

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 Tuesday, February 21, 2023.

President Olenius called the meeting to order at 5:30 p.m. The following were present: Commissioners Whitlock, Peterson, Oachs, Carlson, Executive Vice President McCann, Assistant Treasurer Ryan, Community Development Director Fischer, and Secretary Van Genderen. Absent Commissioners Kaus and Steiner.

Approval of the Minutes

Commissioner Oachs moved, seconded by Commissioner Whitlock, to approve the minutes of the Port Authority meeting of February 6, 2023. Vote on the motion: Whitlock, Peterson, Carlson, Oachs, and Olenius, aye, no nays. Motion carried.

Approval of Bills

None.

Public Hearing, 5:30 p.m. to Consider the Sale of Real Estate Described as Lot 2, Block 1, Northport No. 22.

Executive Vice President McCann reported that the land is in the Northport Industrial Park, and Gordini, a cold-weather manufacturing company, is interested in purchasing land to build a 120,000-square-foot warehouse.

Community Development Director Fischer reported that Tom Bruce from Rice Companies, who will be building the structure, was available to take questions. Randy Zellmer, who worked with the City to negotiate the purchase agreement, would review the proposed deal.

Randy Zellmer reported that the property is 10.72 acres at the corner of Lookout Drive and Timm Road. The company was initially looking for 10 acres, but due to the county's access restrictions, it was necessary to add the .72 acres. The Port Authority will retain .03 acres at the corner to accommodate a future planned roundabout. The property will be sold for \$65,000 an acre for \$696,800. With any commercial real estate purchase agreement, there is a 90-day due diligence to allow the purchasing developer to ensure everything is in place before proceeding with the purchase. Gordini will provide a down payment of \$65,000, but the due diligence would allow Gordini to back out of the purchase. Due to Gordini applying for TIF Financing and DEED funding, the agreement has four additional 30-day extensions. For every extension, Gordini uses an additional \$10,000 down-payment is required. Gordini also has the right of first refusal on an additional 10 acres. The Right of First Refusal guarantees the current sale rate of \$65,000, and if the Port is approached to sell the 10 acres, Gordini would have the first right to purchase. Mr. Zellmer noted that the Port is responsible for all deferred assessments and a brokerage fee of 4% of the sale price.

Commissioner Olenius requested clarification on the property Gordini was interested in obtaining the first right of refusal. Mr. Zellmer reported that the property is to the west of the current property being purchased. Commissioner Oachs asked if Gordini was requesting a TIF, and if the TIF was not approved, could Gordini back out? Mr. Zellmer reported that Gordini was requesting a TIF; if they did not receive it, Gordini could back out during the due diligence 90 days.

Community Development Director Fischer reviewed the proposed property renderings, including the masonry exterior and architectural metal hybrid. He reviewed the four walls and the percentages of masonry and architectural metal on each.

Commissioner Olenius asked for clarification on how the building would be used. Community Development Director Fischer reported that the building would be 90% warehouse with a small office area. They anticipate hiring up to 30 people and would be looking at an additional 20 people if they expand the building.

With no one appearing, President Olenius closed the Public Hearing.

Res. No. 2-23 Conveying Certain Property Located in the City of North Mankato to G2 Realty LLC

Commissioner Oachs moved, seconded by Commissioner Whitlock, to enter the Purchase Agreement with G2 Realty LLC. Vote on the motion: Whitlock, Peterson, Carlson, Oachs, and Olenius, aye, no nays. Motion carried.

Other Business

None

Open Meeting to the Public

Tom Bruce from Rice Companies appeared before the Port Authority. He stated he appreciated working with the North Mankato staff and welcomed additional projects as they expanded into the area.

Commissioner Whitlock requested clarification on the estimated completion date of the project. Mr. Bruce said the project could be completed by the end of 2023.

There being no further business, Commissioner Oachs moved, seconded by Commissioner Whitlock, to adjourn. Vote on the motion: all ayes. Motion carried. The meeting was adjourned at 5:48 p.m.

President

Secretary



City of North Mankato, MN

Port Authority Claims By Fund

Payment Dates 3/6/2023 - 3/20/2023

Vendor Part Number	Vendor Name	Payment Date	Amount
Fund: 240 - JOINT ECONOMIC DEVELOPMENT			
	BOLTON & MENK, INC.	03/08/2023	560.00
	BOLTON & MENK, INC.	03/08/2023	2,882.00
	CAPTURE INTEL	03/06/2023	2,480.25
	COMMERCIAL PARTNERS TITL	03/20/2023	995.00
	NORTHLAND SECURITIES, INC.	03/20/2023	4,250.00
	FREE PRESS	03/15/2023	217.69
	FREE PRESS	03/15/2023	55.16
Fund 240 - JOINT ECONOMIC DEVELOPMENT Total:			11,440.10
Grand Total:			11,440.10

Report Summary

Fund Summary

Fund	Payment Amount
240 - JOINT ECONOMIC DEVELOPMENT	11,440.10
Grand Total:	11,440.10

Account Summary

Account Number	Account Name	Payment Amount
240-5112-631100	PROFESSIONAL SERVICE	11,440.10
Grand Total:		11,440.10

Project Account Summary

Project Account Key	Payment Amount
None	5,922.25
2023701E	5,517.85
Grand Total:	11,440.10

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

NORTH MANKATO PORT AUTHORITY COMMISSION
CITY OF NORTH MANKATO
NICOLLET AND BLUE EARTH COUNTIES
STATE OF MINNESOTA

RESOLUTION NO. _____

RESOLUTION RECOMMENDING THE ESTABLISHMENT OF
DEVELOPMENT DISTRICT NO. 2 AND THE ADOPTION OF A
DEVELOPMENT PROGRAM THEREFOR; AND THE ESTABLISHMENT OF
TAX INCREMENT FINANCING DISTRICT NO. 2-1 THEREIN AND THE
ADOPTION OF A TAX INCREMENT FINANCING PLAN THEREFOR.

WHEREAS, it has been recommended by the Board of Commissioners (the "Board") of North Mankato Port Authority Commission (the "Port Authority") that the City establish Development District No. 2 and adopt a Development Program therefor (the "Development Program"), establish Tax Increment Financing District No. 2-1 and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Development Program and the TIF Plan are referred to collectively herein as the "Program and Plan"), all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.048 through 469.068, Sections 469.124 to 469.133, and Sections 469.174 to 469.1974, inclusive, as amended, all as reflected in the Program and Plan and presented for the Board's consideration.

NOW, THEREFORE, BE IT RESOLVED by the Board that the Port Authority determines that Development District No. 2 and Tax Increment Financing District No. 2-1 are in the public interest and the Port Authority recommends that the proposed Program and Plan be adopted by the City Council.

Approved by the Board of Commissioners of the North Mankato Port Authority Commission this 20th day of March, 2023.

President

ATTEST:

Secretary



MEMORANDUM

To: City of North Mankato
From: Tammy Omdal
Date: March 2, 2023
Re: Updated Financial Evaluation of Request from Gordini U.S.A., Inc. for Public Assistance

City of North Mankato ("City") received an application from Gordini U.S.A., Inc. ("Company") requesting financial assistance for the construction of an approximate 120,000 SF warehouse and distribution facility for socks, and other cold weather clothing accessories ("Project"). The Company is requesting the City to establish a tax increment financing district and for the City to work in conjunction with the Company on application to the State of Minnesota for public financial assistance through state grant funding.

