

Pursuant to due call and notice thereof, a Council Workshop of the North Mankato City Council was held in the Municipal Building Council Chambers on September 5, 2017. Mayor Dehen called the meeting to order at 6:00 p.m. The following were present for roll call: Mayor Dehen, Council Members Norland, Whitlock, and Steiner, City Administrator Harrenstein, Finance Director McCann and City Clerk Van Genderen. Absent: Council Member Freyberg.

### **Discussion of 2018 Proposed Budget**

Finance Director McCann presented a PowerPoint on the 2018 Proposed Budget. He noted that North Mankato is growing with the new construction accounting for 13 million or 20% of the growth in the tax base. The City anticipates maintaining the tax rate and capturing \$200,000 in new taxes. Finance Director McCann reported the revenue would remain flat while expecting \$20,000 more in rental licensing fees based on raising the fees for a rental unit from \$30.00 to \$45.00 as recommended by the Rental Density Advisory Group. The City anticipates a decrease in Franchise fees by approximately \$20,000 due to more people moving to web based viewing. Caswell is being moved to a new fund, and the anticipated revenue of \$153,000 will be moved to the Caswell Fund. Additionally, the CCTV fund will be closed and moved to the General Fund. Finance Director McCann reported expenditures would remain flat with an increase in pay and benefits due to the new streets employee coming onto the payroll and some additional wage adjustments based on pay analysis. Capital outlay decreases of \$462,000 with the 2018 project yet to be determined. Debt service decreased by \$333,000 due to paying off debt and no principle payment in 2018 on the 2010C Bond it does ramp up again in 2019. Agreements with Mankato for wastewater treatment and flood station increasing by \$162,000. Finance Director McCann reported all funds are meeting the budget reserve policy established by the City Council. City staff is proposing a storm water rate increase.

Finance Director McCann reviewed how the tax base is established, the impact on homes and comparable city tax rates. He reviewed a home that was valued at \$250,000 in 2013 which now has a value of over \$320,000. The estimated taxes in 2018 are \$1600.00 with a total increase from 2017 of \$61.00.

Finance Director McCann reported the City has 58.75 full-time employees and is anticipating a merit increase of between 2.75% and 3% for employees. The City has also received notice of an 11% increase in health insurance for 2018.

Finance Director McCann stated an overall decrease in expenditures of \$38,000. He reviewed the General Fund in more detail noting a proposed increase in Council pay. City Administrator Harrenstein indicated staff was recommending a pay raise as it has been many years since the last Council pay raise and Council members have taken on additional committees and commitments. Increases were anticipated in the Police department for negotiated raises and new vests. The Fire Department projected increases in technology expenses and physicals. The Street Department anticipates the addition of the new full-time employee that was approved in 2017, additional costs associated with the sidewalk replacement plan and engineering fees. The Swim Facility predicts an 8% increase due to the proposed changes to the swim facility and projected cost increase due to the contract with the YMCA to manage the facility. The Parks department expects an increase in part time labor to assist with a back log in tree removal and continued park services. The Library expects an increase in technology expenses and labor; while the bookmobile needs to replace a dying generator which will cost approximately \$14,000. Overall decreases in General Fund expenditures balanced increases in expenditures. Finance Director McCann reported that revenue decreases were offset by revenue increases.

Finance Director McCann reviewed the proposed Storm Water Fund Increases. Noting monthly charge for single family residential and commercial under 10,000 square feet would increase

by \$0.50, and the commercial over 10,001 square feet would increase from \$0.325 to \$0.60 per 1,000 square feet. He noted that even with the rate increase the City of North Mankato's utility rates remains one of the lowest in the region.

Finance Director McCann reviewed the Economic Development Funds noting minor changes in the TIF Funds while noting City staff proposes using the Local Revolving Loan Fund to fund the Northside Revivals program which will provide grants for residents to rehabilitate homes. City Administrator Harrenstein noted the Council had earlier received a presentation on the proposed program and Council was now being asked to fund the program. This would be a loan fund, and the funds would be repaid. Mayor Dehen requested additional information on the TIF district expiration dates. Administrator Harrenstein reported the dates the TIFs would be expiring including National Dentex which will decertify in 2018, LJP in 2020, three additional TIFs in 2021 and D&K Powder Coating in 2025.

Finance Director McCann stated the 2018 budget reflects the priorities identified in the strategic plan. Funding for Public Safety, Streets and Parks align with the Council's strategic plan and the public's priorities.

There being no further business, on a motion by Council Member Steiner, seconded by Council Member Norland, the meeting adjourned at 6:50 p.m.

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Mayor

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City Clerk

Pursuant to due call and notice thereof, a regular meeting of the North Mankato City Council was held in the Municipal Building Council Chambers on September 5, 2017. Mayor Dehen called the meeting to order at 7:00 p.m. asking that everyone join in the Pledge of Allegiance. The following were present for roll call: Mayor Dehen, Council Members Norland, Whitlock, and Steiner, City Administrator Harrenstein, Finance Director McCann, City Attorney Kennedy, Community Development Director Fischer, Public Works Director Swanson and City Clerk Van Genderen. Absent: Council Member Freyberg.

**Approval of Agenda**

**Council Member Norland moved, seconded by Council Member Steiner, to approve the agenda as presented. Vote on the motion: Norland, Whitlock, Steiner, and Dehen aye; no nays. Motion carried.**

**Approval of Council Meeting Minutes**

**Council Member Steiner moved, seconded by Council Member Whitlock, to approve the minutes of the Council meeting of August 21, 2017. Vote on the motion: Whitlock, Steiner, and Dehen aye; abstain Norland. No nays. Motion carried.**

**Proclamation**

Mayor Dehen read a Constitution Week proclamation into the record:

*WHEREAS, the Constitution of the United States of America, the guardian of our liberties, embodies the principles of limited government in a Republic dedicated to rule by law; and*

*WHEREAS, September 17, 2017, marks the two-hundred-thirtieth anniversary of the framing of the Constitution of the United States of America by the Constitutional Convention; and*

*WHEREAS, it is fitting and proper to accord official recognition to this magnificent document and its memorable anniversary, and to the patriotic celebrations which will commemorate it; and*

*WHEREAS, Public Law 915 guarantees the issuing of a proclamation each year by the President of the United States of America designating September 17 through 23 as Constitution Week.*

*NOW THEREFORE I, Mark Dehen, Mayor of North Mankato, by virtue of the power vested in me as Mayor of the City of North Mankato do hereby proclaim September 17 through 23 as:*

**CONSTITUTION WEEK**

*And ask our citizens to reaffirm the ideals the Framers of the Constitution had in 1787 by vigilantly protecting the freedoms guaranteed to us through this guardian of our liberties.*

Daughter of the American Revolution Regent Susan Hynes received the proclamation and stated the Anthony Wayne Chapter was not a political organization, but encourages citizens to protect the Constitution of the United States of America.

**Public Hearing-Public Comments on the 2018 Proposed Budget.**

City Administrator Harrenstein indicated that since the 2018 Proposed Budget has been released the City will be taking Public Comment on the budget during the Council Meetings. Barb Church, 102

Wheeler Avenue, appeared before Council and encouraged citizens to take the opportunity to address the Council on the budget.

**Public Hearing-Proposed Property Tax Abatement for the Spring Lake Park Swim Facility**

**Improvement Project.** Tammy Omdal, Northland Securities, appeared before Council and stated the resolution the Council would be considering following the Public Hearing would authorize up to 3.3 million in tax abatement. Ms. Omdal said the project had not been bid, and the full amount may not be necessary. Phil Henry, 1300 Noretta Drive, appeared before Council and said he approved of fixing the pool, but requested clarification on why the City was pursuing the sand bottom pool, indicating maintaining the sand bottom pool was expensive due to wear and tear on equipment. Mr. Henry also argued against making the pool into a water park when other water parks were nearby, and one was proposed in Mankato. Mr. Henry stated operating costs had not been discussed and he urged the Council to reconsider. Barb Church, 102 Wheeler Avenue, appeared before Council and stated she was concerned about using the financing mechanism of tax abatement. She expressed concern that if tax abatement were used too frequently there would be nothing left to fund streets and public safety. Tom Hagen, 927 Lake Street, appeared before Council and stated the upgrades would be a waste of funds, indicating he approved of repairing the facility but did not approve of adding any additional amenities. He stated the pool project should go before the Intergovernmental Committee for discussion with Mankato.

**Consent Agenda**

**Council Member Norland moved, seconded by Council Member Steiner, to approve the Consent Agenda which included:**

- A. Bills and Appropriations.
- B. Res. No. 57-17 Approving Donations/Contributions/Grants.
- C. Approved Labor Agreement between the City of North Mankato and North Mankato Police Department Lieutenants Law Enforcement Labor Services, Inc. (Local No. 394).
- D. Res. No. 58-17 Waiving Waiting Period for Exemption from Lawful Gambling License for Holy Rosary Church.

