039	42,631	221,409	112.24%	247,610	2,260,920
20	2045	19,157,800	268,000	42,631	225,369	112.24%	252,039	2,346,669
21	2046	19,445,167	272,020	42,631	229,389	112.24%	256,535	2,429,741
22	2047	19,736,845	276,100	42,631	233,469	112.24%	261,098	2,510,217
23	2048	20,032,897	280,242	42,631	237,611	112.24%	265,730	2,588,174
24	2049	20,333,391	284,445	42,631	241,815	112.24%	270,431	2,663,687
25	2050	20,638,392	288,712	42,631	246,081	112.24%	275,203	2,736,830
26	2051	20,947,968	293,043	42,631	250,412	112.24%	280,045	2,807,673
Total						TOTAL =	5,878,413	2,807,673

Key Assumptions:

- 1 Taxable market value (TMV) annual growth assumption = 1.5%
- 2 Original Tax Capacity Rate estimated based on Taxes Payable Year 2023
- 3 Election for captured tax capacity is 100.00%
- 4 Base Tax Capacity is calculated based on a TMV = \$3,144,000
- 5 Present Value is based on semi-annual payments and dated date 1/1/2024.
- 6 Analysis is based on 60 apartment units at average taxable market value of \$190,000 per unit; and 30,000 SF of commercial space with average taxable market value of \$180 per SF.
- 7 TIF from District is after deduction of State Auditor fee of 0.36%
- 8 Elect year 2026 as first year of tax increment collection.

Exhibit III
City of North Mankato
Tax Increment Financing District No. 2-2
Impact on Other Taxing Jurisdictions
(Taxes Payable 2023)

Annual Tax Increment

Estimated Annual Captured Tax Capacity (Full Development)	\$250,412
Payable 2023 Local Tax Rate	112.238%
Estimated Annual Tax Increment	\$281,057

Percent of Tax Base

	Net Tax Capacity (NTC)	Captured Tax Capacity	Percent of Total NTC
City of North Mankato	15,284,319	250,412	1.64%
Nicollet County	44,313,044	250,412	0.57%
ISD 77	81,819,738	250,412	0.31%

Dollar Impact of Affected Taxing Jurisdictions

	Net Tax Capacity (NTC)	% of Total	Tax Increment Share	Added Local Tax Rate
City of North Mankato	44.028%	39.227%	110,251	0.721%
Nicollet County	48.128%	42.880%	120,518	0.272%
ISD 77	19.714%	17.564%	49,366	0.060%
Other	0.368%	0.328%	922	
Totals	112.238%	100.000%	281,057	

NOTE NO. 1: Assuming that ALL of the captured tax capacity would be available to all taxing jurisdictions even if the City does not create the Tax Increment District, the creation of the District will reduce tax capacities and increase the local tax rate as illustrated in the above tables.

NOTE NO. 2: Assuming that NONE of the captured tax capacity would be available to the taxing jurisdiction if the City did not create the Tax Increment District, then the plan has virtually no initial effect on the tax capacities of the taxing jurisdictions. However, once the District is established, allowable costs paid from the increments, and the District is terminated, all taxing jurisdictions will experience an increase in their tax base.

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 2-2

Exhibit IV

City of North Mankato

Tax Increment Financing (Redevelopment) District No. 2-2

Estimated Tax Increments Over Maximum Life of District

Based on Pay 2023 Tax Rate = 112.238% 44.028% 48.128% 19.714% 0.368%

TIF District	Taxes Payable	New Taxable Market Value	New Tax Capacity	Base Tax Capacity	Captured Tax Capacity	Estimated Total Tax Increments	City TIF Related Share	County TIF Related Share	School TIF Related Share	Other TIF Related Share
Year	Year	Value	Capacity	Capacity	Capacity	Increments	Share	Share	Share	Share
1	2026	14,437,462	201,967	42,631	159,336	178,836	70,152	76,685	31,411	588
2	2027	14,654,023	204,996	42,631	162,365	182,236	71,486	78,143	32,009	598
3	2028	14,873,834	208,071	42,631	165,440	185,687	72,840	79,623	32,615	609
4	2029	15,096,941	211,192	42,631	168,561	189,190	74,214	81,125	33,230	621
5	2030	15,323,395	214,360	42,631	171,729	192,746	75,609	82,650	33,855	632
6	2031	15,553,246	217,576	42,631	174,945	196,355	77,025	84,197	34,489	644
7	2032	15,786,545	220,839	42,631	178,208	200,018	78,462	85,768	35,132	656
8	2033	16,023,343	224,152	42,631	181,521	203,736	79,920	87,362	35,785	669
9	2034	16,263,693	227,514	42,631	184,883	207,509	81,400	88,981	36,448	680
10	2035	16,507,649	230,927	42,631	188,296	211,340	82,903	90,623	37,121	693
11	2036	16,755,263	234,391	42,631	191,760	215,227	84,428	92,290	37,804	705
12	2037	17,006,592	237,906	42,631	195,276	219,174	85,976	93,982	38,497	719
13	2038	17,261,691	241,475	42,631	198,844	223,179	87,547	95,700	39,200	732
14	2039	17,520,617	245,097	42,631	202,466	227,244	89,142	97,443	39,914	745
15	2040	17,783,426	248,774	42,631	206,143	231,371	90,761	99,212	40,639	759
16	2041	18,050,177	252,505	42,631	209,875	235,559	92,404	101,008	41,375	772
17	2042	18,320,930	256,293	42,631	213,662	239,810	94,071	102,831	42,121	787
18	2043	18,595,744	260,137	42,631	217,507	244,125	95,764	104,682	42,879	800
19	2044	18,874,680	264,039	42,631	221,409	248,505	97,482	106,560	43,648	815
20	2045	19,157,800	268,000	42,631	225,369	252,950	99,226	108,466	44,429	829
21	2046	19,445,167	272,020	42,631	229,389	257,462	100,995	110,400	45,222	845
22	2047	19,736,845	276,100	42,631	233,469	262,041	102,792	112,364	46,026	859
23	2048	20,032,897	280,242	42,631	237,611	266,690	104,615	114,357	46,843	875
24	2049	20,333,391	284,445	42,631	241,815	271,408	106,466	116,381	47,671	890
25	2050	20,638,392	288,712	42,631	246,081	276,197	108,345	118,434	48,512	906
26	2051	20,947,968	293,043	42,631	250,412	281,057	110,251	120,518	49,366	922
Total						5,899,652	2,314,276	2,529,785	1,036,241	19,350

Note: The Estimated Total Tax Increment shown above is before deducting the State Auditor's fee, which is payable at a rate of 0.36% of the Total Tax Increment collected. Exhibit II provides Estimated Total Tax Increment after deducting for the State Auditor's fee.

Exhibit V

Map of Boundaries of Tax Increment Financing District No. 2-2
and Municipal Development District No. 2

(Boundaries of Municipal District No. 2 are coterminous with municipal boundaries of the City of North Mankato)