The Company has stated that it feels the only way to expand in Minnesota without negatively impacting its competitiveness on a national scale is through incentives.

The Company finds that the proposed approximate 10-acre site in the City, located at the corner of Lookout Drive and 520th Street within the City on property (PID 18.312.0010) owned by the North Mankato Port Authority ("Property") is of sufficient size to accommodate the Project. The building will be occupied solely by the Company but owned by a related entity G2 Realty LLC.

This memorandum provides a financial analysis of the request for public financial assistance based on information available to Northland.

Background of Company

The Company offered the following background as provide in its applications:

Gordini USA is an international brand, with distribution facilities and employees in numerous locations throughout the country, including Minnesota. Gordini opened a distribution facility in Mankato to support the launch of its new licensed product, Carhartt Socks. During 2022, as the business grew, Gordini expanded into two additional facilities in the area and grew its regional staff. Gordini would like to consolidate these facilities into one building. Labor is scarce in the Mankato/North Mankato area; in fact, the Bureau of Labor and Statistics cited Mankato/North Mankato as currently having the lowest unemployment rate in the nation, at 1.3%. Other areas of the country are under consideration for expansion, including our home state of Vermont, as well as the West Coast. Goods are imported via the New York or Boston ports in the East, or LA or Vancouver in the West. A distribution facility closer to the ports would help Gordini efficiently ship goods to its customers, who are located throughout the country. The available labor pool is substantially greater in other locations under consideration.

The Company states that the Project will result in 30 full time equivalent (FTE) jobs to be created within two years. The average hourly wage of the 30 FTEs is reported at \$19.57 per hour, with a range of \$19.00 to \$25.00 per hour.

Request for Public Financial Assistance

The proposed public purpose of the public financial assistance, a business subsidy, is to increase or preserve the tax base and to create new jobs in City. Due to the extraordinary costs associated with acquisition and development of the Project, the Company is seeking financial assistance.

Tax Increment Financing (Provided by City)

The request for assistance from City is for tax increment financing assistance on what is commonly referred to as a “pay-as-you-go” basis. City has the authority to consider the establishment of a Tax Increment Financing Economic Development District (“TIF District”) to provide for the collection and use of tax increment revenue generated from the property to assist the Project for a maximum period of nine years.

The term “pay-as-you-go” is used to describe this type of assistance to a third-party, payable semi-annually, solely from tax increment revenue generated from the property. The reason for semi-annual payments from City to Company is to coincide with the semi-annual tax payments the property owner will make to the County. City receives tax distributions from the County on a semi-annual basis. Exhibit C provides cash flow estimates for the tax increment financing revenue.

City will retain the first \$40,556 of annual tax increment to reimburse City for up to \$365,000 of storm water (utility) improvements for the Project. The remaining tax increment will be split 2.5% and 97.5% between City and Company, respectively. City will use 2.5% of tax increment to pay administrative costs incurred for administration of the assistance for the Project.

City will use 97.5% of tax increment to reimburse the Company up to \$1,260,000 of project costs (\$700,000 for land acquisition plus \$560,000 for construction costs, payable with interest at rate of 5.5%, simple non-compounded).

State of Minnesota Investment Fund (MIF)

The source of funds for the Project includes assistance from the Minnesota Investment Fund (MIF). The Company is also making application for the Minnesota Job Creation Fund to provide additional benefits to the Company based on job and wage creation. The MIF Program provides loans to businesses that create or retain high-paying, full-time permanent jobs, and invest in machinery or real property acquisition or improvements. The program is available statewide for manufacturing, distribution, warehousing, and other eligible business activities. Applications are accepted on a year-round basis as funds are available.

To receive funds from the MIF Program, a business must work in conjunction with the local or county government where the business will be located. A MIF application must be completed and submitted to the Department of Employment and Economic Development (DEED). Prior to submission of the application the local government, City must hold a public hearing concerning submittal of the application for the MIF Program to DEED. Following the hearing, City may consider adoption of a

resolution making certain findings. The resolution must be adopted prior to the City's submission of the application for the MIF Program.

The total subsidy to the Developer supported by TIF is \$1,625,000 plus the requested MIF funds of \$420,000 for a combined total of \$2,045,000. Job Creation Funds, if awarded, will be in addition to this amount.

Financial Analysis

Based on Northland's financial analysis and general review of the information provided by the Company, we find no concerns with the Company's ability to meet its commitments to the City. We find the Company to be in sound financial condition based on the information provided. The information reviewed by Northland included, but was not limited to the following:

- Audited Financial Statements, March 31, 2022 and 2021, for Gordini U.S.A., Inc.
- Audited Financial Statements, March 31, 2021 and 2020, for Gordini U.S.A., Inc. and Subsidiary
- Unaudited 6-Month Financial Statements, September 30, 2022 compared to September 30, 2021, for Gordini U.S.A., Inc.
- Credit presentation from Community Bank Mankato, bank commitment letter dated February 7, 2023 was signed by Robert Beadell, Vice President Commercial Lending for Community Bank Mankato. The letter offers that the Company has been conditionally pre-qualified for a construction loan up to \$9,200,000 to construct a 120,000 SF warehouse in North Mankato.

Northland offers the following observations on the Company's financial condition:

- Company's liabilities are low relative to existing assets, which is a positive factor for the Company's ability to meet its future obligations and commitments to the City.
- Company's liquidity ratio decreased year over year from September 30, 2021 to 2022, but the Company remains in a strong position to meet its obligations, including commitments to the City.
- Company reported access to credit, but it is not burdened by significant long-term debt. While bank notes payable increased year over year from September 30, 2021 to 2022, it appears to be driven by growth.
- Company's gross profit has increased over the last few years, and net income has been stable.

Exhibit B provides a summary of the estimated sources and uses of funds for the Project. Based on Northland's review of the information provided by the Company and under current market conditions, Northland finds that the Project may not reasonably be expected to occur solely through private investment within the reasonably near future. Due to the costs associated with acquisition of the property, construction of the improvements, among other economic factors, the Project as proposed may only be feasible through assistance, in part, from tax increment financing and MIF. Without the public financial assistance, the Project as proposed would need to be modified or not feasible. Facts supporting this finding are as follows:

- As shown in Exhibit B, the Company proposes the Project to be funded from a combination of debt, equity, TIF (local government), and MIF. The Company will need to provide equity to pay for certain project costs that will be reimbursed from the TIF on a pay-go-basis. The estimated total
-

amount of TIF assistance from City is a not to exceed amount of \$1,625,000. Of this amount, City will provide \$365,000 of up-front assistance through City payment of storm water improvements, and the Company will need to finance the remaining amount with its own funds. The “pay-go” TIF assistance will help to reduce the effective cost of the project by an equivalent \$1,260,000 (present value of tax increment payable to the Company at 5.5% interest rate).