**Vote on the motion: Norland, Whitlock, Steiner, and Dehen aye; no nays. Motion carried.**

**Public Comments**

None.

**Business Items**

**Res. No. 59-17 Approving Property Tax Abatements.** Administrator Harrenstein responded to some of the questions raised during the Public Hearing. Administrator Harrenstein stated it was determined to maintain the sand bottom swim facility because it has been sand bottom for 50 years. The City reviewed the cost to transition to concrete bottom, but it was cost prohibitive, costing between 8 and 10 million dollars. Administrator Harrenstein reported that of the 2.4 million proposed to upgrade the swim facility, 1.8 to 1.9 million is for infrastructure; not amenities. Approximately \$400,000 to \$450,000 is allocated for amenities including a rock wall to jump off, zip-line, and a small section for toddlers. Additional amenities including slides have been removed from the plan, and the City will request contributions to fund those amenities. Administrator Harrenstein stated the tax abatement resolution has a 3.3 million not to exceed amount and City staff will not support a project that exceeds that amount. He stated the financing mechanism of tax abatement has been used in the

past for projects that do not qualify for other forms of financing. Administrator Harrenstein reviewed the City's tax levy which has two levers; one for the General Fund and one for the Debt Service Fund. He stated the tax abatement would not endanger the City's ability to maintain services. Mayor Dehen stated the Spring Lake Park Swim Facility was identified by the citizens of North Mankato as a high priority for improvement. **Council Member Norland moved, seconded by Council Member Steiner to Adopt Res. No. 59-17 Approving Property Tax Abatements. Vote on the motion: Norland, Whitlock, Steiner, and Dehen aye; no nays. Motion carried.**

**Consider Information on Spring Lake Park Turtle Migration (Tom Hagen).** Tom Hagen appeared before Council and reported observing that snapping turtles seem to no longer migrate due to the sidewalk and fence the City installed along Lake Street. He stated the City should backfill along the sidewalk and raise the fence to allow the turtles to travel up the slope. Council Member Steiner reported he has seen snapping turtles at Spring Lake Park. City Administrator Harrenstein recommended Council refer the issue to the Greenway Committee for review and the Greenway Committee would produce a written response.

**Res. No. 60-17 Authorizing USAquatics to Advertise for Bids Project No. 17-04 2017 Spring Lake Park Swim Facility Upon Written Authorization by the City Administrator and Public Works Director.** City Administrator Harrenstein reported the plans included in the packet were the first draft and City staff would ask for additional time to review, but recommended authorization to allow the staff to move forward following revisions. Council Member Steiner requested clarification on if there would be time to remove amenities if the Council desires. Administrator Harrenstein reported items could still be removed. **Council Member Steiner moved, seconded by Council Member Norland to Adopt Res. No. 60-17 Authorizing USAquatics to Advertise for Bids Project No. 17-04 2017 Spring Lake Park Swim Facility Upon Written Authorization by the City Administrator and Public Works Director. Vote on the motion: Norland, Whitlock, Steiner, and Dehen aye; no nays. Motion carried.**

#### **City Administrator and Staff Comments**

City Administrator Harrenstein stated he received a Thank-you note from United Way.

Public Works Director Swanson reported City staff should begin pouring the cement for the hockey rinks within the next week.

#### **Mayor and Council Comments**

Council Member Steiner stated he would like to review the new public comment format following the 90-days.

Mayor Dehen stated he received thank you notes from South Central scholarship recipients.

Mayor Dehen stated he received a letter from the Coalition of Greater Minnesota outlining accomplishments and goals; along with dues which are based on population.

Mayor Dehen reported Bier on Belgrade would be held from 2:00 pm to 8:00 pm on Saturday, September 23, 2017.

There being no further business, on a motion by Council Member Steiner, seconded by Council Member Norland, the meeting adjourned at 7:36 p.m.

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Mayor

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City Clerk

### NOTICE OF PUBLIC HEARING

Notice is hereby given that the City Council of the City of North Mankato, Minnesota, will hold a Public Hearing on Monday, September 18, 2017 at 7 p.m. in the Council Chambers of the Municipal Building, 1001 Belgrade Avenue, to consider Annexation of Land containing 9.07 acres owned by Mark Hiniker legally described as:

That part of the Southwest Quarter of Section 35, Township 109 North Range 27 West. A full legal description is available at the North Mankato City Hall.

Said annexation parcel contains 9.07 acres of land.

Dated this 22<sup>nd</sup> day of August 2017.

April Van Genderen  
City Clerk  
City of North Mankato

**PROPERTY OWNER PETITION TO MUNICIPALITY  
FOR ANNEXATION BY ORDINANCE - 120 Acres or Less**

IN THE MATTER OF THE PETITION OF CERTAIN PERSONS FOR THE  
ANNEXATION OF CERTAIN LAND TO THE CITY OF NORTH MANKATO,  
MINNESOTA  
PURSUANT TO MINNESOTA STATUTES § 414.033, SUBD. 2(3)

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TO: Council of the City of North Mankato, Minnesota

PETITIONER(S) STATE: All of the property owners in number are required to commence a proceeding under Minnesota Statutes § 414.033, Subd. 2(3).

It is hereby requested by:

  X   the sole property owner; or  
       all of the property owners (If the land is owned by both husband and wife, both  
must sign the petition to represent all owners.)

of the area proposed for annexation to annex certain property described herein lying in the Township of Belgrade to the City of North Mankato, County of Nicollet, Minnesota.

The area proposed for annexation is described as follows:

That part of the Southwest Quarter of Section 35, Township 109 North Range 27 West, Nicollet County, Minnesota, described as:

Beginning at the northwest corner of Trail's West Estates, according to the plat thereof on file and of record with the Nicollet County Recorder; thence South 89 degrees 23 minutes 44 seconds East, (Minnesota County Coordinate System - Nicollet County Zone - HARN NAD83 - 1996), along the north line of said Trail's West Estates and along the north line of North Gate No. 2, according to the plat thereof on file and of record with the Nicollet County Recorder, a distance of 1309.05 feet; thence North 00 degrees 36 minutes 16 seconds East, 125.00 feet; thence North 20 degrees 16 minutes 33 seconds East, 63.72 feet; thence North 00 degrees 36 minutes 16 seconds East, 75.00 feet; thence North 89 degrees 23 minutes 44 seconds West, 1055.91 feet; thence North 54 degrees 24 minutes 23 seconds West, 72.12 feet; thence North 89 degrees 23 minutes 44 seconds West, 125.00 feet; thence North 00 degrees 36 minutes 16 seconds East, 430.00 feet; thence North 89 degrees 23 minutes 44 seconds West, 99.98 feet to the northeasterly corner of Outlot B, Parks Edge Addition, according to the plat thereof on file and of record with the Nicollet County Recorder; thence South 00 degrees 08 minutes 19 seconds East, along the easterly line of said Outlot B, a distance of 731.42 feet to the point of beginning. Containing 9.07 acres.



1. There is 1 property owner in the area proposed for annexation. (If a property owner owns more than one parcel in the area proposed for annexation, he/she is only counted once as an owner - the number of parcels owned by a petitioner is not counted.)
2. The land abuts the municipality and the area to be annexed is 120 acres or less, and the area to be annexed is not presently served by public wastewater facilities or public wastewater facilities are not otherwise available.

*Except as provided for by an orderly annexation agreement, this clause may not be used to annex any property contiguous to any property previously annexed under this clause within the preceding 12 months if the property is owned by the same owners and annexation would cumulatively exceed 120 acres.*

3. Said property is unincorporated, abuts on the city's N S E W (circle one) boundary(ies), and is not included within any other municipality.
4. The area of land proposed for annexation, in acres, is 9.07 acres.
5. The reason for the requested annexation is to accommodate residential development.

PETITIONERS REQUEST: That pursuant to Minnesota Statutes § 414.033, the property described herein be annexed to and included within the City of North Mankato, Minnesota.

Dated: 8-2-17

Signatures: Mark Huit

NOTE: Pursuant to Minnesota Statutes § 414.033, Subd. 2b, before a municipality may adopt an ordinance under subdivision 2, clause (2), (3), or (4), a municipality must hold a public hearing and give 30 days' written notice by certified mail to the town or towns affected by the proposed ordinance and to all landowners within and contiguous to the area to be annexed.

NOTE: Pursuant to Minnesota Statutes § 414.033, Subd. 11, when a municipality declares land annexed to the municipality under subdivision 2, clause (3), and the land is within a designated floodplain, as provided by section 103F.111, subdivision 4, or a shoreland area, as provided by section 103F.205, subdivision 4, the municipality shall adopt or amend its land use controls to conform to chapter 103F, and any new development of the annexed land shall be subject to chapter 103F.