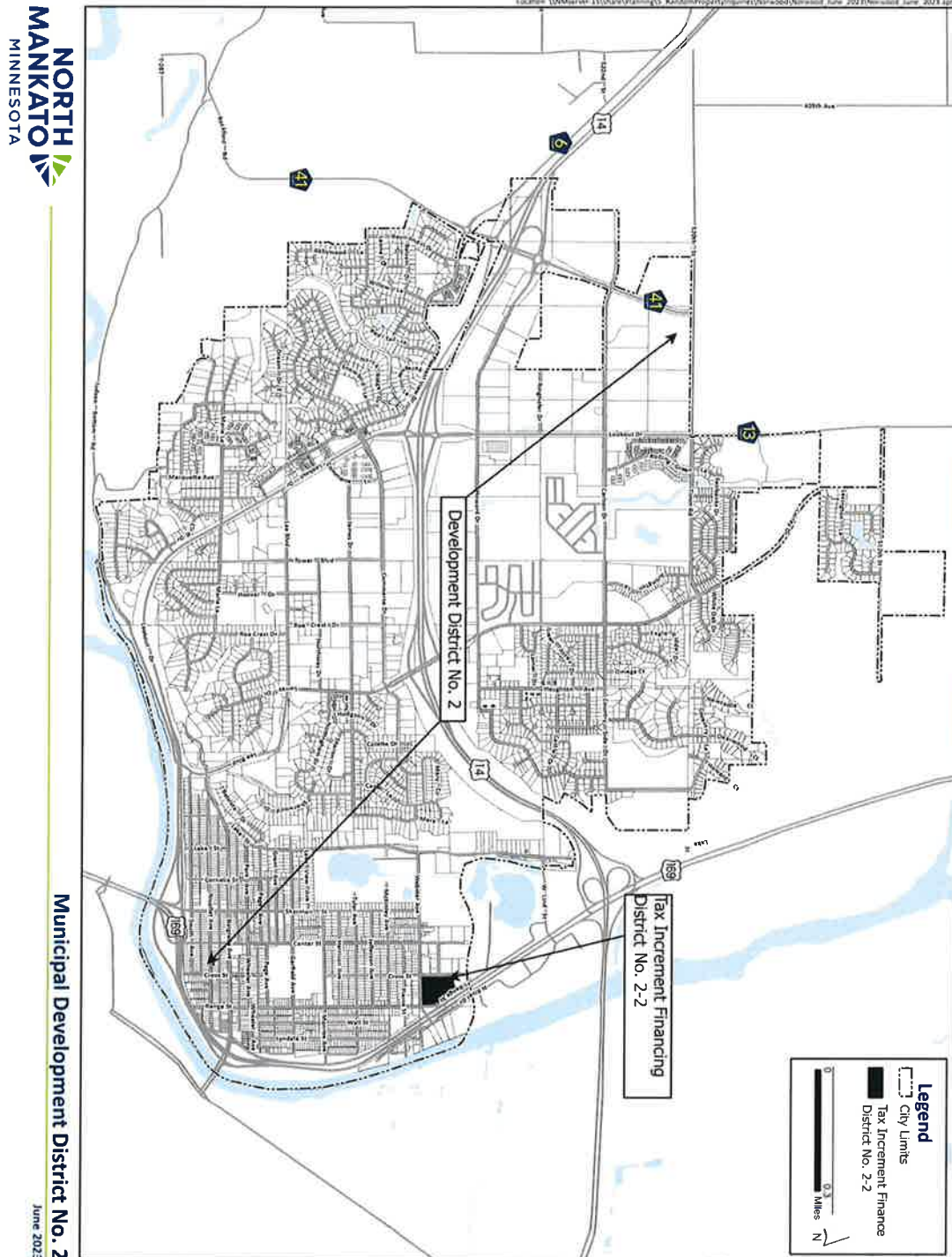


Exhibit VI
Inspection Report of Property

REPORT OF INSPECTION PROCEDURES AND RESULTS
FOR
DETERMINING QUALIFICATIONS
OF A
TAX INCREMENT FINANCING DISTRICT

NORWOOD INN
REDEVELOPMENT TIF DISTRICT

Prepared for
CITY OF NORTH MANKATO, MINNESOTA
June 28, 2023



LHB Inspection Report

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Scope of Work

The proposed TIF District consists of five (5) parcels with three (3) buildings. The buildings were inspected on October 27, 2022, and February 13, 2023. Building Code and Condition Deficiency reports are in Appendix B.

Conclusion

After inspecting and evaluating the properties within the proposed TIF District and applying current statutory criteria for a Redevelopment District under *Minnesota Statutes, Section 469.174, Subdivision 10*, it is our professional opinion that the proposed TIF District qualifies as a Redevelopment District because:

- The proposed TIF District has a coverage calculation of 79 percent which is above the 70 percent requirement.
- 66.7 percent of the buildings are structurally substandard which is above the 50 percent requirement.
- The substandard buildings are reasonably distributed.

The remainder of this report describes our process and findings in detail.

Part 2: Minnesota Statute 469.174, Subdivision 10 Requirements

The properties were inspected in accordance with the following requirements under *Minnesota Statutes, Section 469.174, Subdivision 10(c)*, which states:

Interior Inspection

"The municipality may not make such determination [that the building is structurally substandard] without an interior inspection of the property..."

Exterior Inspection and Other Means

"An interior inspection of the property is not required, if the municipality finds that

(1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and

(2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard."

Documentation

"Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3(1)."

Qualification Requirements

Minnesota Statutes, Section 469.174, Subdivision 10 (a) (1) requires three tests for occupied parcels:

1. COVERAGE TEST

- Minnesota Statutes, Section 469.174, Subdivision 10(a)(1) states:

"parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or paved or gravel parking lots..."The coverage required by the parcel to be considered occupied is defined under *Minnesota Statutes, Section 469.174, Subdivision 10(e)*, which states:

"For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures."

2. CONDITION OF BUILDINGS TEST

- a. Minnesota Statutes, Section 469.174, Subdivision 10(a) states:

"...and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;"

- b. Structurally substandard is defined under Minnesota Statutes, Section 469.174, Subdivision 10(b), which states:

"For purposes of this subdivision, 'structurally substandard' shall mean containing 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."

- i. We do not count energy code deficiencies toward the thresholds required by *Minnesota Statutes, Section 469.174, Subdivision 10(b)* defined as "structurally substandard", due to concerns expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.
- c. Buildings are not eligible to be considered structurally substandard unless they meet certain additional criteria, as set forth in Subdivision 10(c) which states:

"A building is not structurally substandard if it follows the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence based on reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence."

"Items of evidence that support such a conclusion [that the building is not disqualified] include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence."

- i. LHB counts energy code deficiencies toward the 15 percent code threshold required by Minnesota Statutes, Section 469.174, Subdivision 10(c)) for the following reasons:
- 1) The Minnesota energy code is one of ten building code areas highlighted by the Minnesota Department of Labor and Industry website where minimum construction standards are required by law.
 - 2) Chapter 13 of the 2015 *Minnesota Building Code* states, "Buildings shall be designed and constructed in accordance with the *International Energy Conservation Code*." Furthermore, Minnesota Rules, Chapter 1305.0021 Subpart 9 states, "References to the *International Energy Conservation Code* in this code mean the *Minnesota Energy Code*..."
 - 3) Chapter 11 of the 2015 Minnesota Residential Code incorporates Minnesota Rules, Chapters, 1322 and 1323 *Minnesota Energy Code*.
 - 4) The Senior Building Code Representative for the Construction Codes and Licensing Division of the Minnesota Department of Labor and Industry confirmed that the Minnesota Energy Code is being enforced throughout the State of Minnesota.
 - 5) In a January 2002 report to the Minnesota Legislature, the Management Analysis Division of the Minnesota Department of Administration confirmed that the construction cost of new buildings complying with the Minnesota Energy Code is higher than buildings built prior to the enactment of the code.
 - 6) Proper TIF analysis requires a comparison between the replacement value of a new building built under current code standards with the repairs that would be necessary to bring the existing building up to current code standards. For an equal comparison to be made, all applicable code chapters should be applied to both scenarios. Since current construction estimating software automatically applies the construction cost

of complying with the Minnesota Energy Code, energy code deficiencies should also be identified in the existing structures.

3. DISTRIBUTION OF SUBSTANDARD BUILDINGS

- a. Minnesota Statutes, Section 469.174, Subdivision 10, defines a Redevelopment District and requires one or more of the following conditions "reasonably distributed throughout the district.":
 - "(1) Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;
 - (2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used rail yards, rail storage facilities, or excessive or vacated railroad rights-of-way;
 - (3) tank facilities, or property whose immediately previous use was for tank facilities..."
- b. Our interpretation of the distribution requirement is that the substandard buildings must be reasonably distributed throughout the district as compared to the location of all buildings in the district. For example, if all the buildings in a district are located on one half of the area of the district, with the other half occupied by parking lots (meeting the required 70 percent coverage for the district), we would evaluate the distribution of the substandard buildings compared with only the half of the district where the buildings are located. If all the buildings in a district are located evenly throughout the entire area of the district, the substandard buildings must be reasonably distributed throughout the entire area of the district. We believe this is consistent with the opinion expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.