- The total cost for the Project is estimated to be \$11,905,000, including machinery and equipment. Based on Northland’s experience and given the square footage and location of the Project, we find the Project cost estimate to be reasonable.
 - The Project includes an equity contribution of 10.2%. The present value of the tax increment financing assistance represents an equivalent 13.6% of the total estimated cost for the Project. The Company will need to provide owner cash, equity, or other private funds to pay for the \$1,260,000 of up-front project costs that will be reimbursed with future tax increment revenue over a period of up to nine years. Assuming this amount is provided with equity, the equity contribution increases to 20.7% of the Project cost. Northland finds the equity contribution ratios acceptable and consistent with financings for similar types of projects.
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EXHIBIT A

Developer Source and Use of Funds for the Project

Use of Funds	MIF	Bank	Equity	Local Government	Other	Total
Property Acquisition				700,000		700,000
Site Improvement			250,000	365,000		615,000
New Construction		8,650,000	540,000	560,000		9,750,000
Renovation of Existin Bldg.						-
Purchase of M & E	420,000		420,000			840,000
Other						-
Total Project Cost	420,000	8,650,000	1,210,000	1,625,000	-	11,905,000
<i>Percent of Total</i>	<i>3.5%</i>	<i>72.7%</i>	<i>10.2%</i>	<i>13.6%</i>	<i>0.0%</i>	<i>100.0%</i>

Note:

Local Government to pay \$365,000 up-front costs for storm water improvements and reimburse the Business up to \$1,260,000 over a 9 year period (for property acquisition and constructions costs) with interest at rate of 5.5%, payable from tax increment from the project.

EXHIBIT B

Estimated Tax Increment Cash Flow from the Project

City of North Mankato
Tax Increment Financing District No. 2-1 (Economic Development)
Gordini - Warehousing and Distribution
Projected Tax Increment Financing (TIF) Cash Flow

TIF District Year	Taxes Payable Year	Taxable Market Value (TMV)	Captured Tax Capacity for TIF	Original Tax Rate	TIF from District	TIF to Reimburse City for Project Costs	TIF to City for Admin Costs	TIF to Developer	Present Value of TIF to Developer (5.5% rate)
1	2025	9,600,000	180,743	126.15%	227,181	40,556	4,666	181,960	164,746
2	2026	9,696,000	182,663	126.15%	229,594	40,556	4,726	184,313	322,810
3	2027	9,792,960	184,602	126.15%	232,032	40,556	4,787	186,689	474,456
4	2028	9,890,890	186,561	126.15%	234,494	40,556	4,848	189,090	619,941
5	2029	9,989,798	188,539	126.15%	236,980	40,556	4,911	191,514	759,509
6	2030	10,089,696	190,537	126.15%	239,492	40,556	4,973	193,963	893,396
7	2031	10,190,593	192,555	126.15%	242,028	40,556	5,037	196,435	1,021,829
8	2032	10,292,499	194,593	126.15%	244,589	40,556	5,101	198,933	1,145,026
9	2033	10,395,424	196,652	126.15%	247,177	40,556	5,166	201,000	1,262,930
TOTAL =					2,133,566	365,000	44,214	1,723,896	1,262,930

Key Assumptions:

- 1 Taxable market value (TMV) annual growth assumption = 1.0%
- 2 Original Tax Capacity Rate is estimated based on Taxes Payable Year 2022 . The original tax rate will be certified by the county auditor and will be based on Pay 2023 rate, if the request for certification of the TIF
- 3 Election for captured tax capacity is 100.00%
- 4 Base Tax Capacity is calculated based on a preliminary estimated TMV = \$562,848 for 10 acres of land.
- 5 Present Value (PV) calculated based on semi-annual payments and estimated rates, as shown in schedule,
- 6 TIF from District is the estimated tax increment generated from the TIF district after deduction of State Auditor fee.

EXHIBIT C

Proposed Calendar for Establishment of TIF District for the Project

City of North Mankato
Establishment of Development District No. 2
Establishment of Tax Increment Financing District No. 2-1
Economic Development TIF District
Gordini - Warehousing and Distribution
Public Hearing on March 20

January 2023

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

January 27 Developer submits application for TIF by this date

February 2023

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

February 6 Port Authority informed of proposed TIF District

February 6 City Council calls for public hearing for TIF and business subsidy

February 8 Northland distributes draft TIF Plan and Financial Evaluation memo to City

February 16 Last day for notice, TIF plan, and fiscal implications to County and School District

March 2023

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

March 1 Notice due to newspaper

March 4 Newspaper publication date for hearing notice

March 9 Planning Commission review of Plan for Development

March 20 Port Authority recommends City Council approve TIF District

March 20 Public hearing and establishment of TIF District

March 20 City Council approves agreement(s) with Developer

April 2023

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

April 24 Submit request for certification to county auditor

April 24 Submit TIF plan to State

June 30 Certification of TIF District by county auditor no later than this date

Notes to Calendar:

1 Denotes City Council meeting dates

2 Port Authority meeting dates are planned to be scheduled on same date as Council meeting dates.

3 Denotes Planning Commission meeting date

DRAFT

CITY OF NORTH MANKATO, MINNESOTA

DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 2

AND TAX INCREMENT FINANCING PLAN FOR

TAX INCREMENT FINANCING (ECONOMIC DEVELOPMENT)

DISTRICT NO. 2-1 (GORDINI)

PUBLIC HEARING DATE: _____, 2023

TIF PLAN APPROVED: _____, 2023

REQUEST FOR CERTIFICATION: _____ 2023

TIF DISTRICT CERTIFIED: _____, 2023



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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 to assist with economic development within the City. This document contains the plan for achieving the objectives of the Development Program for Development District No. 2 through the establishment and use of tax increment financing districts within its boundaries. This document also contains the Tax Increment Financing Plan for Tax Increment Financing (Economic Development) District No. 2-1, which is the first district to be established within the boundaries of Development District No. 2.

SECTION 1.02 DEFINITIONS

The terms defined below, for purposes hereof, and for purposes of Development District No. 2 and the Development Program related thereto and for Tax Increment Financing District No. 2-1 and the Tax Increment Financing Plan related thereto which is established and approved within Development District No. 2, shall have the following respective meanings, unless the context specifically requires otherwise.

1. “Authority” means the North Mankato Port Authority.
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. “Developer” means a private party undertaking construction within the TIF District.
6. “Development” means the construction of an approximate 120,000 square feet warehouse and distribution facility for socks, and other cold weather clothing accessories.
7. “Development District” means Development District No. 2 in the City, created and established pursuant to and in accordance with the Development District Act.
8. “Development District Act” means Minnesota Statutes, Sections 469.124 through 469.133, as amended and supplemented from time to time.
9. “Development Program” means the Development Program for the Development District, as amended and supplemented from time to time.
10. “Public Development Costs” means the cost of the Development, including administrative expenses, and interest as a financing cost, which will be paid or financed with tax increments from the TIF District, but not to exceed the estimated tax increment generated by the development activity expected to occur within the Development District and TIF District.
11. “Property” means the approximate 10 acre site within the TIF District as described in Section 3.03.2 of the TIF Plan.
12. “Project Area” means the geographic area of the Development District.
13. “Project Costs” means Public Development Costs.
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 (Economic Development) District No. 2-1 (Gordini).
19. "TIF Plan" means the tax increment financing plan for the TIF District (this document).

SECTION 1.03 EXHIBITS

The following exhibits are attached to and by reference made a part of the Development Program and Tax Increment Financing Plan:

- Exhibit I: Present Value Analysis.
- Exhibit II: Projected Tax Increment
- Exhibit III: Impact on Other Taxing Jurisdictions
- Exhibit IV: Estimated Tax Increment Over Life of District
- Exhibit V: Map of Development District and TIF District

SECTION 1.04 PLAN PREPARATION

This document was prepared for the City by Northland Public Finance, part of Northland Securities, Inc.

ARTICLE II - DEVELOPMENT PROGRAM

SECTION 2.01 OVERVIEW

The City hereby establishes Development District No. 2 and the related Development Program as a tool to achieve the objectives described in Section 2.02. The Development District serves as the "Project Area" for the tax increment financing districts established within its boundaries. The Development Program describes the City's objectives for the development of this area and the use of tax increment financing.