NOTE: Pursuant to Minnesota Statutes § 414.033, Subd. 12, when a municipality annexes land under subdivision 2, clause (2), (3) or (4), property taxes payable on the annexed land shall continue to be paid to the affected town or towns for the year in which the annexation becomes effective. If the annexation becomes effective on or before August 1 of a levy year, the municipality may levy on the annexed area beginning with that same levy year. If the annexation becomes effective after August 1 of a levy year, the town may continue to levy on the annexed area for that levy year, and the municipality may not levy on the annexed area until the following levy year.

NOTE: Pursuant to Minnesota Statutes § 414.033, Subd. 13, at least 30 days before a municipality may adopt an ordinance under subdivision 2, clause (2), (3), or (4), the petitioner must be notified by the municipality that the cost of electric utility service to the petitioner may change if the land is annexed to the municipality. The notice must include an estimate of the cost impact of any change in electric utility services, including rate changes and assessments, resulting from the annexation.

Municipal Boundary Adjustment Unit Contacts

Star Holman [star.holman@state.mn.us](mailto:star.holman@state.mn.us) 651-361-7909

Katie Lin [katie.lin@state.mn.us](mailto:katie.lin@state.mn.us) 651-361-7911

(June 2011)



That part of the Southwest Quarter of Section 36, Township 109, North Range 27 West, McCook County, Minnesota, described as:

[illegible]

**SURVEYOR'S CERTIFICATION:**

It is noted that the  $\beta_{11}$  and  $\beta_{22}$  are not significant in the model.

03/22/2008  
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## ANNEXATION DRAWING

**BOLTON & MENK**  
A NORTH AVENUE COMPANY

[illegible]

FRANK R. LINDENBERG, Chairman, 1806 Walnut Street, Philadelphia, Pa.

CITY OF NORTH MANKATO

NOTICE OF PUBLIC HEARING  
REGARDING PROPOSED ISSUANCE OF TAX ABATEMENT BONDS  
FOR SPRING LAKE PARK SWIM FACILITY

NOTICE IS HEREBY GIVEN that the City Council of the City of North Mankato, Minnesota, will meet at 7:00 p.m. on September 18, 2017, in the Council Chambers at the City Hall, 1001 Belgrade Avenue, North Mankato, Minnesota (the "City"), on the proposal that the City issue General Obligation Tax Abatement Bonds (the "Bonds") in an amount not to exceed \$3,300,000 to finance the improvements to the Spring Lake Park Swim Facility, located at 641 Webster Avenue in the City, which is owned by the City and managed by the Mankato Family YMCA (the "YMCA"), a 501(c)(3) non-profit organization. The public hearing is being held pursuant to Section 147(f) of the Internal Revenue Code (the "Code") because the Bonds will be issued as "qualified 501(c)(3) bonds" under the Code.

At the time and place fixed for the public hearing, the City Council will give all persons who appear at the hearing an opportunity to express their views with respect to the proposal. In addition, interested persons may file written comments respecting the proposal with the City Administrator at or prior to the public hearing.

Dated: September \_\_\_\_, 2017

/s/John Harrenstein  
City Administrator

# AFFIDAVIT OF PUBLICATION

State of Minnesota, ss.  
County of Blue Earth

Steve Jameson, being duly sworn, on oath states as follows:

1. I am the publisher of The Free Press, or the publisher's designated agent. I have personal knowledge of the facts stated in this Affidavit, which is made pursuant to Minnesota Statutes §331A.07.
2. The newspaper has complied with all of the requirements to constitute a qualified newspaper under Minnesota law, including those requirements found in Minnesota Statutes §331A.02.
3. The dates of the month and the year and day of the week upon which the public notice attached/copied below was published in the newspaper are as follows:

The printed notice which is attached was cut from the columns of said newspaper, and was printed and published once each week, for 1 successive weeks; it was first published on Friday, the 1 day of September, 2017, and was thereafter printed and published on every Friday to and including Friday, the 1 day of September, 2017; and printed below is a copy of the lower case alphabet from A to Z, both inclusive, which is hereby acknowledged as being the size and kind of type used in the composition and publication of the notice:

abcdefghijklmnopqrstuvwxyz

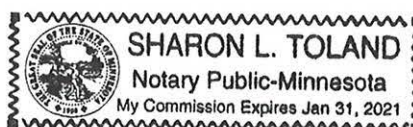
4. The Publisher's lowest classified rate paid by commercial users for comparable space, as determined pursuant to § 331A.06, is as follows: \$53.75.
5. Pursuant to Minnesota Statutes §580.033 relating to the publication of mortgage foreclosure notice: The newspaper's known office is located in Blue Earth County. The newspaper complies with the conditions described in §580.033, subd. 1, clause (1) or (2). If the newspaper's known office of issue is located in a county adjoining the county where the mortgaged premises or some part of the mortgaged premises described in the notice are located, a substantial portion of the newspaper's circulation is in the latter county.

FURTHER YOUR AFFIANT SAITH NOT.

By: Steve Jameson  
Steve Jameson, Publisher

Subscribed and sworn to before me on this 1 day of September, 2017.

Sharon L. Toland  
Notary Public



September 1, 2017  
CITY OF NORTH MANKATO  
NOTICE OF PUBLIC HEARING REGARDING  
PROPOSED ISSUANCE OF TAX ABATEMENT BONDS  
FOR SPRING LAKE PARK SWIM FACILITY

NOTICE IS HEREBY GIVEN that the City Council of the City of North Mankato, Minnesota, will meet at 7:00 p.m. on September 18, 2017, in the Council Chambers at the City Hall, 1001 Belgrade Avenue, North Mankato, Minnesota (the "City"), on the proposal that the City issue General Obligation Tax Abatement Bonds (the "Bonds") in an amount not to exceed \$3,300,000 to finance the improvements to the Spring Lake Park Swim Facility, located at 641 Webster Avenue in the City, which is owned by the City and managed by the Mankato Family YMCA (the "YMCA"), a 501(c)(3) non-profit organization. The public hearing is being held pursuant to Section 147(f) of the Internal Revenue Code (the "Code") because the Bonds will be issued as "qualified 501(c)(3) bonds" under the Code.

At the time and place fixed for the public hearing, the City Council will give all persons who appear at the hearing an opportunity to express their views with respect to the proposal. In addition, interested persons may file written comments respecting the proposal with the City Administrator at or prior to the public hearing.  
Dated: September 1, 2017

/s/John Harrenstein  
City Administrator

**NOTICE OF PUBLIC HEARING**

**CITY OF NORTH MANKATO  
COUNTY OF NICOLLET  
STATE OF MINNESOTA**

**NOTICE IS HEREBY GIVEN** that the City Council (the "Council") of the City of North Mankato, Minnesota, will hold a public hearing on Monday, September 18, 2017, at a meeting of the Council beginning at approximately 7:00 p.m. at the North Mankato Municipal Building, 1001 Belgrade Avenue, North Mankato, Minnesota, relating to the proposal of the North Mankato Port Authority Commission to modify Industrial Development District No. 1 and adopt a development district plan relating thereto.

A map showing the proposed boundaries of Industrial Development District No. 1 is attached. A copy of the documentation proposed to be considered at the hearing will be on file and available for public inspection at the office of the City Clerk at the Municipal Building.