Part 3: Procedures Followed

LHB inspected one building (Parcel A) on the interior and exterior during the day of October 27, 2022, and another building (Parcel B) on the interior and exterior during the day of February 13, 2023. The third building (Parcel C) was not inspected on the interior so was not determined to be substandard for purposes of this report.

For the purposes of our work, we are defining buildings as those structures inhabited by human beings. These structures would typically include water, sewer, and electricity. Barns and small storage facilities are considered "outbuildings" which are not typically considered in TIF analysis because they have very few code requirements and are not intended for human occupation. The cold storage facility on parcel D falls into this category.

Part 4: Findings

1. Coverage Test

- a. The total square foot area of the parcels in the proposed TIF District were obtained from City records, GIS mapping and site verification.
- b. The total square foot area of buildings and site improvements on the parcels in the proposed TIF District were obtained from City records, GIS mapping and site verification.
- c. The percentage of coverage for each parcel in the proposed TIF District was computed to determine if the 15 percent minimum requirement was met. The total square footage of parcels meeting the 15 percent requirement was divided into the total square footage of the entire district to determine if the 70 percent requirement was met.

FINDING

The proposed TIF District met the coverage test under *Minnesota Statutes, Section 469.174, Subdivision 10(e)*, which resulted in parcels consisting of 79 percent of the area of the proposed TIF District being occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures (Diagram 2). This exceeds the 70 percent area coverage requirement for the proposed TIF District under *Minnesota Statutes, Section 469.174, Subdivision (a) (1)*.



2. Condition of Building Test

a. BUILDING INSPECTION

- i. The first step in the evaluation process is the building inspection. After an initial walk-thru, the inspector makes a judgment whether a building “appears” to have enough defects or deficiencies of sufficient total significance to justify substantial renovation or clearance. If it does, the inspector documents with notes and photographs code and non-code deficiencies in the building.

b. REPLACEMENT COST

- i. The second step in evaluating a building to determine if it is substandard to a degree requiring substantial renovation or clearance is to determine its replacement cost. This is the cost of constructing a new structure of the same square footage and type on site. Replacement costs were researched using R.S. Means Cost Works square foot models for 2022.
- ii. A replacement cost was calculated by first establishing building use (office, retail, residential, etc.), building construction type (wood, concrete, masonry, etc.), and building size to obtain the appropriate median replacement cost, which factors in the costs of construction in North Mankato, Minnesota.
- iii. Replacement cost includes labor, materials, and the contractor’s overhead and profit. Replacement costs do not include architectural fees, legal fees or other “soft” costs not directly related to construction activities. Replacement cost for each building is tabulated in Appendix A.

c. CODE DEFICIENCIES

- i. The next step in evaluating a building is to determine what code deficiencies exist with respect to such building. Code deficiencies are those conditions for a building which are not in compliance with current building codes applicable to new buildings in the State of Minnesota.
- ii. Minnesota Statutes, Section 469.174, Subdivision 10(c), specifically provides that a building cannot be considered structurally substandard if its code deficiencies are not at least 15 percent of the replacement cost of the building. As a result, it was necessary to determine the extent of code deficiencies for each building in the proposed TIF District.
- iii. The evaluation was made by reviewing all available information with respect to such buildings contained in City Building Inspection records and making interior and exterior inspections of the buildings. LHB utilizes the current Minnesota State Building Code as the official code for our evaluations. The Minnesota State Building Code is a series of provisional codes written specifically for Minnesota only requirements, adoption of several international codes, and amendments to the adopted international codes.
- iv. After identifying the code deficiencies in each building, we used R.S. Means Cost Works 2022; Unit and Assembly Costs to determine the cost of correcting the identified deficiencies. We were then able to compare the correction costs with the replacement cost of each building to determine if the costs for correcting code deficiencies meet the required 15 percent threshold.

FINDING

Two (2) out of three (3) buildings (66.7 percent) in the proposed TIF District contained code deficiencies exceeding the 15 percent threshold required by Minnesota Statutes, Section 469.174, Subdivision 10(c). Building Code, Condition Deficiency and Context Analysis reports for the buildings in the proposed TIF District can be found in Appendix B of this report.

d. SYSTEM CONDITION DEFICIENCIES

- i. If a building meets the minimum code deficiency threshold under Minnesota Statutes, Section 469.174, Subdivision 10(c), then for such building to be “structurally substandard” under Minnesota Statutes, Section 469.174, Subdivision 10(b), the building’s defects, or deficiencies should be of sufficient total significance to justify “substantial renovation or clearance.” Based on this definition, LHB re-evaluated each of the buildings that met the code deficiency threshold under Minnesota Statutes, Section 469.174, Subdivision 10(c), to determine if the total deficiencies warranted “substantial renovation or clearance” based on the criteria we outlined above.
- ii. System condition deficiencies are a measurement of defects or substantial deterioration in site elements, structure, exterior envelope, mechanical and electrical components, fire protection and emergency systems, interior partitions, ceilings, floors, and doors.

- iii. The evaluation of system condition deficiencies was made by reviewing all available information contained in City records and making interior and exterior inspections of the buildings. LHB only identified system condition deficiencies that were visible upon our inspection of the building or contained in City records. We did not consider the amount of "service life" used up for a particular component unless it was an obvious part of that component's deficiencies.
- iv. After identifying the system condition deficiencies in each building, we used our professional judgment to determine if the list of defects or deficiencies is of sufficient total significance to justify "substantial renovation or clearance."

FINDING

In our professional opinion, two (2) out of three (3) buildings (66.7 percent) in the proposed TIF District are structurally substandard to a degree requiring substantial renovation or clearance, because of 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. This exceeds the 50 percent requirement of Subdivision 10a(1).

3. Distribution of Substandard Structures

- e. Much of this report has focused on the condition of individual buildings as they relate to requirements identified by Minnesota Statutes, Section 469.174, Subdivision 10. It is also important to look at the distribution of substandard buildings throughout the geographic area of the proposed TIF District (Diagram 3).

FINDING

The parcels with substandard buildings are reasonably distributed compared to all parcels that contain buildings.



Diagram 3 – Substandard Buildings

Shaded green area depicts parcels with buildings.
Shaded orange area depicts substandard buildings.

Part 5: Team Credentials

Michael A. Fischer, AIA, LEED AP - Project Principal/TIF Analyst

Michael has 34 years of experience as project principal, project manager, project designer and project architect on planning, urban design, educational, commercial, and governmental projects. He has become an expert on Tax Increment Finance District analysis assisting over 100 cities with strategic planning for TIF Districts. He is an Architectural Principal at LHB and currently leads the Minneapolis office.

Michael completed a two-year Bush Fellowship, studying at MIT and Harvard in 1999, earning master's degrees in City Planning and Real Estate Development from MIT. He has served on more than 50 committees, boards, and community task forces, including a term as a City Council President, Chair of a Metropolitan Planning Organization, and Chair of the Edina Planning Commission. Most recently, he served as a member of the Edina city council and Secretary of the Edina HRA. Michael has also managed and designed several award-winning architectural projects and was one of four architects in the Country to receive the AIA Young Architects Citation in 1997.

Phil Fisher – Inspector

For 35 years, Phil Fisher worked in the field of Building Operations in Minnesota including White Bear Lake Area Schools. At the University of Minnesota, he earned his Bachelor of Science in Industrial Technology. He is a Certified Playground Safety Inspector, Certified Plant Engineer, and is trained in Minnesota Enterprise Real Properties (MERP) Facility Condition Assessment (FCA). His FCA training was recently applied to the Minnesota Department of Natural Resources Facilities Condition Assessment project involving over 2,000 buildings.