SECTION 2.02 STATEMENT OF OBJECTIVES

The establishment of the Development District pursuant to the Development District Act is necessary and in the best interests of the City and its residents and is necessary to give the City the ability to meet certain public purpose objectives that would not be obtainable in the foreseeable future without intervention by the City in the normal development process.

The City intends, to the extent permitted by law, to accomplish the following objectives through the implementation of the Development Program:

1. Provide for the acquisition of land and construction and financing of the private development in the Development District which are necessary for the orderly and beneficial development of the Development District and adjacent areas of the City.
2. Encourage the redevelopment of blighted and under-utilized areas of the City.

3. Facilitate the removal of deteriorated structures and encourage redevelopment in commercial areas providing high levels of property maintenance and private investment.
4. Provide parking needed to support development and encourage use of shared parking to promote additional private development.
5. Build, maintain improve, and reconstruct public improvements and utilities needed to support development.
6. Promote and secure the prompt and unified development of certain property in the Development District, which property is not now in productive use or in its highest and best use, with a minimum adverse impact on the environment, and thereby promote and secure the desirable development of other land in the City.
7. Promote and secure additional employment opportunities within the Development District and the City for residents of the City and the surrounding area, thereby improving living standards and reducing unemployment and the loss of skilled and unskilled labor and other human resources in the City.
8. Secure the increase in values of property subject to taxation by the City, the School District, the County, and other taxing jurisdictions in order to better enable such entities to pay for governmental services and programs that they are required to provide.
9. Promote the concentration of new unified development consisting of desirable industrial and other appropriate development in the Development District so as to maintain these areas in a manner compatible with its accessibility and prominence in the City.
10. Encourage the expansion and improvement of local business, economic activity and development, whenever possible.
11. Create a desirable and unique character within the Development District through quality land use alternatives and design quality in new buildings.

SECTION 2.03 BOUNDARIES OF DEVELOPMENT DISTRICT

The boundaries of the Development District are conterminous with the municipal boundaries of the City as shown in Exhibit V.

SECTION 2.04 DEVELOPMENT ACTIVITIES

The City will perform or cause to be performed, to the extent permitted by law, all project activities pursuant to the Development District Act, the TIF Act, and other applicable state laws, and in doing so anticipates that the following may, but are not required, to be undertaken by the City:

1. The making of studies, planning, and other formal and informal activities relating to the Development Program.
2. The implementation and administration of the Development Program.
3. The rezoning of land within the Development District.
4. The acquisition of property, or interests in property, by purchase or condemnation, which acquisition is consistent with the objectives of the Development Program.
5. The preparation of property for use and development in accordance with applicable Land Use Regulations and the Development Agreement, including demolition of structures, clearance of sites, placement of fill and grading.
6. The resale of property to private parties.

7. The construction or reconstruction of site improvements to property within a tax increment financing district.
8. The construction, improvement and maintenance of parking facilities.
9. The construction, improvement and maintenance of streets, sidewalks, alleys, and public utilities.
10. The issuance of Tax Increment Bonds to finance the Public Development Costs of the Development Program, and the use of tax increment revenue available to the City to pay or finance the Public Development Costs of a tax increment financing district, as provided in a tax increment financing plan, incurred or to be incurred by it pursuant to the Development Program.
11. The use of tax increment revenue to pay debt service on the Tax Increment Bonds or otherwise pay or reimburse with interest the Public Development Costs of a tax increment financing district, as provided in a tax increment financing plan.

SECTION 2.05 PAYMENT OF PUBLIC DEVELOPMENT COSTS

Public Development Costs and the plan for their payment will be described in the tax increment financing plans for a tax increment financing district. It is anticipated that the Public Development Costs of the Development Program will be paid primarily from tax increment revenues from tax increment financing districts within the Development District. The City reserves the right to utilize other available sources of revenue, including but not limited to special assessments, user charges and financial assistance from other units of government, which the City may apply to pay a portion of the Public Development Costs.

SECTION 2.06 ENVIRONMENTAL CONTROLS; LAND USE REGULATIONS

All municipal actions, public improvements and private development shall be carried out in a manner consistent with existing environmental controls and all applicable land use regulations.

SECTION 2.07 PARK AND OPEN SPACE TO BE CREATED

Park and open space within the Development District, if created, will be created in accordance with the City's Comprehensive Plan and zoning and subdivision ordinances.

SECTION 2.08 PROPOSED REUSE OF PROPERTY

The Development Program provides that the City or Authority may acquire property and reconvey the same to another entity. All parcels in the Development District are eligible for acquisition. In acquiring land, the City will require the execution of a binding development agreement with respect thereto and evidence that tax increment revenues or other funds will be available to repay the costs associated with the proposed acquisition of property. It is the intent of the City to negotiate the acquisition of property whenever possible. Appropriate restrictions regarding the reuse and redevelopment of property shall be incorporated into any development agreement to which the City is a party.

SECTION 2.09 ADMINISTRATION AND MAINTENANCE OF DEVELOPMENT DISTRICT

Maintenance and operation of the Development District will be the responsibility of the City Administrator or designee of the City who shall serve as administrator of the Development District for the City. Each year the Administrator will submit to the City the maintenance and operation budget for the following year.

The Administrator will administer the Development District pursuant to the provisions of Section 469.131 of the Development District Act; provided, however, that such powers may only be exercised at the direction of the City Council. No action taken by the Administrator pursuant to the above-mentioned powers shall be effective without authorization by the City Council.

SECTION 2.10 AMENDMENTS

The City reserves the right to alter and amend the Development Program, subject to the provisions of state law regulating such action. The City specifically reserves the right to enlarge or reduce the size of the Development District, the Development Program and the Public Development Costs of the Development Program.

ARTICLE III - TAX INCREMENT FINANCING DISTRICT AND PLAN

SECTION 3.01 STATUTORY AUTHORITY

Tax Increment Financing (Economic Development) District No. 2-1 and the TIF Plan are established under the authority of the TIF Act.

SECTION 3.02 PLANNED DEVELOPMENT

3.02.1 Statement of Objectives

The objectives which the City seeks to achieve through the implementation of the TIF District are set out in the Development Program.

3.02.2 Development Program

In addition to achieving the objectives of the City's plans and Development Program, the proposed 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 of the City as a whole.

3.02.3 Development Description

The Project within the TIF District includes the construction of an approximate 120,000 square feet warehouse and distribution facility for socks, and other cold weather clothing accessories.

3.02.4 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 of the City as a whole.

3.02.5 Property Acquisition

The City does not plan to acquire property within the TIF District. At time of establishment of the TIF District the Authority owns the Property within the TIF District. The Authority plans to convey the Property for the purpose of economic development.

3.02.6 *Development Activities*

As of the date of approval of the TIF Plan, there are no development activities proposed in the TIF Plan that are subject to contracts.

3.02.7 *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 that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the 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 the cost of land acquisition, site improvements, and utilities to allow for the Developer to proceed with construction of the Development.
- The Developer has represented that the Development is necessary to retain its current operations in Minnesota, to expand its business and increase jobs in Minnesota, and to increase the tax base in Minnesota.
- 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 proposed 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 3.03 TAX INCREMENT FINANCING DISTRICT**3.03.1 *Designation***

The TIF District is designated Tax Increment Financing (Economic Development) District No. 2-1 (Gordini).