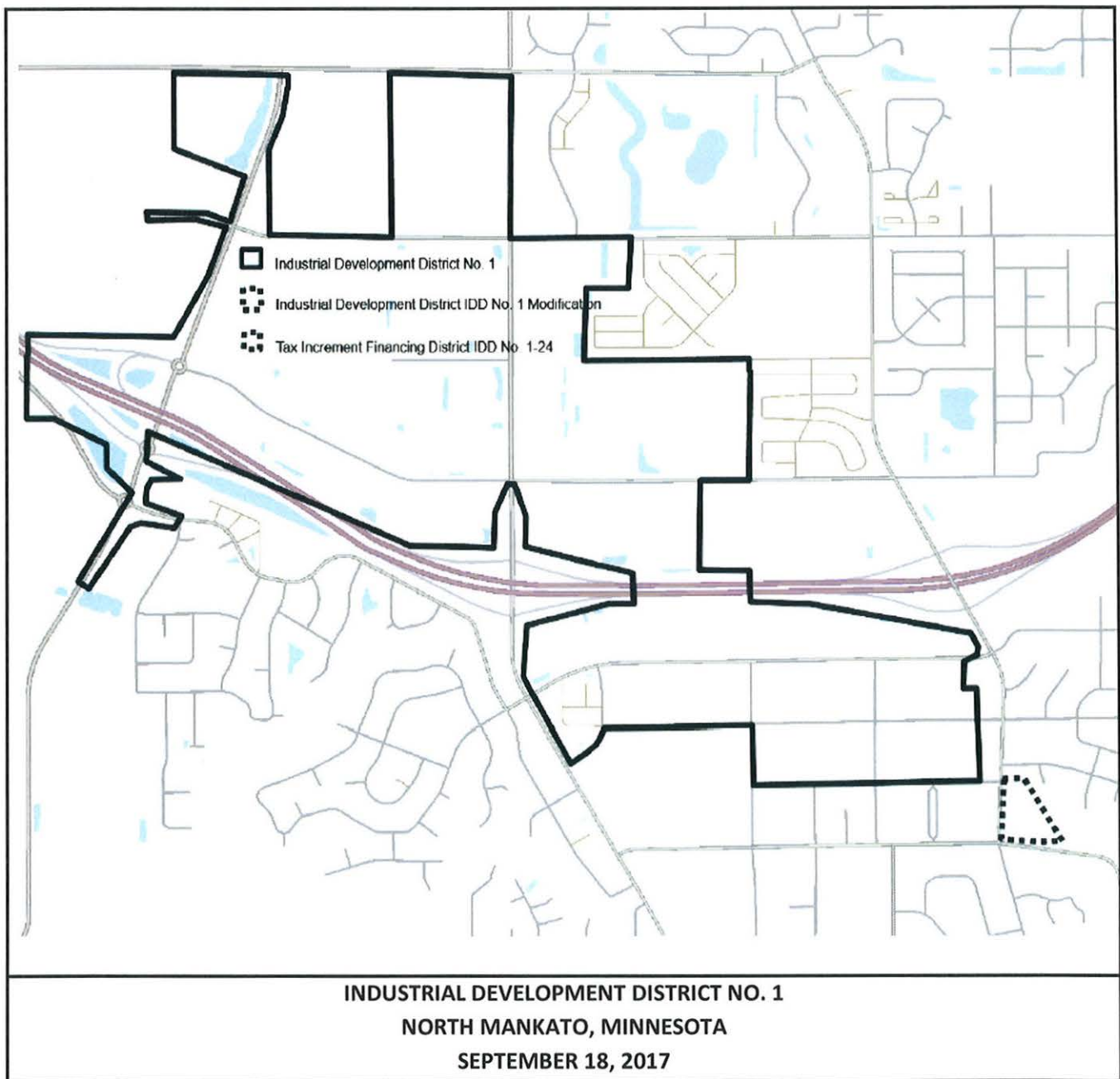
All interested persons may appear at the public hearing and present their views orally or in writing.

Dated: This 8<sup>th</sup> day of September 2017.

BY ORDER OF THE NORTH MANKATO CITY COUNCIL

*/s/April Van Genderen*  
April Van Genderen, CMC  
City Clerk  
City of North Mankato





**NOTICE OF PUBLIC HEARING**

**CITY OF NORTH MANKATO  
COUNTY OF NICOLLET  
STATE OF MINNESOTA**

**NOTICE IS HEREBY GIVEN** that the City Council of the City of North Mankato, Minnesota, will hold a public hearing on Monday, September 18, 2017, at a meeting of the Council beginning at approximately 7:00 p.m. at the North Mankato Municipal Building, 1001 Belgrade Avenue, North Mankato, Minnesota, relating to the proposal of the North Mankato Port Authority Commission to establish Tax Increment Financing District IDD No. 1-24, within Industrial Development District No. 1, and adopt a tax increment financing plan relating thereto, all pursuant to Minnesota Statutes, Chapter 469.

A map showing the boundaries of Industrial Development District No. 1 and Tax Increment Financing District IDD No. 1-24 is attached. A copy of the documentation proposed to be considered at the hearing will be on file and available for public inspection at the office of the City Administrator at the Municipal Building.

All interested persons may appear at the public hearing and present their views orally or in writing.

Dated: This 8<sup>th</sup> day of September 2017.

BY ORDER OF THE NORTH MANKATO CITY COUNCIL

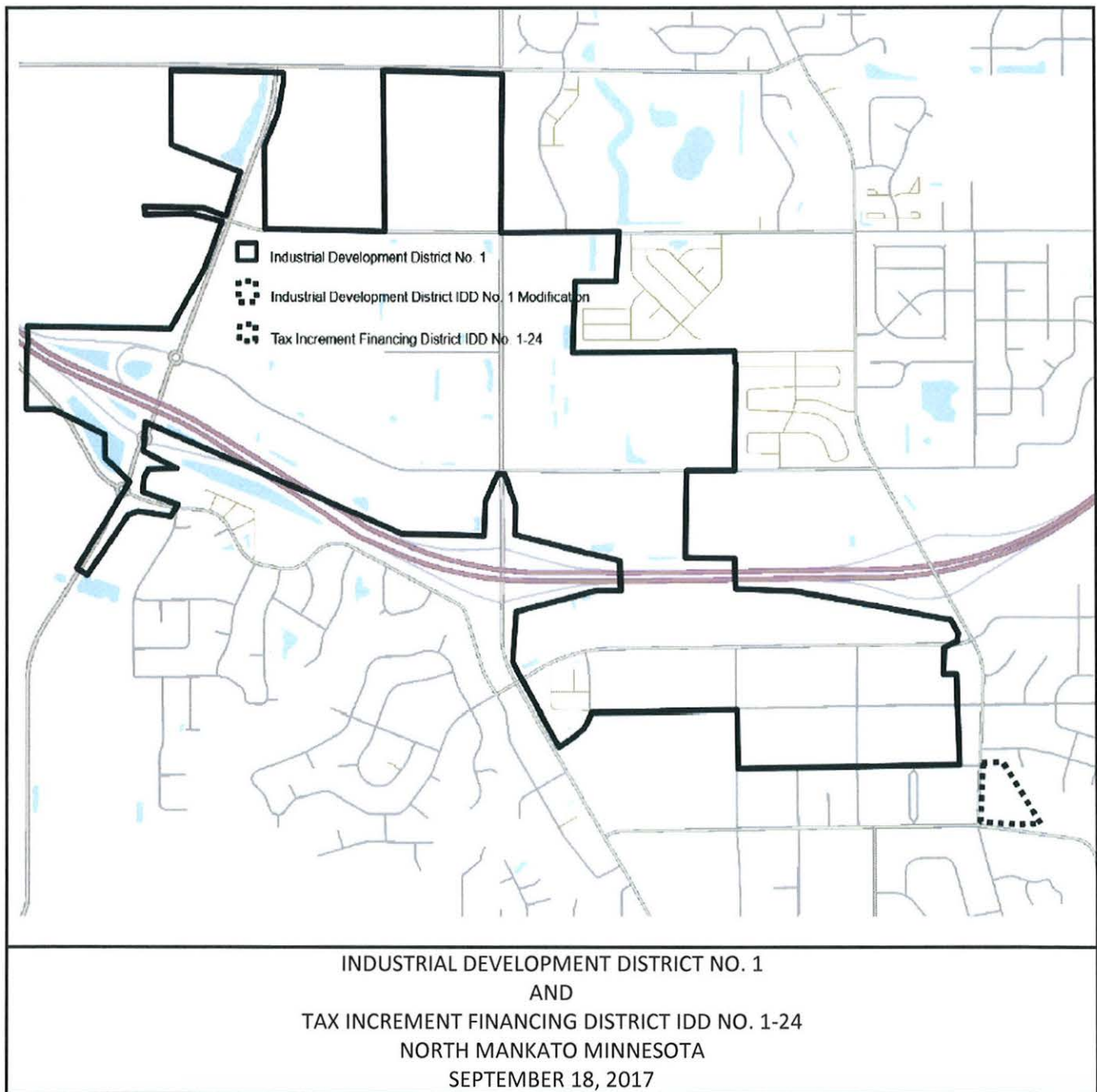
*/s/April Van Genderen*

April Van Genderen

Secretary

North Mankato Port Authority Commission





## **NOTICE OF PUBLIC HEARING**

### **CITY OF NORTH MANKATO COUNTY OF NICOLLET STATE OF MINNESOTA**

**NOTICE IS HEREBY GIVEN** that the City Council of the City of North Mankato, Minnesota, will hold a public hearing on Monday, September 18, 2017, at a meeting of the Council beginning at approximately 7:00 p.m. at the North Mankato Municipal Building, 1001 Belgrade Avenue, North Mankato, Minnesota, relating to the proposal of the North Mankato Port Authority Commission to modify Industrial Development District No. 1 and establish Tax Increment Financing District IDD No. 1-25, within Industrial Development District No. 1, and adopt a development district plan and tax increment financing plan relating thereto, all pursuant to Minnesota Statutes, Chapter 469.

A map showing the boundaries of Industrial Development District No. 1 and Tax Increment Financing District IDD No. 1-25 is attached. A copy of the documentation proposed to be considered at the hearing will be on file and available for public inspection at the office of the City Administrator at the Municipal Building.

Any person with residence in the City of North Mankato, or the owner of taxable property in the City, may file a written complaint with the City if the City fails to comply with M.S. § 116 J.993 to 116J.995 (the Business Subsidy Act). No action may be filed against the City for the failure to comply unless a written complaint is filed. All interested persons may appear at the public hearing and present their views orally or in writing.