Appendices

- APPENDIX A** Property Condition Assessment Summary Sheet
- APPENDIX B** Building Code, Condition Deficiency and Context Analysis Report
- APPENDIX C** Building Replacement Cost Report
 - Code Deficiency Cost Report
 - Photographs

APPENDIX A

Property Condition Assessment Summary Sheet

LHB Inspection Report

Norwood Inn Redevelopment TIF District

Property Condition Assessment Summary Sheet

North Mankato, Minnesota

TIF Map No.	PID #	Property Address	Improved or Vacant	Survey Method Used	Site Area (S.F.)	Coverage Area of Improvements (S.F.)	Coverage Percent of Improvements	Coverage Quantity (S.F.)	No. of Buildings	Building Replacement Cost	15% of Replacement Cost	Building Code Deficiencies	No. of Buildings Exceeding 15% Criteria	No. of buildings determined substandard
A	18.513.0010	1111 Range Street	Improved	Interior/Exterior	201,583	195,583	97%	201,583	1	\$11,218,064	\$1,682,710	\$3,861,038	1	1
B	18.557.2890	1105 Range Street	Improved	Interior/Exterior	29,708	29,708	100%	29,708	1	\$356,032	\$53,405	\$92,161	1	1
C	18.707.0050	359 Webster Avenue	Improved	Exterior	13,604	13,000	96%	13,604	1	Note 1				
D	18.513.0020	Cross Street	Improved	Exterior	70,161	3,490	5%	0	0					
E	18.513.0025	Range Street	Vacant	Exterior	18,731	13,000	69%	18,731	0	Note 2				
TOTALS					333,907			263,726	3				2	2

Total Coverage Percent:

79.0%

Percent of buildings determined substandard:

66.7%

66.7%

Note 1: This building was not inspected on the interior, so was not determined substandard
Note 2: This structure is defined as an outbuilding, so is not included in the building count

APPENDIX B

Building Code, Condition Deficiency and Context Analysis Report

LHB Inspection Report

Norwood Inn Redevelopment TIF District

Building Code, Condition Deficiency and Context Analysis Report

Parcel A

Address:
Parcel ID:
Inspection Date(s) & Time(s):
Inspection Type:
Summary of Deficiencies:

Hotel

1111 Range Street, North Mankato, Minnesota 56003
18.513.0010
October 27, 2022, 10:30 am
Interior and Exterior
It is our professional opinion that this building is Substandard because:
- Substantial renovation is required to correct Conditions found.
- Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost:	\$11,218,066
Estimated Cost to Correct Building Code Deficiencies:	\$3,861,040
Percentage of Replacement Cost for Building Code Deficiencies:	34.4%

DEFECTS IN STRUCTURAL ELEMENTS

1. None observed.

COMBINATION OF DEFICIENCIES

1. Essential Utilities and Facilities
 - a. There are no code compliant accessible sleeping accommodations.
 - b. There is no code compliant accessible route to all levels of the building.
 - c. The main transaction counter does not comply with accessibility code.
2. Light and Ventilation
 - a. The electrical wiring system does not comply with code.
 - b. The lighting system does not comply with code.
 - c. The HVAC system does not comply with code.
3. Fire Protection/Adequate Egress
 - a. Thresholds do not comply with code for maximum height.
 - b. Glass doors do not have code required 10-inch kick plates.
 - c. Door hardware is not fully code compliant.
 - d. Flooring is damaged creating an impediment to emergency egress which is contrary to code.
 - e. Sidewalks are damaged creating an impediment to emergency egress which is contrary to code.
 - f. Hallways do not comply with code for minimum floor to ceiling height.
 - g. The smoke detectors do not comply with code.

- h. Emergency lighting does not comply with code.
 - i. Emergency exit signs do not comply with code.
 - j. The emergency notification system does not comply with code.
 - k. There is no code required building sprinkler system.
 - l. There is no code required fire caulking in through wall, floor, or ceiling penetrations
 - m. Walk-in cooler door handle does not comply with code.
4. Layout and Condition of Interior Partitions/Materials
- a. Interior walls should be repaired/repainted.
 - b. Ceiling tile should be repaired/replaced.
 - c. Mold is present in most rooms.
 - d. Toilets do not comply with code for proximity to adjacent fixtures.
 - e. Ceiling tile is missing in the kitchen which is contrary to code.
 - f. Several interior wooden framed walls are not properly enclosed per code.
5. Exterior Construction
- a. Down spouts are damaged and should be repaired.
 - b. Windows are failing allowing for water intrusion which is contrary to code.
 - c. E.I.F.S. is damaged allowing for water intrusion which is contrary to code.
 - d. Mortar joints are failing allowing for water intrusion which is contrary to code.
 - e. Garage doors should be repainted.
 - f. Parking lot is damaged and should be repaired.
 - g. Fascia is missing and should be replaced to prevent water intrusion per code.
 - h. Exposed wood trim should be repainted.
 - i. Roofing material is failing allowing for water intrusion which is contrary to code.

DESCRIPTION OF CODE DEFICIENCIES

1. Code compliant accessible sleeping accommodations should be created.
2. A code required accessible route to all levels should be created.
3. The main transaction counter should be modified to comply with code.
4. A code compliant electrical system should be installed.
5. A code compliant lighting system should be installed.
6. A code compliant HVAC system should be installed.
7. Thresholds should be modified to comply with code.
8. Glass doors should have code required 10-inch kick plates installed.
9. Install code compliant door hardware.
10. Repair/replace damaged flooring to create an unimpeded means for emergency egress per code.
11. Repair/replace damaged sidewalks to create an unimpeded means for emergency egress per code.
12. Modify hallway floor to ceiling height to comply with code.
13. Install code compliant smoke detectors.
14. Install code compliant emergency lighting system.

15. Install code compliant emergency exit signs.
16. Install code required building sprinkler system.
17. The walk-in cooler door handle should be replaced to comply with code.
18. Toilets in guest rooms do not comply with code for distance to door.
19. Missing ceiling tile in kitchen should be replaced to comply with code.
20. Install code required fire caulking.
21. Enclose exposed wooden framed walls with code compliant materials.
22. Replace failing windows to prevent water intrusion per code.
23. Repair damaged EIFS to prevent water intrusion per code.
24. Repair/replace failed mortar joints to prevent water intrusion per code.
25. Replace missing metal fascia to prevent water intrusion per code.
26. Replace failed roofing material to prevent water intrusion per code.

OVERVIEW OF DEFICIENCIES

This building is currently used to provide housing for workers at a local food processing plant. There is no code compliant accessible route to all levels of the building. There are no code compliant accessible sleeping rooms. The main transaction counter is not code compliant for accessibility. Doors are damaged and should be repaired/replaced. Walls should be repaired/repainted. Ceiling tile is water stained and should be replaced. Light fixtures are not fully lamped. Carpeting is stained and should be cleaned. Mold is present in most rooms. Parking lots are damaged and should be repaired/replaced. The electrical wiring and lighting systems are not code compliant. The HVAC system is not code compliant. Glass doors do not have code required 10-inch kick plates. Door hardware is not fully code compliant. The floor to ceiling height in the hallways does not comply with code. Indoor flooring and outdoor sidewalks are damaged creating an impediment to emergency egress which is contrary to code. Smoke detectors are not code compliant. The emergency lighting and exit signs are not code compliant. There is no code required building sprinkler system. The emergency notification system does not comply with code. The walk-in cooler door handle does not comply with code. Toilets in the guest rooms do not comply with code for proximity to the door. Ceiling tile in the kitchen is missing and should be replaced per code. Failing windows should be replaced to prevent water intrusion per code. Exterior surfaces are damaged and should be repaired/replaced to prevent water intrusion per code. Roofing material has failed allowing for water intrusion which is contrary to code.

ENERGY CODE DEFICIENCIES

In addition to the building code deficiencies listed above, the existing building does not comply with the current energy code. These deficiencies are not included in the estimated costs to correct code deficiencies and are not considered in determining whether the building is substandard.