3.03.2 *Boundaries of TIF District*

The TIF District includes a portion, an approximate 10 acre site (the "Property"), of an approximate 12.57 acre property identified as parcel 18.312.0010 located in the City within Nicollet County and encompasses all adjacent rights-of-way and abutting roadways to the property.

The boundaries of the TIF District are shown in Exhibit V. The Property will be platted prior to the City submitting a request for certification of the TIF District to the County. The Property in the TIF District is described as follows:

- *Lot 2 , Block 1, Northport No. 22*

3.03.3 *Type of District*

The TIF District is established as an "economic development" district pursuant to Sections 469.174 subd. 12, and 469.176, subd. 4c, of the TIF Act.

The TIF Act allow tax increments from an economic development district as a tax increment financing district that consists of any project or portions of a project which the City finds to be in the public interest because:

- (1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality;
- (2) it will result in increased employment in the state;

- (3) it will result in preservation and enhancement of the tax base of the state; or
- (4) it satisfies the requirements of a workforce housing project under Section 469.176, subd. 4c, paragraph (d) of the TIF Act.

The City finds the Development to be in the public interest because it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality, it will result in increased employment in the state and it will result in preservation and enhancement of the tax base of the state.

Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

- (1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;
- (2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;
- (3) research and development related to the activities listed in clause (1) or (2);
- (4) telemarketing if that activity is the exclusive use of the property;
- (5) tourism facilities;
- (6) space necessary for and related to the activities listed in clauses (1) to (5) or
- (7) a workforce housing project that satisfies the requirements of Section 496.176, subd. 4c, paragraph (d) of the TIF Act.

The Development will be used for the purpose of warehousing and distribution of tangible personal property, and 100% of the planned building will be used for this purpose. The Development is a qualified facility and meets these requirements in the TIF Act.

SECTION 3.04 PLAN FOR USE OF TAX INCREMENT

3.04.1 *Estimated Tax Increment*

The original tax capacity of value of the TIF District will be set by the County upon request for certification. The original tax capacity value may change over time based on the use and tax classification of each parcel. For the purposes of the TIF Plan, the estimated original tax capacity is estimated at \$11,257 based on the estimated market value of \$562,848 of the Property as described in Section 3.03.2 of the TIF Plan.

The total tax capacity value of the property after completion of the Development is estimated to be \$192,000. This amount is based on a total estimated market value of \$9,600,000 classified as commercial property. The market value amount is an estimates for purpose of estimating tax increment for the TIF Plan. The actual market value, as will be assessed by the County, will vary from this estimate.

The difference between the total tax capacity value and the original tax capacity value is the captured tax capacity value for the creation of tax increment. It is the City's intent to retain 100% of the captured tax capacity value for the life of the TIF district.

The original tax rate for the TIF District, as certified by the auditor of the County, will be 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 property in the district. Tax increment estimates included in the TIF Plan are based on a local tax rate of 126.15%, which

is the local tax rate for taxes payable in 2022. The original tax rate for the District will be based on the current tax rate based on the actual certification date for the TIF District and will vary from the tax rate used to estimate tax increment in the TIF Plan.

Pursuant to Section 469.177, subd. 2 of the TIF Act, it is found and declared that all of the captured tax capacity generated within the TIF District is necessary to finance or otherwise make permissible expenditures authorized by Section 469.176, subd. 4 of the TIF Act.

Under these assumptions, the estimated annual tax increment upon completion of the Development is \$227,181 (after deducting the State Auditor's Office fee of 0.36% of the tax increment distribution) in the first year of tax increment collection. 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 proposed development and the changes in property value and state laws that govern calculation of property taxes over the life of the district. Exhibit II contains the projected tax increment over the life of the TIF District.

3.04.2 Public Development Costs

The City plans to use tax increment to pay the Public Development Costs. The Public Development Costs eligible for reimbursement from tax increment pursuant to the TIF Act may include land acquisition, site improvements and preparation costs, utilities, other qualified costs, and costs related to the establishment of the TIF District and other administration costs.

3.04.3 Estimated Sources and Uses of Funds

The estimated sources of revenue, along with the Public Development Costs of the TIF District, are itemized in Figure 3-1. These estimates are based on the best available information for the sources and uses of funds. Such costs are eligible for reimbursement from tax increment from the TIF District. The City reserves the right to administratively adjust the amount of any of the Project Cost line items listed in Figure 3-1, so long as the "Total Estimated Project Costs" is not increased, not including interest expense.

Figure 3.1
City of North Mankato
Tax Increment Financing District No. 2-1
TIF Plan Estimated Sources and Uses of Funds for Public Development Costs
Gordini - Warehousing and Distribution

	Total
Estimated Tax Increment Revenues (from tax increment generated by the district)	
Tax increment revenues distributed from the county	\$2,133,566
Interest and investment earnings	\$50,000
Total Estimated Tax Increment Revenues	\$2,183,566
Estimated Project/Financing Costs (to be paid or financed with tax increment)	
Project costs	
Land/building acquisition	\$700,000
Site improvements/preparation costs	\$560,000
Utilities	\$365,000
Other qualifying improvements	\$0
Administrative costs	\$44,214
Estimated Tax Increment Project Costs	\$1,669,214
Estimated financing costs	
Interest expense	\$514,352
Total Estimated Project/Financing Costs to be Paid from Tax Increment	\$2,183,566
Estimated Financing	
Total amount of bonds to be issued	\$1,669,214

3.04.4 Administrative Expense

The City will use tax increments to pay for and reimburse the City for costs of administering the TIF District and interest expense pursuant to the limitations within the TIF Act. The TIF Act provides that not more than 10 percent of the tax increment revenues distributed from the County may be used to pay administrative expense. Anticipated administrative expenses of the TIF District include annual audit of the fund for TIF District, preparation of annual reporting, legal publication of annual report, and administration of the development agreement. The City may also reimburse itself for costs associated with the establishment of the TIF District.

3.04.5 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.

3.04.6 Bonded Indebtedness

Tax Increment Bonds issued in connection with “any project for which tax increment financing has been undertaken” must be one of the types of bonds expressly authorized by Section 469.178 of the TIF Act. The types of bonds include general obligation bonds supported by tax increment, revenue bonds (including pay-as-you-go, or PAYG, obligations); and interfund loans or advances.

The total amount of bonds estimated to be issued to pay Public Development Costs is shown in Figure 3.1. The City does not intend (but reserves the authority) to issue general obligation bonds as a result of the TIF Plan. The City plans to use tax increments to reimburse itself for administrative costs and to reimburse the Developer on a pay-go basis for certain Public Development Costs, with interest.

The City plans to approve an interfund loan to reimburse itself for Public Development Costs it will incur for utility (storm water) improvements for the Development. The City may advance or loan money to finance expenditures, under Section 469.176, subd. 4 of the TIF Act, from the general funds of the City or any other legally authorized fund to finance qualified expenditures, 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 or of the Authority, whichever has jurisdiction over the fund from which the advance or loan is authorized.
- (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.

3.04.7 *Duration of TIF District*

The duration to collect and spend tax increments on eligible purposes is set at the maximum duration of eight (8) years after the date of receipt of the first tax increment or nine (9) years of tax increment collection. The estimated first year of tax increment collect is 2025. The estimated decertification date is 12/31/2033.

3.04.8 *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 finds that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The City anticipates minimal impact of the proposed development on city-provided services. A slight 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.