Dated: This 8<sup>th</sup> day of September 2017.

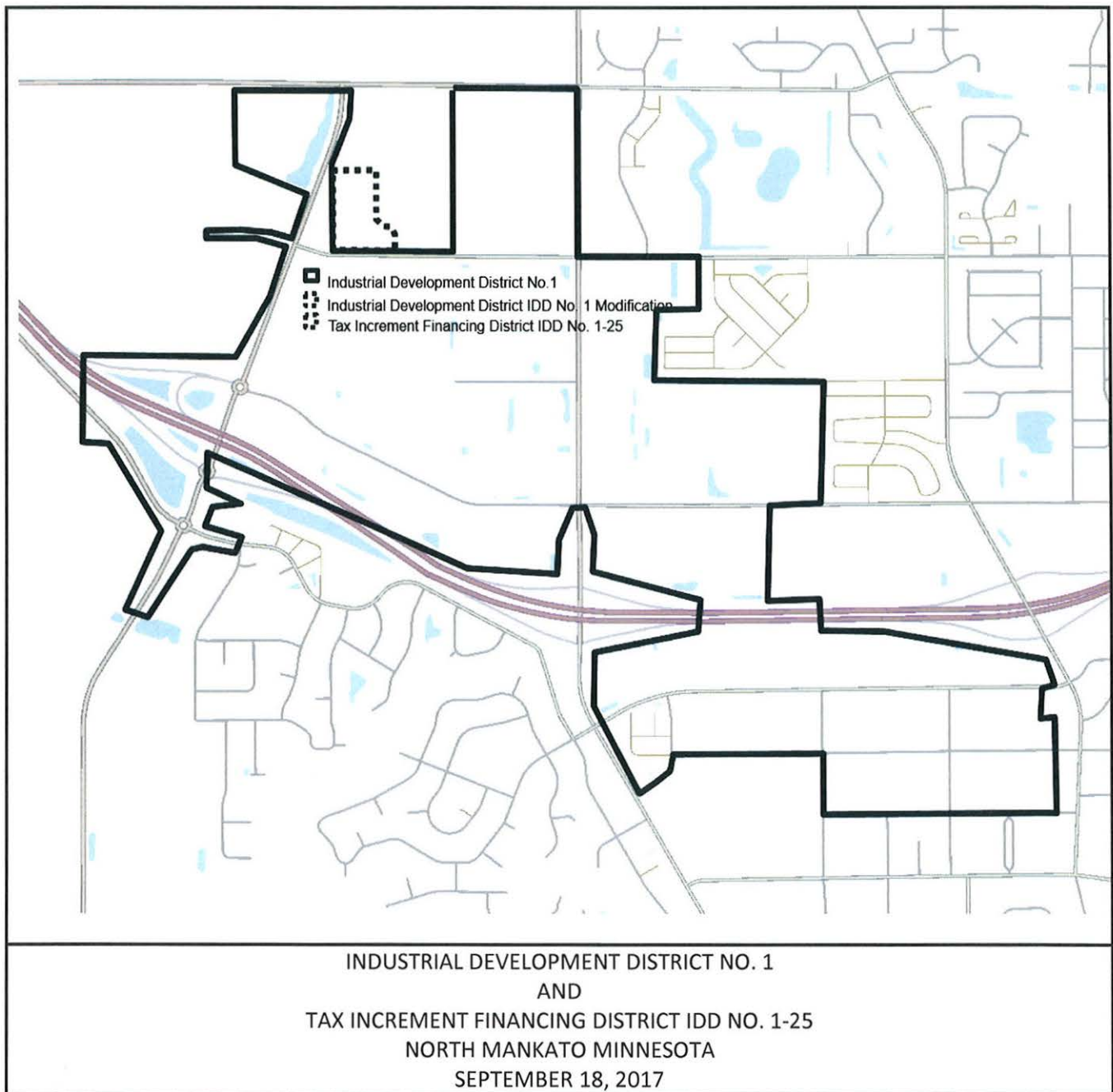
BY ORDER OF THE NORTH MANKATO CITY COUNCIL

*/s/April Van Genderen*

April Van Genderen

Secretary

North Mankato Port Authority Commission





City of North Mankato, MN

# Claims List - Regular

By Vendor Name

Date Range: 9-18-17

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Bank Code: APBNK-APBNK						
	**Void**	08/29/2017	Regular	0	-	88084
	**Void**	08/29/2017	Regular	0	-	88085
	**Void**	09/05/2017	Regular	0	-	88090
	**Void**	09/07/2017	Regular	0	-	88093
	**Void**	09/05/2017	Regular	0	(500.00)	88088
00021	ADVANCE RESOURCES FOR DEVELOPMENT, IN	09/18/2017	Regular	0	3,500.00	88101
00070	AMLAWN, INC.	09/18/2017	Regular	0	300.00	88102
00093	ARNOLD'S OF MANKATO, INC.	09/18/2017	Regular	0	6.38	88103
00102	AUDIO EDITIONS	09/18/2017	Regular	0	8.00	88104
00118	BARNES & NOBLE, INC.	09/18/2017	Regular	0	800.00	88105
00123	BATTERIES+BULBS	09/18/2017	Regular	0	67.95	88106
00124	BAUER'S UPHOLSTERY	09/18/2017	Regular	0	400.00	88107
00137	BENCO ELECTRIC COOPERATIVE	09/07/2017	Regular	0	33,121.18	88092
00233	CEMSTONE PRODUCTS COMPANY	09/18/2017	Regular	0	92.28	88108
00234	CENTER POINT ENERGY	09/07/2017	Regular	0	1,022.95	88094
00255	CITY OF MANKATO	09/18/2017	Regular	0	15,994.95	88109
00303	CRAWLER WELDING, INC.	09/18/2017	Regular	0	881.88	88110
00304	CREATIVE AD SOLUTIONS, INC.	09/18/2017	Regular	0	92.40	88111
00305	CROP PRODUCTION SERVICES, INC.	09/18/2017	Regular	0	1,195.07	88112
02294	D & K POWDER COATING	09/18/2017	Regular	0	800.00	88113
00322	DALCO	09/18/2017	Regular	0	533.77	88114
00337	DEMCO, INC.	09/18/2017	Regular	0	99.37	88115
00404	FASTENAL COMPANY	09/18/2017	Regular	0	24.08	88116
00426	FLAGS USA, INC.	09/18/2017	Regular	0	3,505.00	88117
00447	FREE PRESS	09/18/2017	Regular	0	397.75	88118
00462	G & K SERVICES	09/18/2017	Regular	0	175.56	88119
00463	G & L AUTO SUPPLY, LLC	09/18/2017	Regular	0	61.54	88120
00465	GALE/CENGAGE LEARNING	09/18/2017	Regular	0	591.78	88121
00538	HAWKINS, INC.	09/18/2017	Regular	0	6,169.97	88122
02683	HOCK, RUSSELL & PAMELA	09/18/2017	Regular	0	1,113.75	88123
00595	HY-VEE, INC.	09/18/2017	Regular	0	155.44	88124
00680	J.J. KELLER & ASSOCIATES, INC.	09/18/2017	Regular	0	604.50	88125
00639	JOHN DEERE FINANCIAL	09/18/2017	Regular	0	408.54	88126
02675	JOHNSON AGGREGATES	09/18/2017	Regular	0	806.01	88127
00676	KEELEY FARM DRAINAGE/LANDSCAPE SUPPLIE	09/18/2017	Regular	0	58.00	88128
00746	LAW ENFORCEMENT LABOR SERVICES, INC.	09/13/2017	Regular	0	637.00	88097
00778	LEAGUE OF MINNESOTA CITIES	09/18/2017	Regular	0	12,441.00	88129
00761	LEON'S CUSTOM BACKHOE, INC.	09/18/2017	Regular	0	420.00	88130
00783	LONG-TERM CARE	09/18/2017	Regular	0	163.64	88131
02644	MACQUEEN EMERGENCY GROUP	09/18/2017	Regular	0	1,204.82	88132
00805	MAGFA	09/13/2017	Regular	0	230.86	88100
00812	MANKATO BEARING COMPANY	09/18/2017	Regular	0	53.46	88133
00819	MANKATO FORD, INC.	09/18/2017	Regular	0	1,219.84	88134
00847	MATHESON TRI-GAS, INC.	09/18/2017	Regular	0	116.33	88135
00874	MENARDS-MANKATO	09/18/2017	Regular	0	92.80	88136
00879	MEYER & SONS, INC.	09/18/2017	Regular	0	233.95	88137
00923	MINNESOTA DEPARTMENT OF LABOR & INDU:	08/29/2017	Regular	0	500.00	88083
00923	MINNESOTA DEPARTMENT OF LABOR & INDU:	09/05/2017	Regular	0	(500.00)	88088
00923	MINNESOTA DEPARTMENT OF LABOR & INDU:	09/05/2017	Regular	0	500.00	88088
00951	MINNESOTA TRUCK & TRACTOR, INC.	09/18/2017	Regular	0	632.50	88138
02315	MIRACLE RECREATION EQUIPMENT CO	09/18/2017	Regular	0	1,153.28	88139
00970	MOBILE GLASS SERVICE	09/18/2017	Regular	0	256.38	88140
02323	MOBOTREX	09/18/2017	Regular	0	2,750.00	88141
00987	MOTION INDUSTRIES, INC.	09/18/2017	Regular	0	12.80	88142
01018	NCPERS MINNESOTA-UNIT 662400	09/13/2017	Regular	0	208.00	88098
01106	PETTY CASH	09/18/2017	Regular	0	103.69	88143
01130	POSTMASTER	09/07/2017	Regular	0	1,116.56	88091