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LHB Inspection Report

Norwood Inn Redevelopment TIF District

Building Code, Condition Deficiency and Context Analysis Report

Parcel B

Liquor Store

Address: 1105 Range Street, North Mankato, Minnesota 56003
 Parcel ID: 18.557.2980
 Inspection Date(s) & Time(s): February 13, 2023, 10:00 am
 Inspection Type: Interior and Exterior
 Summary of Deficiencies: It is our professional opinion that this building is Substandard because:

- Substantial renovation is required to correct Conditions found.
- Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost:	\$356,032
Estimated Cost to Correct Building Code Deficiencies:	\$92,161
Percentage of Replacement Cost for Building Code Deficiencies:	25.9%

DEFECTS IN STRUCTURAL ELEMENTS

1. No Deficiencies Observed.

COMBINATION OF DEFICIENCIES

1. Essential Utilities and Facilities
 - a. There is no code required designated accessible parking.
2. Light and Ventilation
 - a. The electrical system does not comply with code.
 - b. The lighting system does not comply with code.
 - c. The HVAC system does not comply with code.
3. Fire Protection/Adequate Egress
 - a. A secondary means of egress is required per code.
 - b. Glass doors do not have code required 10-inch kick plates.
 - c. Flooring is damaged creating an impediment to emergency egress which is contrary to code.
 - d. Thresholds do not comply with code for maximum height.
 - e. Smoke detectors do not comply with code.
 - f. Emergency lighting does not comply with code.
 - g. There is no code required emergency notification system.
 - h. There is no code required building sprinkler system.

4. Layout and Condition of Interior Partitions/Materials
 - a. Walls should be repaired/repainted.
 - b. Ceilings should be repainted.
5. Exterior Construction
 - a. Sidewalks are damaged creating an impediment to emergency egress which is contrary to code.
 - b. Hollow metal door should be repainted.

DESCRIPTION OF CODE DEFICIENCIES

1. Code required accessible parking should be created.
2. A code compliant electrical wiring system should be installed.
3. A code compliant lighting system should be installed.
4. A code compliant HVAC system should be installed.
5. Damaged/missing flooring should be repaired/replaced to create a code compliant unimpeded means for emergency egress.
6. Thresholds should be modified to comply with code for maximum height.
7. Glass doors should have code required 10-inch kick plates installed.
8. Code compliant smoke detectors should be installed.
9. Code compliant emergency lighting should be installed.
10. A code required emergency notification system should be installed.
11. A code required building sprinkler system should be installed.
12. A secondary means of egress should be installed per code.
13. The sidewalk is damaged creating an impediment to emergency egress which is contrary to code.

OVERVIEW OF DEFICIENCIES

This retail building is currently occupied. There is no code required accessible parking. The electrical wiring and lighting systems do not comply with code. The HVAC system does not comply with code. The flooring is damaged/missing creating an impediment to emergency egress which is contrary to code. Smoke detectors are not code compliant. The emergency lighting system is not code compliant. A code required emergency notification system should be installed. A code required building sprinkler system should be installed. The glass doors should have code required 10-inch kick plates installed. A code required secondary means of egress should be installed. The sidewalk is damaged creating an impediment to emergency egress which is contrary to code.

ENERGY CODE DEFICIENCIES

In addition to the building code deficiencies listed above, the existing building does not comply with the current energy code. These deficiencies are not included in the estimated costs to correct code deficiencies and are not considered in determining whether the building is substandard.

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APPENDIX C

Building Replacement Cost Report

Code Deficiency Cost Report

Photographs

LHB Inspection Report

Norwood Inn Redevelopment TIF District

Replacement Cost Report

RSMeans data <small>from BOSTON</small>	Square Foot Cost Estimate Report	Date:	10/28/2022
Estimate Name:	1111 Range Street		
Building Type:	Motel, 2-3 Story with Brick Veneer / Wood Frame		
Location:	NORTH MANKATO, MN		
Story Count:	2		
Story Height (L.F.):	9.00		
Floor Area (S.F.):	68000		
Labor Type:	OPN		
Basement Included:	No		
Data Release:	Year 2022 Quarter 4		
Cost Per Square Foot:	\$164.97		
Building Cost:	\$11,218,066.55		

Costs are derived from a building model with basic components.
Scope differences and market conditions can cause costs to vary significantly.

		Quantity	% of Total	Cost Per S.F.	Cost
A	Substructure		4.29%	\$6.15	\$418,422.20
A1010	Standard Foundations			\$2.92	\$198,309.94
A10101051560	Foundation wall, CIP, 4' wall height, direct chute, .148 CY/LF, 7.2 PLF, 12" thick	1350		\$1.76	\$120,008.25
A10101102700	Strip footing, concrete, reinforced, load 11.1 KLF, soil bearing capacity 6 KSF, 12" deep x 24" wide	1687.5		\$1.15	\$78,301.69
A1030	Slab on Grade			\$3.07	\$208,742.66
A10301202240	Slab on grade, 4" thick, non industrial, reinforced	34000		\$3.07	\$208,742.66
A2010	Basement Excavation			\$0.17	\$11,369.60
A20101104560	Excavate and fill, 10,000 SF, 4' deep, sand, gravel, or common earth, on site storage	34000		\$0.17	\$11,369.60
B	Shell		23.85%	\$34.21	\$2,326,317.05
B1010	Floor Construction			\$2.52	\$171,530.68
B10102613750	Floor, wood joist, 2 x 12 @16" O.C., 1/2" CDX subfloor	34000		\$2.52	\$171,530.68
B1020	Roof Construction			\$5.19	\$352,693.90
B10201027200	Wood roof, truss, 4/12 slope, 24" O.C., 44' to 60' span	34000		\$5.19	\$352,693.90
B2010	Exterior Walls			\$4.65	\$316,021.50
B20101525170	E.J.F.S., plywood sheathing, 1x8 fascia, R16 insulation, stud wall, 2" x 6", 16" O.C., 4" EPS	20655		\$4.65	\$316,021.50
B2020	Exterior Windows			\$6.36	\$432,738.77
B20201066850	Windows, aluminum, sliding, insulated glass, 5' x 3'	243		\$6.36	\$432,738.77
B2030	Exterior Doors			\$12.65	\$859,976.87
B20301106950	Door, aluminum & glass, with transom, narrow stile, double door, hardware, 6'-0" x 10'-0" opening	2.78		\$0.34	\$23,311.58
B20301107300	Door, aluminum & glass, with transom, bronze finish, hardware, 3'-0" x 10'-0" opening	11.1		\$0.70	\$47,471.61
B20302203450	Door, steel 18 gauge, hollow metal, 1 door with frame, no label, 3'-0" x 7'-0" opening	210.94		\$11.61	\$789,193.68
B3010	Roof Coverings			\$2.84	\$193,355.33
B30101203300	Roofing, single ply membrane, EPDM, 60 mils, fully adhered	35700		\$1.29	\$87,465.00
B30103203090	Insulation, rigid, roof deck, composite with 2" EPS, 1" perlite	35700		\$1.23	\$83,610.83
B30104300040	Flashing, aluminum, no backing sides, .019"	1350		\$0.22	\$14,753.10
B30106100050	Gutters, box, aluminum, .027" thick, 5", enameled finish	675		\$0.08	\$5,624.72
B30106200100	Downspout, aluminum, rectangular, 2" x 3", embossed mill finish, .020" thick	374.69		\$0.03	\$1,901.68
C	Interiors		30.94%	\$44.39	\$3,018,534.00
C1010	Partitions			\$17.99	\$1,222,990.01
C10101045020	Concrete block (CMU) partition, light weight, hollow, 4" thick, gyp plaster, 2 sides	77714.29		\$16.52	\$1,123,281.51
C10107101001	1/2" fire rated gypsum board, taped & finished, painted on metal furring	20655		\$1.47	\$99,708.50
C1020	Interior Doors			\$9.43	\$641,215.71
C10201022510	Door, single leaf, wood frame, 3'-0" x 7'-0" x 1-3/8", birch, hollow core	971.43		\$9.43	\$641,215.71