3.04.9 *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. If building permits had been issued during this time period, then the County Auditor would increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

ARTICLE IV – ADMINISTERING THE TIF DISTRICT

SECTION 4.01 FILING AND CERTIFICATION

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

1. Upon adoption of the TIF Plan, the City shall submit a copy of the TIF Plan to the Minnesota Department of Revenue and the Office of the State Auditor.
2. The City shall request that the auditor of the County to certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the 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.

SECTION 4.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN

The City reserves the right to modify the TIF District and the TIF Plan. Pursuant to the TIF Act, 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 Project Costs.
- Designation of additional property to be acquired by the City.

Other modifications can be made by resolution of the City Council. In addition, the original approval process does not apply if (1) the only modification is elimination of parcels from the TIF District and (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The City must notify the auditor of the County 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 4.03 FOUR-YEAR KNOCKDOWN RULE

Pursuant to Section 469.176, subd. 6 of the TIF Act, the Four-Year Knockdown Rule requires that if after four years from certification of the TIF District no demolition, rehabilitation, renovation or site improvement, including a qualified improvement of an adjacent street, has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The City must submit to the auditor of the County, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

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

SECTION 4.04 FIVE-YEAR RULE AND SIX-YEAR RULE

The TIF Act was amended in 1990 to include a Five-Year Rule and a Six-Year Rule, pursuant to Section 469.1763 of the TIF Act. Five-Year Rule and the Six-Year Rule were enacted at the same time and in the same bill as Pooling Restrictions (see 1990 Laws of Minnesota). The TIF District is subject to the Five-Year Rule and Six-Year Rule.

The City plans that revenues derived from tax increments paid by properties in the TIF District will be spent only to assist the Development directly, including administrative expenses. The tax increment financing assistance is necessary for the Development, and all of the increments, except those for administrative expenses, will be spent only for activities within the boundaries of the TIF District.

Revenues 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 revenues derived from tax increments paid by properties in the TIF District will be spent or obligated within this time period, except for administrative expenses. Unless the TIF Plan is modified within this five-year period and additional expenditures are authorized, revenues derived from tax increments paid by properties in the TIF District will only be used to pay for authorized Public Development Costs as shown in Figure 3.1.

SECTION 4.05 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS

The City will comply with the annual reporting requirements of state law 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 each tax increment financing district.

The reporting and disclosure requirements outlined in this section begin with the year the district was 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 increment.

SECTION 4.06 BUSINESS SUBSIDY COMPLIANCE

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

Exhibit I
City of North Mankato
Tax Increment Financing District No. 2-1
Present Value Analysis As Required By Section
469.175(3)(2) of the TIF Act

1 Estimated Future Market Value w/ Tax Increment Financing	10,395,424 ¹
2 Payable 2022 Market Value	<u>562,848</u>
3 Market Value Increase (1-2)	9,832,576
4 Present Value of Future Tax Increments	<u>1,697,669</u>
5 Market Value Increase Less PV of Tax Increments	8,134,907
6 Estimated Future Market Value w/o Tax Increment Financing	609,484 ¹
7 Payable 2022 Market Value	<u>562,848</u>
8 Market Value Increase (6-7)	<u>46,636</u>
9 Increase in MV From TIF	<u><u>8,088,272</u></u> ²

¹ Assume 1.00% annual appreciation over 9 year life of district.

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

Exhibit II
City of North Mankato
Tax Increment Financing District No. 2-1 (Economic Development)
Gordini - Warehousing and Distribution
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	Captured TIF	Less State Fee	TIF from District	PV Available TIF from District
1	2025	9,600,000	192,000	11,257	180,743	126.15%	228,002	(821)	227,181	211,281
2	2026	9,696,000	193,920	11,257	182,663	126.15%	230,424	(830)	229,594	416,514
3	2027	9,792,960	195,859	11,257	184,602	126.15%	232,870	(838)	232,032	615,872
4	2028	9,890,890	197,818	11,257	186,561	126.15%	235,341	(847)	234,494	809,522
5	2029	9,989,798	199,796	11,257	188,539	126.15%	237,836	(856)	236,980	997,626
6	2030	10,089,696	201,794	11,257	190,537	126.15%	240,357	(865)	239,492	1,180,342
7	2031	10,190,593	203,812	11,257	192,555	126.15%	242,902	(874)	242,028	1,357,822
8	2032	10,292,499	205,850	11,257	194,593	126.15%	245,473	(884)	244,589	1,530,216
9	2033	10,395,424	207,908	11,257	196,652	126.15%	248,070	(893)	247,177	1,697,669
TOTAL =							2,141,275	(7,709)	2,133,566	1,697,669

Key Assumptions:

- 1 Taxable market value (TMV) annual growth assumption = 1.0%
- 2 Original Tax Capacity Rate is estimated based on Taxes Payable Year 2022 . The original tax rate will be certified by the county auditor and will be based on Pay 2023 rate, if the request for certification of the TIF District is submitted prior to June 30, 2023.
- 3 Election for captured tax capacity is 100.00%
- 4 Base Tax Capacity calculated based on preliminary estimated TMV of \$562,848 for an approximate 10-acres of land.
- 5 Present Value (PV) calculated based on semi-annual payments and estimated 4.0% rate, dated date 1/1/2024.
- 6 TIF from District is the estimated tax increment generated from the TIF district after deduction of State Auditor fee,

Exhibit III
City of North Mankato
Tax Increment Financing District No. 2-1
Impact on Other Taxing Jurisdictions
(Taxes Payable 2022)

Annual Tax Increment

Estimated Annual Captured Tax Capacity (Full Development)	\$196,652
Payable 2022 Local Tax Rate	126.147%
Estimated Annual Tax Increment	\$248,070

Percent of Tax Base

	Net Tax Capacity (NTC)	Captured Tax Capacity	Percent of Total NTC
City of North Mankato	13,679,965	196,652	1.44%
Nicollet County	41,585,442	196,652	0.47%
ISD 77	75,734,950	196,652	0.26%

Dollar Impact of Affected Taxing Jurisdictions

	Net Tax Capacity (NTC)	% of Total	Tax Increment Share	Added Local Tax Rate
City of North Mankato	47.833%	37.918%	94,064	0.688%
Nicollet County	55.611%	44.084%	109,360	0.263%
ISD 77	22.272%	17.656%	43,798	0.058%
Other	0.431%	0.342%	848	
Totals	126.147%	100.000%	248,070	

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.

NOTE NO. 3: The amounts included in Exhibit III for NTC are from page 8 and page 10 of the County's Official Statement for Bond Series, 2020A. The City has requested the County to provide current NTC to be included here in EXhibit III.