01130	POSTMASTER	09/18/2017	Regular	0	194.00	88144
01130	POSTMASTER	09/18/2017	Regular	0	194.00	88145
01133	POWERPLAN/RDO EQUIPMENT	09/18/2017	Regular	0	8,658.58	88146
02281	REINDERS	09/18/2017	Regular	0	2,544.39	88147
01190	REINHART FOODSERVICE LLC	09/18/2017	Regular	0	1,178.61	88148
01226	RUFFRIDGE JOHNSON EQUIPMENT CO., INC.	09/18/2017	Regular	0	216.57	88149
01079	SMC-SOUTHERN MINNESOTA CONSTRUCTION	09/18/2017	Regular	0	3,220.79	88150
01295	SNELL MOTORS, INC	09/18/2017	Regular	0	346.38	88151
02684	STINSON LEONARD STREET	09/18/2017	Regular	0	16,330.46	88152
02430	STRATEGIC INSIGHTS INC.	09/18/2017	Regular	0	675.00	88153
01402	TIRE ASSOCIATES	09/18/2017	Regular	0	381.48	88154
01429	TURFWERKS	09/18/2017	Regular	0	76.34	88155
02150	U.S. BANK	09/18/2017	Regular	0	450.00	88156
01456	US HIGHWAY 14 PARTNERSHIP	09/18/2017	Regular	0	2,500.00	88157
01477	VIKING ELECTRIC SUPPLY, INC.	09/18/2017	Regular	0	177.78	88158
01525	WEST CENTRAL SANITATION, INC.	09/18/2017	Regular	0	26,413.76	88159
01552	WW BLACKTOPPING, INC	09/18/2017	Regular	0	3,788.12	88160
01557	XCEL ENERGY	09/05/2017	Regular	0	23,678.99	88089
01563	ZARNOTH BRUSH WORKS, INC.	09/18/2017	Regular	0	896.00	88161
00101	AT&T MOBILITY	09/13/2017	Bank Draft	0	26.23	DFT0001425
00241	CHARTER COMMUNICATIONS	09/08/2017	Bank Draft	0	496.58	DFT0001415
02058	CONSOLIDATED COMMUNICATIONS	09/08/2017	Bank Draft	0	3,153.43	DFT0001404
02058	CONSOLIDATED COMMUNICATIONS	09/08/2017	Bank Draft	0	30.63	DFT0001405
02058	CONSOLIDATED COMMUNICATIONS	09/08/2017	Bank Draft	0	39.01	DFT0001406
02058	CONSOLIDATED COMMUNICATIONS	09/08/2017	Bank Draft	0	40.64	DFT0001407
02058	CONSOLIDATED COMMUNICATIONS	09/08/2017	Bank Draft	0	30.63	DFT0001408
02058	CONSOLIDATED COMMUNICATIONS	09/08/2017	Bank Draft	0	42.94	DFT0001409
02058	CONSOLIDATED COMMUNICATIONS	09/08/2017	Bank Draft	0	254.94	DFT0001410
00311	CULLIGAN WATER CONDITIONING	09/08/2017	Bank Draft	0	33.75	DFT0001413
00311	CULLIGAN WATER CONDITIONING	09/08/2017	Bank Draft	0	20.25	DFT0001414
00608	INGRAM LIBRARY SERVICES	09/14/2017	Bank Draft	0	1,915.80	DFT0001429
00733	LAKES GAS CO #10	09/08/2017	Bank Draft	0	105.40	DFT0001411
00733	LAKES GAS CO #10	09/13/2017	Bank Draft	0	79.80	DFT0001428
00857	MC GOWAN WATER CONDITIONING, INC.	09/13/2017	Bank Draft	0	59.85	DFT0001423
00910	MINNESOTA VALLEY TESTING LAB, INC.	09/08/2017	Bank Draft	0	41.50	DFT0001416
00910	MINNESOTA VALLEY TESTING LAB, INC.	09/08/2017	Bank Draft	0	41.50	DFT0001416
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00910	MINNESOTA VALLEY TESTING LAB, INC.	09/08/2017	Bank Draft	0	59.50	DFT0001416
00910	MINNESOTA VALLEY TESTING LAB, INC.	09/13/2017	Bank Draft	0	59.50	DFT0001421
00910	MINNESOTA VALLEY TESTING LAB, INC.	09/13/2017	Bank Draft	0	192.50	DFT0001421
02350	SHRED RIGHT	09/05/2017	Bank Draft	0	630.24	DFT0001389
02350	SHRED RIGHT	09/05/2017	Bank Draft	0	204.36	DFT0001390
02205	SMITH LAWN AND LANDSCAPE	09/05/2017	Bank Draft	0	522.00	DFT0001388
01335	STAPLES ADVANTAGE	08/25/2017	Bank Draft	0	552.03	DFT0001375
01335	STAPLES ADVANTAGE	08/28/2017	Bank Draft	0	596.37	DFT0001386
01335	STAPLES ADVANTAGE	08/29/2017	Bank Draft	0	290.71	DFT0001387
01459	USA TODAY	09/13/2017	Bank Draft	0	339.75	DFT0001424
01470	VERIZON WIRELESS	09/13/2017	Bank Draft	0	774.37	DFT0001427
02178	WASTE MANAGEMENT OF WI-MN	09/08/2017	Bank Draft	0	113.31	DFT0001412
01525	WEST CENTRAL SANITATION, INC.	09/13/2017	Bank Draft	0	4,107.25	DFT0001426
02254	ALBRIGHT LAWNS	09/20/2017	EFT	0	475.00	347
00050	ALPHA WIRELESS COMMUNICATIONS	09/20/2017	EFT	0	151.16	348
00103	AUTO BODY SPECIALTIES	09/20/2017	EFT	0	6.84	349
00103	AUTO BODY SPECIALTIES	09/20/2017	EFT	0	28.16	350
00105	AUTO VALUE MANKATO	09/20/2017	EFT	0	520.78	351
00174	BOLTON & MENK, INC.	09/20/2017	EFT	0	41,496.15	352
00176	BORDER STATES ELECTRIC SUPPLY	09/20/2017	EFT	0	663.01	353
00216	C & S SUPPLY CO, INC.	09/20/2017	EFT	0	40.29	354
00310	CRYSTEEL TRUCK EQUIPMENT, INC	09/20/2017	EFT	0	580.00	355
00343	DH ATHLETICS LLC	09/20/2017	EFT	0	119.18	356
00469	GANGELHOFF, BRIAN	09/20/2017	EFT	0	120.00	357
01098	GILLETTE GROUP/PEPSI-COLA	09/20/2017	EFT	0	118.30	358
00493	GOODWIN, TONY	09/20/2017	EFT	0	300.00	359
00494	GOPHER STATE ONE-CALL	09/20/2017	EFT	0	240.30	360
02587	HOFFMAN, BETH	09/20/2017	EFT	0	71.69	361
01275	JADD SEPPMANN & SONS, LLP	09/20/2017	EFT	0	60.00	362

00691	KENNEDY & KENNEDY LAW OFFICE	09/20/2017	EFT	0	8,793.94	363
02624	KIETZER, COURTNEY	09/20/2017	EFT	0	157.31	364
00776	LLOYD LUMBER CO.	09/20/2017	EFT	0	25.70	365
00776	LLOYD LUMBER CO.	09/11/2017	EFT	0	361.76	346
00796	MAC QUEEN EQUIPMENT, INC.	09/20/2017	EFT	0	63.13	366
00889	MIDWEST TAPE/HOOPLA	09/20/2017	EFT	0	739.82	367
00902	MINNESOTA IRON & METAL CO	09/20/2017	EFT	0	8,020.00	368
00935	MINNESOTA PIPE & EQUIPMENT	09/20/2017	EFT	0	6,499.64	369
00956	MINNESOTA WASTE PROCESSING CO.	09/20/2017	EFT	0	26,753.26	370
00997	MTI DISTRIBUTING CO	09/20/2017	EFT	0	1,947.23	371
01036	NICOLLET COUNTY RECORDER/ABTRACTER	09/20/2017	EFT	0	138.00	372
01090	PARAGON PRINTING, MAILING & SPECIALTIES	09/20/2017	EFT	0	4,282.24	373
01211	RIVER BEND BUSINESS PRODUCTS	09/20/2017	EFT	0	533.33	374
01263	SCHWICKERT'S TECTA AMERICA LLC	09/20/2017	EFT	0	3,425.00	375
01281	SIGN PRO	09/20/2017	EFT	0	7.00	376
01323	SPS COMPANIES, INC.	09/20/2017	EFT	0	7.98	377
01568	ZIEGLER, INC.	09/20/2017	EFT	0	29.97	378
					<u>309,670.20</u>	<u>136</u>