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 2-2

C2010	Stair Construction			\$3.27	\$222,509.05
C20101100740	Stairs, steel, pan tread for conc in-fill, picket rail, 16 risers w/ landing	16.65		\$3.27	\$222,509.05
C3010	Wall Finishes			\$2.93	\$199,382.53
C30102300140	Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats	139885.71		\$1.53	\$104,009.23
C30102301940	Ceramic tile, thin set, 4-1/4" x 4-1/4"	15542.86		\$1.40	\$95,373.30
C3020	Floor Finishes			\$6.28	\$427,252.70
C30204100160	Carpet, tufted, nylon, roll goods, 12' wide, 36 oz	57800		\$4.29	\$291,536.84
C30204100220	Carpet, padding, add to above, 2.7 density	57800		\$0.88	\$60,014.32
C30204101720	Tile, ceramic natural clay	10200		\$1.11	\$75,701.54
C3030	Ceiling Finishes			\$4.49	\$305,184.00
C30301104800	Gypsum board ceilings, 1/2" fire rated gypsum board, painted and textured finish, 1" x 3" wood, 16" OC furring, wood support	68000		\$4.49	\$305,184.00
D	Services		40.75%	\$58.45	\$3,974,667.10
D1010	Elevators and Lifts			\$5.05	\$343,477.16
D10101109150	Hydraulic passenger elevator, 4000 lb., 3 floor, 9' story height, 125 FPM	2.78		\$5.05	\$343,477.16
D2010	Plumbing Fixtures			\$29.89	\$2,032,504.25
D20101101880	Water closet, vitreous china, tank type, wall hung, close coupled 2 piece	240.5		\$10.92	\$742,741.87
D20102102000	Urinal, vitreous china, wall hung	2.53		\$0.05	\$3,369.49
D20103101560	Lavatory w/trim, vanity top, PE on CI, 20" x 18"	240.5		\$6.14	\$417,708.88
D20104101800	Kitchen sink w/trim, countertop, PE on CI, 32" x 21" double bowl	5.04		\$0.13	\$9,038.02
D20104404300	Service sink w/trim, PE on CI, wall hung w/rim guard, 22" x 18"	6.87		\$0.54	\$36,822.84
D20105102080	Bathtub, recessed, PE on CI, mat bottom, 5' long	238.14		\$11.88	\$808,081.07
D20107101840	Shower, stall, fiberglass 1 piece, three walls, 36" square	2.53		\$0.07	\$4,595.69
D20108201880	Water cooler, electric, wall hung, dual height, 14.3 GPH	2.53		\$0.15	\$10,146.39
D2020	Domestic Water Distribution			\$1.10	\$74,567.55
D20202502140	Gas fired water heater, commercial, 100 < F rise, 300 MBH input, 278 GPH	3.63		\$1.10	\$74,567.55
D3050	Terminal & Package Units			\$6.81	\$463,011.81
D30502700220	3/4 ton, thru wall, heating & cooling units	145.71		\$6.81	\$463,011.81
D4010	Sprinklers			\$2.84	\$193,036.08
D40104100620	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 10,000 SF	23120		\$1.18	\$80,233.34
D40104100740	Wet pipe sprinkler systems, steel, light hazard, each additional floor, 10,000 SF	44880		\$1.66	\$112,802.74
D4020	Standpipes			\$0.32	\$22,007.96
D40203101540	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor	1.39		\$0.23	\$15,505.98
D40203101560	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, additional floors	2.5		\$0.10	\$6,501.98
D5010	Electrical Service/Distribution			\$1.52	\$103,650.80
D50101200400	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 800 A	1.25		\$0.37	\$25,256.94
D50102300400	Feeder installation 600 V, including RGS conduit and XHHW wire, 800 A	200		\$0.73	\$49,751.60
D50102400280	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 3 phase, 800 A	1.2		\$0.42	\$28,642.26
D5020	Lighting and Branch Wiring			\$8.53	\$580,211.27
D50201100560	Receptacles incl plate, box, conduit, wire, 10 per 1000 SF, 1.2 W per SF, with transformer	68000		\$4.03	\$273,770.72
D50201300360	Wall switches, 5.0 per 1000 SF	68000		\$1.34	\$91,310.40
D50201350200	Miscellaneous power, to .5 watts	68000		\$0.16	\$10,918.76
D50201452080	Motor installation, three phase, 460 V, 15 HP motor size	2		\$0.08	\$5,307.31
D50202100200	Fluorescent fixtures recess mounted in ceiling, 1 watt per SF, 20 FC, 5 fixtures @ 40 watts per 1000 SF	68000		\$2.93	\$198,904.08
D5030	Communications and Security			\$2.24	\$152,413.82
D50309100456	Communication and alarm systems, fire detection, addressable, 100 detectors, includes outlets, boxes, conduit and wire	1.46		\$1.89	\$128,421.79
D50309100462	Fire alarm command center, addressable with voice, excl. wire & conduit	1.39		\$0.35	\$23,992.03

LHB Inspection Report

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 2-2

D5090	Other Electrical Systems			\$0.14	\$9,786.40
D50902100200	Generator sets, w/battery, charger, muffler and transfer switch, gas/gasoline operated, 3 phase, 4 wire, 277/480 V, 7.5 kW	5.88		\$0.14	\$9,786.40
E	Equipment & Furnishings		0.17%	\$0.25	\$16,900.13
E1010	Commercial Equipment			\$0.25	\$16,900.13
E10106100110	Architectural equipment, laundry equipment dryers, gas fired, com, 30 lb capacity, single	2.78		\$0.06	\$4,297.21
E10106100170	Architectural equipment, laundry equipment, washers, commercial, coin operated, deluxe	2.78		\$0.19	\$12,602.92
E1090	Other Equipment			\$0.00	\$0.00
F	Special Construction		0.00%	\$0.00	\$0.00
G	Building Sitework		0.00%	\$0.00	\$0.00
SubTotal		100%		\$143.45	\$9,754,840.48
Contractor Fees (General Conditions,Overhead,Profit)		15.0%		\$21.52	\$1,463,226.07
Architectural Fees		0.0%		\$0.00	\$0.00
User Fees		0.0%		\$0.00	\$0.00
Total Building Cost				\$164.97	\$11,218,066.55

Norwood Inn Redevelopment TIF District

Code Deficiency Cost Report

Parcel A - 1111 Range Street, North Mankato, Minnesota 56003

Parcel ID 18.513.0010

Building Name or Type

Motel

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
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Accessibility Items

Sleeping Accommodations

Provide code required accessible sleeping accommodations	\$ 44.39	SF	360	\$ 15,980.40
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Accessible Route

Create a code required accessible route to all levels of the building	\$ 5.05	SF	68,000	\$ 343,400.00
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Transaction Counter

Modify transaction counter to comply with accessibility code	\$ 2,500.00	Lump	1	\$ 2,500.00
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Structural Elements

None Observed

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Exiting

Thresholds

Modify thresholds to comply with code for maximum height	\$ 100.00	EA	20	\$ 2,000.00
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Glass Doors

Install code required 10-inch kick plates on glass doors	\$ 100.00	EA	10	\$ 1,000.00
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Door Hardware

Install code compliant door hardware	\$ 250.00	EA	35	\$ 8,750.00
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Flooring

Repair/replace damaged flooring to create a code required unimpeded means for emergency egress	\$ 6.28	SF	1,000	\$ 6,280.00
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Sidewalks

Repair/replace damaged sidewalks to create a code required unimpeded means for emergency egress	\$ 15.00	SF	500	\$ 7,500.00
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Hallway

Modify floor to ceiling height in hallways to comply with code	\$ 40.00	SF	20,000	\$ 800,000.00
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Emergency Lighting System

Install a code compliant emergency lighting system	\$ 1.29	SF	68,000	\$ 87,720.00
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Exit Signage System

Install a code compliant exit signage system	\$ 0.75	SF	68,000	\$ 51,000.00
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Emergency Notification System

Install a code compliant emergency notification system	\$ 0.35	SF	68,000	\$ 23,800.00
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Walk-in Cooler

Install a code compliant door handle on the walk-in cooler	\$ 250.00	EA	1	\$ 250.00
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LHB Inspection Report