DEVELOPMENT DISTRICT NO. 2 AND TAX INCREMENT FINANCING DISTRICT NO. 2-1

Exhibit IV
City of North Mankato
Tax Increment Financing (Economic Development) District No. 2-1
Estimated Tax Increments Over Maximum Life of District

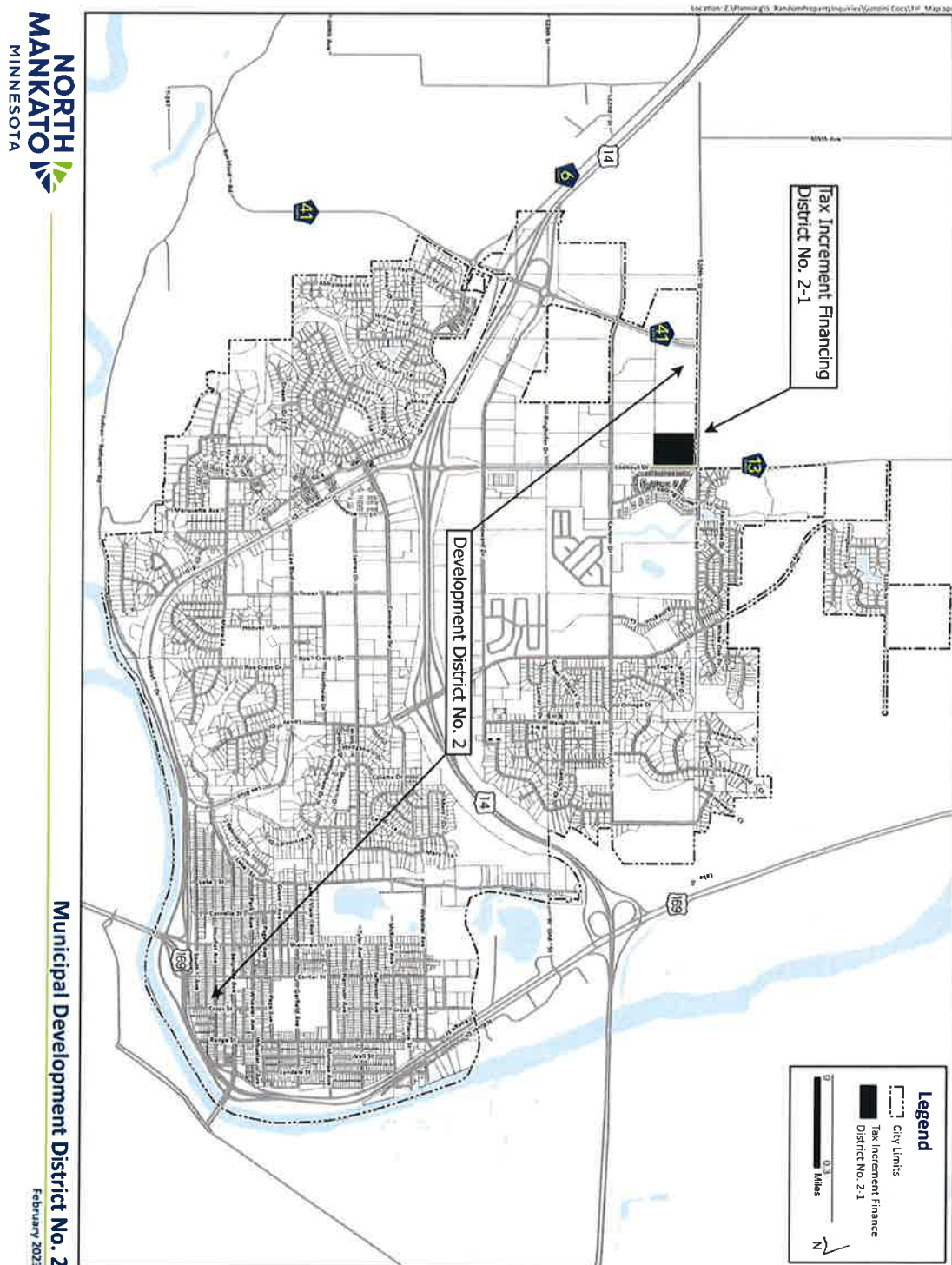
Based on Pay 2022 Tax Rate = 126.147% 47.833% 55.611% 22.272% 0.431%

TIF District	Taxes Payable Year	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
1	2025	9,600,000	192,000	11,257	180,743	228,002	86,455	100,513	40,255	779
2	2026	9,696,000	193,920	11,257	182,663	230,424	87,373	101,581	40,683	787
3	2027	9,792,960	195,859	11,257	184,602	232,870	88,301	102,659	41,115	795
4	2028	9,890,890	197,818	11,257	186,561	235,341	89,238	103,748	41,551	804
5	2029	9,989,798	199,796	11,257	188,539	237,836	90,184	104,848	41,991	813
6	2030	10,089,696	201,794	11,257	190,537	240,357	91,140	105,960	42,436	821
7	2031	10,190,593	203,812	11,257	192,555	242,902	92,105	107,082	42,886	829
8	2032	10,292,499	205,850	11,257	194,593	245,473	93,080	108,215	43,340	838
9	2033	10,395,424	207,908	11,257	196,652	248,070	94,064	109,360	43,798	848
Total						2,141,275	811,940	943,966	378,055	7,314

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

Boundaries of Development District and TIF District



ADDENDUM TO COMMERCIAL LEASE AGREEMENT

This Addendum to Commercial Lease Agreement ("**Addendum**") is made and entered into effective as of March 14th, 2023, by and between North Mankato Port Authority Commission, a body corporate and politic of the State of Minnesota ("**Landlord**"), and HyLife Foods Windom, LLC, a Minnesota limited liability company ("**Tenant**"). Landlord and Tenant are each a "**Party**" and collectively the "**Parties**."

RECITALS

WHEREAS, Landlord is successor-of-interest to Twin City Lodging LLC, a Minnesota limited liability company, as original Landlord to Commercial Lease Agreement effective as of December 15, 2020 ("**Original Lease**"), as amended by that certain amendment to Commercial Lease dated February 10, 2021 ("**First Amendment**"), as further amended by that certain second amendment to Commercial Lease dated September 1, 2021 ("**Second Amendment**"), as further amended by that certain third amendment to Commercial Lease dated May 16, 2022 ("**Third Amendment**," together with Original Lease, First Amendment, Second Amendment, and Third Amendment collectively the "**Lease**") concerning the property commonly known as Norwood Inn located at 1111 Range Street, North Mankato, Minnesota, as more particularly described in the Lease (the "**Property**"); and

WHEREAS, under the Lease, Tenant uses the Property as long-term corporate housing for approximately 150-200 of Tenant's employees who work at Tenant's meat processing plant in Windom, Minnesota; and

WHEREAS, the Lease is set to expire on August 12, 2023; provided, however, the Lease may be terminated earlier by Tenant upon thirty (30) days prior written notice to Landlord (the "**Lease Term**"); and

WHEREAS, Landlord entered into that certain Agreement of Purchase and Sale effective February 6, 2023 (the "**Purchase Agreement**") with 1111 Holdings of Mankato, LLC, a Minnesota limited liability company ("**Buyer**"), pursuant to which Landlord agreed to sell and Buyer agreed to purchase the Property for redevelopment purposes; and

WHEREAS, Buyer wishes to enter upon the Property during the Lease Term to construct certain improvements (the "**Improvements**") in and upon areas of the Property commonly known as room number 291 and room number 295 (the "**Improvement Area**") to demonstrate to Landlord and prospective tenants what a typical rental unit will look like within the redeveloped Property; and

WHEREAS, to facilitate the construction of the Improvements, the Parties desire to amend and supplement the Lease by adding the terms and conditions set forth in this Addendum.

NOW THEREFORE, in consideration of the mutual promises of the Parties and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Recitals**. The above recitals are hereby incorporated into and made part of this Addendum.