## Authorization Signatures

### All Council

The above manual and regular claims lists for 9-18-17 are approved by:

\_\_\_\_\_  
MARK DEHEN- MAYOR

\_\_\_\_\_  
DIANE NORLAND- COUNCIL MEMBER

\_\_\_\_\_  
WILLIAM STEINER- COUNCIL MEMBER

\_\_\_\_\_  
ROBERT FREYBERG- COUNCIL MEMBER

\_\_\_\_\_  
JAMES WHITLOCK- COUNCIL MEMBER

RESOLUTION NO.

RESOLUTION APPROVING DONATIONS/CONTRIBUTIONS/GRANTS

WHEREAS, the Minnesota Statute 465.03 and 465.04 allows the governing body of any city, county, school district or town to accept gifts for the benefit of its citizens in accordance with terms prescribed by the donor;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTH MANKATO, MINNESOTA, that the following donations/contributions/grants are approved as follows:

Donor	Restriction	Amount
North Mankato Firefighters Relief Association	Police Reserves	\$250.00
Anonymous Donation	Fire Department (flashlights, boots, HeN, Tourniquets)	\$14,200.00
Anonymous Donation	Police Department (new medical bags)	\$1500.00
Steven and Mary Kosberg	Donation to Library	\$170.00
Carla Chesley	Library (Memory of Joyce Boldt)	\$50.00
		\$16,170.00

Adopted by the City Council this 18<sup>th</sup> day of September 2017.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Clerk



# CITY OF NORTH MANKATO

## REQUEST FOR COUNCIL ACTION



Agenda Item #16A	Department: Finance	Council Meeting Date: 9/18/17																																
<b>TITLE OF ISSUE: Consider Resolution Approving Proposed 2018 Tax Levy.</b>																																		
<b>BACKGROUND AND SUPPLEMENTAL INFORMATION:</b> Attached is the Resolution Approving the Proposed 2018 Tax Levy in the amount of \$6,288,751. This figure is \$146,924 more than what was outlined in the 2018 Proposed Budget. Staff received revised taxable market value (TMV) and Total Tax Capacity information from the County that is a 7% increase in tax capacity, compared to the 4.5% increase they estimated earlier in the summer. If the City maintains a flat tax rate of 52.251% and capturing the dollars associated with new improvements and market value increases, this increase in the TMV and Tax Capacity will generate an additional \$146,924 in revenue to go toward Park Improvements and other capital projects. The Council may adjust the levy down before the final adoption on December 18, 2017, but cannot increase the levy above the amount adopted this evening.																																		
<i>If additional space is required, attach a separate sheet</i>																																		
<b>REQUESTED COUNCIL ACTION: Adopt Resolution Approving a Proposed Tax Levy.</b>																																		
<div style="margin-bottom: 10px;">           Motion By: _____            Second By: _____         </div> <div>           Vote Record:           <table style="display: inline-table; vertical-align: top; margin-left: 10px;"> <thead> <tr> <th style="text-align: center;">Aye</th> <th style="text-align: center;">Nay</th> <th></th> </tr> </thead> <tbody> <tr><td style="text-align: center;">_____</td><td style="text-align: center;">_____</td><td>Freyberg</td></tr> <tr><td style="text-align: center;">_____</td><td style="text-align: center;">_____</td><td>Whitlock</td></tr> <tr><td style="text-align: center;">_____</td><td style="text-align: center;">_____</td><td>Steiner</td></tr> <tr><td style="text-align: center;">_____</td><td style="text-align: center;">_____</td><td>Norland</td></tr> <tr><td style="text-align: center;">_____</td><td style="text-align: center;">_____</td><td>Dehen</td></tr> </tbody> </table> </div>	Aye	Nay		_____	_____	Freyberg	_____	_____	Whitlock	_____	_____	Steiner	_____	_____	Norland	_____	_____	Dehen	<div style="text-align: center; font-weight: bold; margin-bottom: 10px;">SUPPORTING DOCUMENTS ATTACHED</div> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; font-size: small;">Resolution</th> <th style="text-align: center; font-size: small;">Ordinance</th> <th style="text-align: center; font-size: small;">Contract</th> <th style="text-align: center; font-size: small;">Minutes</th> <th style="text-align: center; font-size: small;">Map</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td colspan="5" style="padding-top: 5px;">           Other (specify) _____            _____            _____            _____         </td> </tr> </tbody> </table>	Resolution	Ordinance	Contract	Minutes	Map	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other (specify) _____ _____ _____ _____				
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## RESOLUTION APPROVING A PROPOSED TAX LEVY

WHEREAS, Minnesota Statute 275.065 requires that on or before September 29, each taxing authority shall certify to the County Auditor, that proposed property tax levy for taxes payable in the following year; and

WHEREAS, an estimate of the required property taxes for collection in the City of North Mankato for the tax year payable 2018 has been made;

WHEREAS, the City Council will hold subsequent meetings at which the budget and levy will be discussed and at which public comment will be permitted. The meetings will be held in the Council Chambers of the Municipal Building, 1001 Belgrade Avenue, North Mankato, Minnesota as follows:

December 4, 2017	7 p.m.	Public Hearing
December 18, 2017	7 p.m.	Public Hearing (if necessary)
December 18, 2017	7 p.m.	Adopt 2018 Budget and Tax Levy

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTH MANKATO, MINNESOTA, that the following sums of money be levied for the current year, collectible in 2018, upon taxable property in the City of North Mankato, for the following purposes:

- General Fund ---- \$ 4,621,889
- Port Authority --- \$ 75,000
- Debt Service ----- \$ 1,264,268
- Abatement ----- \$ 327,594
- TOTAL LEVY ----- \$ 6,288,751

The City Clerk is hereby instructed to transmit a certified copy of this resolution to the Nicollet County Auditor on or before September 29, 2017. This levy shall be subject to modification by the City Council.

Adopted by the City Council this 18<sup>th</sup> day of September, 2017.

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Mayor

ATTEST:

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City Clerk

# CITY OF NORTH MANKATO

## REQUEST FOR COUNCIL ACTION



Agenda Item #16B	Department: Administration	Council Meeting Date: 9/18/17																											
<b>TITLE OF ISSUE: Consider awarding bids for Spring Lake Park Warming House &amp; Community Room</b>																													
<p><b>BACKGROUND AND SUPPLEMENTAL INFORMATION:</b> One portion of the upgrades to the outdoor hockey rinks at Spring Lake Park was construction of a new warming house. Following Council approval to proceed with the design and bid of upgrades to the Spring Lake Park Swim Facility and the desire to generate 12 months of accessibility to the park, the location of the Warming House was placed adjacent to the existing bath house at the Swim Facility with the intention of it being available to both winter and summer users. Original budget estimates for the project were \$446,940. See attached Resolution for bid results. The lowest responsible bidder was Demars General Contracting at \$677,000 with accepting the alternative deduction</p> <p>Because bids were assumed to be higher than original project estimates, staff briefed the City Council on changes to park upgrades planned in 2017. This included not proceeding with the main shelter at Benson Park and reallocating funding from that project toward completion of the Warming House and Community Room. In addition, staff have worked with the lowest bidder to value engineer portions of the project which yielded additional reductions of \$110,000 from the bid amount of \$677,000 and has reduced the total project budget to \$567,000. \$400,000 in bond proceeds have been set aside for the Warming House &amp; Community Room as well as \$170,000 from the annual set aside in the General Fund for park improvements that were previously set aside for the main shelter at Benson Park.</p> <p style="text-align: right; font-style: italic;">If additional space is required, attach a separate sheet</p>																													
<b>REQUESTED COUNCIL ACTION:</b> Staff recommends awarding the bid for the Warming House and Community Room at Spring Lake Park to Demars Construction in an amount not to exceed \$567,000																													
<p>Motion By: _____</p> <p>Second By: _____</p> <p>Vote Record:</p> <table style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;">Aye</th> <th style="text-align: center;">Nay</th> <th></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Freyberg</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Whitlock</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Steiner</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Norland</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Dehen</td> </tr> </tbody> </table>	Aye	Nay		_____	_____	Freyberg	_____	_____	Whitlock	_____	_____	Steiner	_____	_____	Norland	_____	_____	Dehen	<p style="text-align: center;"><b>SUPPORTING DOCUMENTS ATTACHED</b></p> <table style="width: 100%; text-align: center;"> <tr> <td>Resolution</td> <td>Ordinance</td> <td>Contract</td> <td>Minutes</td> <td>Map</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table> <p>Other (specify) _____</p> <p>_____</p> <p>_____</p> <p>_____</p>	Resolution	Ordinance	Contract	Minutes	Map	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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RESOLUTION AWARDING BID FOR  
PROJECT NO. 17-3  
SPRING LAKE PARK WARMING HOUSE