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 2-2

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
Fire Protection					
	Smoke Detectors				
	Install code compliant smoke detectors	\$ 1.89	SF	68,000	\$ 128,520.00
	Building Sprinkler System				
	Install a code required building sprinkler system	\$ 3.16	SF	68,000	\$ 214,880.00
	Kitchen Ceiling Tile				
	Replace missing ceiling tile in kitchen to comply with code	\$ 200.00	Lump	1	\$ 200.00
	Fire Caulking				
	Install code required fire caulking	\$ 0.05	SF	68,000	\$ 3,400.00
	Wooden Framed Walls				
	Install code required fire rated materials on wooden framed walls	\$ 2.00	SF	500	\$ 1,000.00
Exterior Construction					
	Windows				
	Replace failed windows to prevent water intrusion per code	\$ 6.36	SF	68,000	\$ 432,480.00
	E.I.F.S.				
	Repair damaged EIFS to prevent water intrusion per code	\$ 500.00	Lump	1	\$ 500.00
	Mortar				
	Repair/replace damaged/missing mortar to prevent water intrusion per code	\$ 3,500.00	Lump	1	\$ 3,500.00
	Metal Fascia				
	Install missing Fascia to prevent water intrusion per code.	\$ 100.00	Lump	1	\$ 100.00
Roof Construction					
	Roofing Material				
	Replace failed roofing material to prevent water intrusion per code	\$ 2.84	SF	68,000	\$ 193,120.00
Mechanical - Electrical					
	Mechanical				
	Install a code compliant HVAC system	\$ 6.81	SF	68,000	\$ 463,080.00
	Modify toilet locations to comply with code	\$ 3,088.00	EA	125	\$ 386,000.00
	Electrical				
	Install a code compliant electrical wiring system	\$ 7.13	SF	68,000	\$ 484,840.00
	Install a code compliant lighting system	\$ 2.93	SF	68,000	\$ 199,240.00
Total Code Improvements					\$ 3,861,040

LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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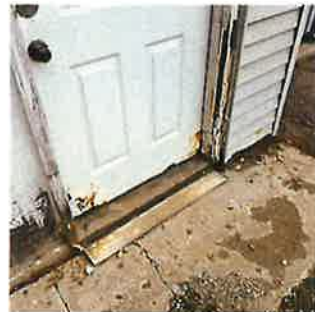
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Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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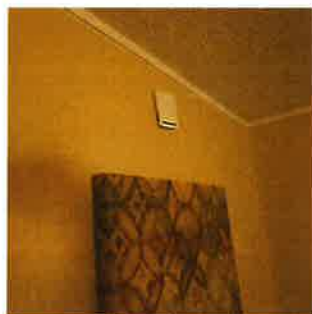
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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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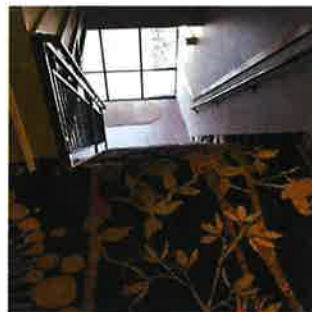
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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



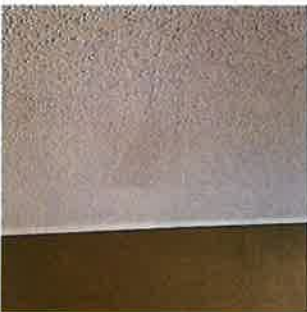
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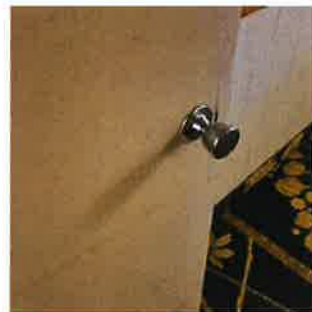
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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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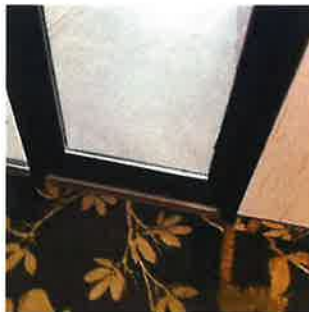
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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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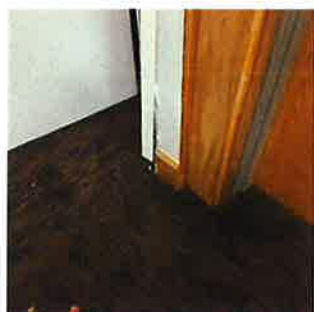
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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel A: 1111 Range Street



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LHB Inspection Report

Norwood Inn Redevelopment TIF District

Replacement Cost Report

RSMeans data
from 2012 LHM

Square Foot Cost Estimate Report

Date: 2/16/2023

Estimate Name: 1105 Range Street
 Building Type: Store, with Face Brick / Wood Frame
 NORTH MANKATO, MN
 Story Count: 1
 Story Height (L.F.): 12.00
 Floor Area (S.F.): 1653
 Labor Type: STD
 Basement Included: No
 Data Release: Year 2023 Quarter 1
 Cost Per Square Foot: \$215.39
 Building Cost: \$356,032.18



Costs are derived from a building model with basic components.
 Scope differences and market conditions can cause costs to vary significantly.

		Quantity	% of Total	Cost Per S.F.	Cost
A	Substructure		13.07%	\$24.48	\$40,461.39
A1010	Standard Foundations			\$15.11	\$24,979.51
A10101051520	Foundation wall, CIP, 4' wall height, direct chute, .099 CY/LF, 4.8 PLF, 8" thick	190		\$10.89	\$17,996.71
A1010102100	Strip footing, concrete, unreinforced, load 2.6 KLF, soil bearing capacity 3 KSF, 8" deep x 16" wide	190		\$3.00	\$4,958.76
A10102107100	Spread footings, 3000 PSI concrete, load 25K, soil bearing capacity 3 KSF, 3' - 0" square x 12" deep	8		\$1.22	\$2,024.04
A1030	Slab on Grade			\$8.54	\$14,117.00
A10301202240	Slab on grade, 4" thick, non industrial, reinforced	2000		\$8.54	\$14,117.00
A2010	Basement Excavation			\$0.83	\$1,364.88
A20101103380	Excavate and fill, 4000 SF, 4' deep, sand, gravel, or common earth, on site storage	2000		\$0.83	\$1,364.88
B	Shell		42.21%	\$79.05	\$130,676.56
B1010	Floor Construction			\$0.53	\$869.56
B10102102700	Wood column, 6" x 6", 20' x 20' bay, 12' unsupported height, 90 BF/MSF, 50 PSF total allowable load	2000		\$0.53	\$869.56
B1020	Roof Construction			\$7.53	\$12,452.32
B10201023750	Wood roof, flat rafter, 2" x 10", 16" O.C.	2000		\$7.53	\$12,452.32
B2010	Exterior Walls			\$41.94	\$69,330.51
B20101291400	Brick veneer wall, standard face, 2x6 studs @ 16" back-up, running bond	1824		\$41.94	\$69,330.51
B2020	Exterior Windows			\$17.90	\$29,584.34
B20202102000	Aluminum flush tube frame, thermo-break frame, 2.25" x 4.5", 5'x6' opening, no intermediate horizontals	456		\$10.62	\$17,562.20
B20202202000	Glazing panel, plate glass, 1/4" thick, clear	456		\$7.27	\$12,022.14
B2030	Exterior Doors			\$5.74	\$9,484.85
B20301106450	Door, aluminum & glass, without transom, wide stile, double door, hardware, 6'-0" x 7'-0" opening	0.5		\$3.36	\$5,557.10
B20302102500	Door, birch, solid core, single door, hinged, 3'-0" x 7'-0" opening	1		\$2.38	\$3,927.75
B3010	Roof Coverings			\$5.42	\$8,954.98
B30101041200	Asphalt roofing, strip shingles, premium laminated, multi-layered, Class A, 4" slope, 260-300 lbs/SQ	2000		\$5.42	\$8,954.98
C	Interiors		9.26%	\$17.35	\$28,683.65
C1010	Partitions			\$4.41	\$7,288.21
C10101241200	Wood partition, 5/8" fire rated gypsum board face, none base, 2 x 4, @ 16" OC framing, same opposite face, 0 insul	333.33		\$1.31	\$2,163.28
C10101244500	5/8" gypsum board, taped & finished, painted on 2 x 4 studs 16" O.C.	1824		\$3.10	\$5,124.93
C1020	Interior Doors			\$1.70	\$2,804.39
C10201022600	Door, single leaf, kd steel frame, hollow metal, commercial quality, flush, 3'-0" x 7'-0" x 1-3/8"	1.08		\$0.69	\$1,143.50