2. **Consent; Waiver and Release.** Tenant hereby consents to Landlord granting to Buyer, and to Buyer's agents, representatives, engineers, contractors, and consultants ("**Buyer's Representatives**"), a non-exclusive right and license to enter upon the Property during normal business hours during the Lease Term (the "**License**") for the purpose of constructing the Improvements in and upon the Improvement Area (the "**Work**"). Tenant hereby expressly consents to Buyer's performance of the Work and the construction of the Improvements in and upon the Property. Tenant further hereby expressly waives and releases Landlord from any and all claims arising out of or attributable to the License and Buyer's performance of the Work, whether arising out of contract, negligence, or otherwise. Tenant hereby covenants not to make or bring any claim against Landlord related to the License or Buyer's performance of the Work, and forever releases and discharges Landlord from liability under any such claims.
3. **Ratification.** Except where inconsistent with this Addendum, the Lease is ratified and confirmed as to all terms, provisions, conditions, and covenants and shall remain in full force and effect. Tenant hereby expressly acknowledges that this Addendum does not release Tenant from the obligation to perform any term, covenant, or condition of the Lease.
4. **General Terms.** Unless expressly modified herein, all capitalized terms within this Addendum shall have the same meaning as in the Lease. This Addendum may be executed in any number of counterparts (delivery by facsimile, e-mail, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of the original), each of which when so executed shall be deemed to be an original, and all of which counterparts of this Addendum taken together, shall constitute but one and the same instrument.

[Signatures contained on following page.]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Addendum as of the day and year first written above.


LANDLORD:

NORTH MANKATO PORT
AUTHORITY COMMISSION

By: _____
Name: _____
Its: _____

TENANT:

HYLIFE FOODS WINDOM, LLC

By: 
Name: Guy Baudry
Its: Treasurer & Vice-President

By: 
Name: Grant Lazaruk
Its: President

Addendum to Commercial Lease Agreement
1111 Range Street, North Mankato, MN 56003

ADDENDUM TO AGREEMENT OF PURCHASE AND SALE

THIS ADDENDUM TO AGREEMENT OF PURCHASE AND SALE (this "Agreement") is entered into as of the ____ day of March, 2023 ("Effective Date"), by and between North Mankato Port Authority Commission, a body politic and corporate of the State of Minnesota ("Seller"), and 1111 Holdings of Mankato, LLC, a Minnesota limited liability company ("Buyer"). Seller and Buyer are each a "Party" and collectively the "Parties."

RECITALS

WHEREAS, Seller and Buyer entered into that certain Agreement of Purchase and Sale dated February 6, 2023 (the "Purchase Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to purchase the property commonly known as Norwood Inn located at 1111 Range Street, North Mankato, Minnesota, as more particularly described in the Purchase Agreement (the "Property") for redevelopment purposes; and

WHEREAS, Buyer wishes to enter upon the Property to construct certain improvements (the "Improvements") in and upon areas of the Property commonly known as room number 291 and room number 295 (the "Improvement Area") to demonstrate to Seller and perspective tenants what a typical rental unit will look like within the redeveloped Property; and

WHEREAS, to facilitate the construction of the Improvements, the Parties desire to amend and supplement the Purchase Agreement by adding the terms and conditions set forth in this Addendum.

NOW THEREFORE, in consideration of the mutual promises of the Parties and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Recitals**. The above recitals are hereby incorporated into and made part of this Addendum.
2. **Term**. The term of this Addendum shall commence on the Effective Date and shall expire upon the earlier of: (i) Seller giving Buyer notice of a Buyer default under the this Addendum or the Purchase Agreement; (ii) Buyer or Seller giving notice of termination under the Purchase Agreement; and (iii) the closing of the transaction contemplated under the Purchase Agreement.
3. **Right of Entry; Work**. Seller hereby grants to Buyer and Buyer's agents, representatives, engineers, contractors, and consultants ("Buyer's Representatives"), subject to the rights of any tenants and other parties in possession of the Property, a non-exclusive right and license to enter upon the Property during normal business hours for the purpose of constructing the Improvements in and upon the Improvement Area (the "Work"). Buyer shall be obligated to obtain all permits and authorizations necessary to complete the Work and shall comply with all applicable laws and regulations of any Federal, State, or local government and any other agencies having jurisdiction over the performance of the Work. Buyer shall be solely responsible for all cost and expense incurred in performance of the Work and, for the avoidance of doubt, all Improvements which in any manner are permanently attached to the floors, walls or ceiling shall become a part of the Property. Immediately upon the expiration of this Addendum for a reason set forth in Section 1, romanettes (i) or (ii) herein, Buyer shall immediately advise by written notice to all third-parties

conducting any activities on behalf of Buyer upon the Property to discontinue the same, to vacate the Property, and to remove any personal property belonging to Buyer, or Buyer's Representatives, within forty-eight (48) hours from receiving such notice.

4. **Indemnification.** Buyer shall indemnify, defend, and hold Seller, its officers, members, managers, agents, and employees harmless from and against any and all losses, claims, actions, liabilities, damages, liens, costs, and expenses, including reasonable attorneys' fees, arising out of or related to: (i) the performance of the Work; (ii) any act or omission of Buyer or Buyer's Representatives related to the Property or the Work; and (iii) the failure of Buyer or Buyer's Representatives to observe or perform any covenants, representations, or obligations of this Addendum or the Purchase Agreement. This Section shall survive the expiration of this Addendum.

5. **Insurance.** Buyer and Buyer's Representatives shall maintain, throughout the Term of this Addendum, commercial general liability insurance with a minimum combined single limit of \$1,000,000.00 per occurrence and \$2,000,000.00 aggregate and \$5,000,000.00 umbrella for personal injury and property damage and workers compensation insurance (in accordance with applicable laws) for their respective activities on the Property, all covering any accident or incident arising in connection with the presence of Buyer and Buyer's Representatives on the Property and the performance of the Work. Seller shall be named as an additional insured on all insurance.

6. **No Encumbrance of Title.** Buyer shall not suffer, permit, or cause any mechanic's, materialman's, or other similar lien or claim of lien to be filed against any portion of the Property on account of any work, labor, service, or other activity performed by or on behalf of Buyer. Buyer will indemnify Seller against any mechanic's lien filed against the Property as a result any work, labor, service, or other activity performed by or on behalf of Buyer. In addition, if any mechanic's lien is filed against the Property as a result of any work, labor, service, or other activity performed by or on behalf of Buyer, Buyer, at its expense, shall discharge or bond off the same within ten (10) days from the filing thereof. If Buyer fails to discharge any said lien, Seller may, but shall not be required, to bond or pay without inquiring into the validity of the merits of such lien and all sums so advanced shall be paid by Buyer to Seller upon demand.

7. **Entire Agreement.** Except where inconsistent with this Addendum, the Purchase Agreement is ratified and confirmed as to all terms, provisions, conditions, and covenants and shall remain in full force and effect.

8. **General Terms.** Unless expressly defined herein, all capitalized terms within this Addendum shall have the meaning provided in the Purchase Agreement. This Addendum may be executed in any number of counterparts (delivery by facsimile, e-mail, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of the original), each of which when so executed shall be deemed to be an original, and all of which counterparts of this Addendum taken together, shall constitute but one and the same instrument.

[Signatures contained on following page.]

IN WITNESS WHEREOF, Seller and Buyer have executed this Addendum as of the day and year first written above.

BUYER:

1111 HOLDINGS OF MANKATO, LLC

By: Max De Mars
Name: Max De Mars
Title: _____

SELLER:

NORTH MANKATO PORT AUTHORITY
COMMISSION

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Signature page to Addendum to Agreement of Purchase and Sale by and between North Mankato Port Authority Commission, a body politic and corporate of the State of Minnesota ("Seller"), and 1111 Holdings of Mankato, LLC, a Minnesota limited liability company ("Buyer")