LHB Inspection Report

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 2-2

C10201023300	Door, double leaf, kd steel frame, hollow metal, commercial quality, B label, 2 - 3'-0" x 7'-0" x 1-3/8"	0.46		\$1.00	\$1,660.89
C3010	Wall Finishes			\$0.58	\$959.93
C30102300080	Painting, interior on plaster and drywall, brushwork, primer & 2 coats	666.67		\$0.58	\$959.93
C3020	Floor Finishes			\$3.02	\$4,987.14
C30204101600	Vinyl, composition tile, maximum	2000		\$3.02	\$4,987.14
C3030	Ceiling Finishes			\$7.65	\$12,643.98
C30302105800	Acoustic ceilings, 5/8" fiberglass board, 24" x 48" tile, tee grid, suspended support	2000		\$7.65	\$12,643.98
D	Services		35.46%	\$66.41	\$109,771.60
D2010	Plumbing Fixtures			\$7.78	\$12,852.68
D20101102000	Water closet, vitreous china, tank type, 2 piece close coupled	1.7		\$1.87	\$3,093.75
D20103101640	Lavatory w/trim, vanity top, PE on CI, 18" round	1.7		\$2.50	\$4,131.63
D20104404300	Service sink w/trim, PE on CI,wall hung w/rim guard, 22" x 18"	0.85		\$3.40	\$5,627.30
D2020	Domestic Water Distribution			\$2.67	\$4,405.55
D20202202260	Gas fired water heater, residential, 100< F rise, 30 gal tank, 32 GPH	0.85		\$2.67	\$4,405.55
D3050	Terminal & Package Units			\$10.31	\$17,034.36
D30501503360	Rooftop, single zone, air conditioner, food supermarkets, 5,000 SF, 14.17 ton	2000		\$10.31	\$17,034.36
D4010	Sprinklers			\$7.68	\$12,695.20
D40104100600	Wet pipe sprinkler systems, steel, light hazard, 1 floor, 5000 SF	2000		\$7.68	\$12,695.20
D4020	Standpipes			\$8.70	\$14,384.40
D40203101540	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor	1		\$8.70	\$14,384.40
D5010	Electrical Service/Distribution			\$4.90	\$8,102.13
D50101200280	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 200 A	0.5		\$1.23	\$2,040.78
D50102300280	Feeder installation 600 V, including RGS conduit and XHHW wire, 200 A	25		\$1.07	\$1,776.25
D50102400200	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 3 phase, 400 A	0.3		\$2.59	\$4,285.10
D5020	Lighting and Branch Wiring			\$19.94	\$32,969.08
D50201100200	Receptacles incl plate, box, conduit, wire, 2.5 per 1000 SF, .3 watts per SF	2000		\$3.00	\$4,964.16
D50201350280	Miscellaneous power, 1 watt	2000		\$0.46	\$765.16
D50201400280	Central air conditioning power, 4 watts	2000		\$1.01	\$1,662.56
D50202100540	Fluorescent fixtures recess mounted in ceiling, 2.4 watt per SF, 60 FC, 15 fixtures @ 32 watt per 1000 SF	2000		\$15.47	\$25,577.20
D5030	Communications and Security			\$4.43	\$7,328.20
D50309100452	Communication and alarm systems, fire detection, addressable, 25 detectors, includes outlets, boxes, conduit and wire	0.12		\$2.00	\$3,300.65
D50309100460	Fire alarm command center, addressable without voice, excl. wire & conduit	1		\$2.44	\$4,027.55
E	Equipment & Furnishings		0.00%	\$0.00	\$0.00
E1090	Other Equipment			\$0.00	\$0.00
F	Special Construction		0.00%	\$0.00	\$0.00
G	Building Sitework		0.00%	\$0.00	\$0.00
SubTotal		100%		\$187.29	\$309,593.20
Contractor Fees (General Conditions,Overhead,Profit)		15.0%		\$28.09	\$46,438.98
Architectural Fees		0.0%		\$0.00	\$0.00
User Fees		0.0%		\$0.00	\$0.00
Total Building Cost				\$215.39	\$356,032.18

LHB Inspection Report

Norwood Inn Redevelopment TIF District

Code Deficiency Cost Report

Parcel B - 1105 Range Street, North Mankato, Minnesota 56003
Parcel ID 18.557.2980

Building Name or Type
Retail Store

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
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Accessibility Items

Parking

Create a code required accessible parking space	\$ 100.00	EA	1	\$	100.00
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Structural Elements

No Items Noted

\$ -

Exiting

Means of Egress

Install a secondary means of egress per code	\$ 2,500.00	EA	1	\$	2,500.00
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Glass Doors

Install code required 10-inch kick plates on glass doors	\$ 100.00	EA	4	\$	400.00
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Flooring

Repair/replace damaged flooring to create an unimpeded means of emergency egress per code	\$ 5.00	SF	100	\$	500.00
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Thresholds

Modify thresholds do comply with code for maximum height	\$ 100.00	EA	1	\$	100.00
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Emergency Lighting

Install code compliant emergency lighting	\$ 1.75	SF	1,653	\$	2,892.75
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Emergency Notification System

Install a code required emergency notification system	\$ 2.44	SF	1,653	\$	4,033.32
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Sidewalks

Repair damaged sidewalks to create an unimpeded means for emergency egress per code	\$ 25.00	SF	50	\$	1,250.00
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Fire Protection

Smoke Detectors

Install code compliant smoke detectors	\$ 2.00	SF	1,653	\$	3,306.00
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Building Sprinkler System

Install a code required building sprinkler system	\$ 16.38	SF	1,653	\$	27,076.14
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Exterior Construction

No Items Noted

\$ -

Roof Construction

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 2-2

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
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No Items Noted

\$

Mechanical - Electrical

Mechanical

Install a code compliant HVAC system

\$ 10.31 SF 1,653 \$ 17,042.43

Electrical

Install a code compliant electrical wiring system

\$ 4.47 SF 1,653 \$ 7,388.91

Install code compliant lighting

\$ 15.47 SF 1,653 \$ 25,571.91

Total Code Improvements \$ 92,161

LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel B: 1105 Range Street



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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel B: 1105 Range Street



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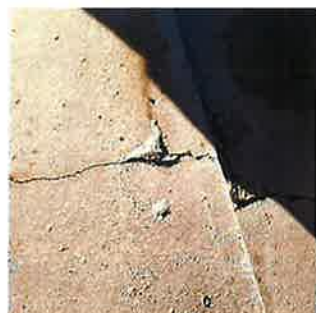
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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel B: 1105 Range Street



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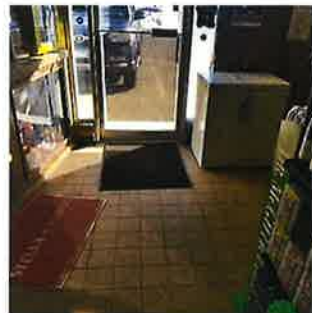
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LHB Inspection Report

Norwood Inn Redevelopment TIF District | Parcel B: 1105 Range Street



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LHB Inspection Report

Prepared by:



701 Washington Avenue North, Suite 200, Minneapolis, MN 5540

LHBcorp.com

LHB Inspection Report

LHB Project No. 221246.00

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To: North Mankato City Council

July 12th 2023

Resignation Letter

Dear Council members,

My family and I will be moving to West Mankato in October of this year. With our move and my busy schedule until then I need to resign as a member of the Port Authority effective August 1st. Please accept my resignation.

It was a pleasure working with everyone,

Ben Kaus