WHEREAS, pursuant to an advertisement for bids concerning the Spring Lake Park Warming House, four bids were received, opened, and tabulated according to law, and;

WHEREAS, the following bids were received complying with the advertisement:

Bidder	Amount	Deduct	Total
DEMARS	\$ 729,700	\$ 52,700	\$ 677,000
APEX	\$ 798,000	\$ 38,770	\$ 759,230
GOSEWICH	\$ 876,570	\$ 51,176	\$ 825,394
MET CON	\$ 865,900	\$ 27,000	\$ 838,900

AND WHEREAS, DeMars General Contracting is the lowest responsible bidder;

AND WHEREAS, Demars General Contracting and City staff worked to value engineer certain items of the project and generated an additional \$110,000 in estimated cost reductions;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NORTH MANKATO, MINNESOTA, as follows:

1. The City Council hereby awards the bid to DeMars General Contracting in the amount of \$567,000.
2. The City Administrator and City Clerk are hereby authorized and directed to enter into a contract with DeMars General Contracting in the name of the City of North Mankato, for such improvement according to the plans and specifications approved by the City Council and on file in the Office of the City Clerk.

Adopted by the City Council this 18<sup>th</sup> day of September 2017.

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

## Spring Lake Park Warming House & Event Center Value Engineering List

Base Bid	\$729,700.00
Alternate Cost	(\$52,700.00)
Based Bid minus Alternate	\$677,000.00
Value Engineering Savings	\$111,619.00
<b>Revised Construction Cost</b>	<b>\$565,381.00</b>

List of value engineering items that were proposed.

### General Items:

1. Change vinyl window design, but kept same window sizes.
2. Remove epoxy floor and seal concrete floor instead.
3. Remove the painting of the Miratec Siding.
4. Remove pine ceiling from Viewing Room.
5. Better pricing from Vetter Stone.
6. Don't install cabinets and countertops in kitchen.
7. Don't install wood jambs and casing at windows. Go with sheetrock returns instead.
8. Remove wood casing around doors (Originally figured by trim work supplier)
9. Change to different type of solid surface window sills.
10. Remove building permit cost.
11. Remove connection link and create a separate building from the pool building.

### Insulation Items:

1. Remove spray foam from underside of roof if TPO roofing option is accepted.
2. Change from spray foam to batt insulation in exterior walls.

### Roofing Items:

1. Install TPO roof in lieu of fully adhered EPDM roof on flat roof areas.
2. Install TPO roof with R-30 insulation in lieu of standing seam metal roof on sloped roof.

### Aluminum Door Items:

1. Change from double doors to single doors with 2'-0" transom and 3'-0" sidelights and stay with specified door hardware.
2. Change to manufacturers standard panic devices on single doors.
3. Change from 366lowE to standard LowE glass.
4. Use standard hinges in lieu of continuous hinges on entrance doors.

**Mechanical Items:**

1. Install standard efficiency American Standard Roof Top Units.

**Electrical Items:**

1. Change service conductors to Aluminum instead of copper.
2. Lighting changes;  
Delete all Type C, C1, and C2 light fixtures.  
Supply and install (21) Lithonia or similar STL2 60L EZ1 LP850 with dimming.  
Delete the emergency packs on the Type A1 fixtures.  
Supply and install 7 emergency lights in corridors and Viewing room.
3. Revise lighting controls from Nlight to Wattstopper DLM system as follows.  
Bathrooms and kitchen to have local line volt wall occupancy sensors  
Corridor to have local line volt ceiling sensor.  
Viewing room to have daylight harvesting, occupancy sensors, 4 switching locations with dimming.

**Site Work Items:**

1. Removal of 4 trees by the City of North Mankato.
2. Fence removal by the City of North Mankato.
3. Demo of existing stairs and footings by the City of North Mankato.

**Cost Summary of Value Engineering items**

General Items	\$50,460.00
Insulation Items:	\$15,735.79
Roofing Items:	\$2,640.00
Aluminum Door Items:	\$16,300.00
Mechanical Items:	\$6,685.21.00
Electrical Items:	\$16,598.00
Site Work Items:	\$3,200.00

<b>Total Cost Savings</b>	<b>\$111,619.00</b>
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# CITY OF NORTH MANKATO

## REQUEST FOR COUNCIL ACTION



Agenda Item #16C	Department: Community Dev.	Council Meeting Date: 9/18/17																												
<b>TITLE OF ISSUE:</b> Consider Ordinance No. 96, Fourth Series; An Ordinance of the City of North Mankato, Minnesota Annexing Land Located in Belgrade Township, Nicollet County, Minnesota Pursuant to Minnesota Statutes § 414.033 Subdivision 2(3), Permitting Annexation by Ordinance.																														
<b>BACKGROUND AND SUPPLEMENTAL INFORMATION:</b> On August 2, 2017 the City received a request to annex 9.07 acres from Mark Hiniker. The City Council accepted the petition of annexation on August 7, 2017. According Minnesota Statutes §414.033 Subdivision 2(3), Permitting Annexation by Ordinance the City must serve upon the Township Board and residents abutting the land 30-days notice that the City will conduct a Public Hearing. The City served the notices certified mail and set the Public Hearing for September 18, 2017. The Public Hearing was heard earlier in the evening. The City may now adopt an Ordinance of Annexation and submit the request to the Office of Administrative Hearings for approval.																														
<i>If additional space is required, attach a separate sheet</i>																														
<b>REQUESTED COUNCIL ACTION:</b> Adopt Ordinance No. 96, Fourth Series; An Ordinance of the City of North Mankato, Minnesota Annexing Land Located in Belgrade Township, Nicollet County, Minnesota Pursuant to Minnesota Statutes § 414.033 Subdivision 2(3), Permitting Annexation by Ordinance.																														
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## **ORDINANCE NO. 96, FOURTH SERIES**

### **AN ORDINANCE OF THE CITY OF NORTH MANKATO, MINNESOTA ANNEXING LAND LOCATED IN BELGRADE TOWNSHIP, NICOLLET COUNTY, MINNESOTA PURSUANT TO MINNESOTA STATUTES § 414.033 SUBDIVISION 2(3), PERMITTING ANNEXATION BY ORDINANCE**

**WHEREAS**, a petition signed by all the property owners, requesting that property legally described in Exhibit A be annexed to the City of North Mankato Minnesota, was duly presented to the Council of the City of North Mankato on the 7<sup>th</sup> day of August, 2017; and

**WHEREAS**, said property is unincorporated and abuts the City of North Mankato on its North boundary; is less than 120 acres; is not presently served by public sewer facilities or public sewer facilities are not otherwise available; and

**WHEREAS**, said property is not located within a flood plain or shoreland area; and

**WHEREAS**, said property is currently farmland and annexation is requested to facilitate the extension of city services for the residential development of the property; and

**WHEREAS**, the City of North Mankato held a public hearing pursuant to Minnesota Statutes § 414.033 Subd. 2b, on September 18, 2017, following thirty (30) days written notice by certified mail to the Township of Belgrade and to all landowners within and contiguous to the area legally described in Exhibit A, to be annexed; and

**WHEREAS**, provisions of Minnesota Statutes § 414.033 Subd. 13 are not applicable in that there will be no change in the electric utility service provider resulting from the annexation of the territory to the municipality.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORTH MANKATO  
HEREBY ORDAINS AS FOLLOWS:**

1. The City Council hereby determines that the property as hereinafter described abuts the city limits and is or is about to become urban or suburban in nature in that residential use is being proposed for said property the construction of which requires or will need city services, including public sewer facilities.
2. None of the property is now included within the limits of any city, or in any area that has already been designated for orderly annexation pursuant to Minnesota Statute § 414.0325.
3. The corporate limits of the City of North Mankato, Minnesota, are hereby extended to include the following described property, said land abutting the City of North Mankato and being 120 acres or less in area, and is not presently served by public sewer facilities or public sewer facilities are not otherwise available, and the City having received a petition for annexation from all the property owners of the land, to wit:

That part of the Southwest Quarter of Section 35, Township 109 North Range 27 West, Nicollet County, Minnesota, described as:

Beginning at the northwest corner of Trail's West Estates, according to the plat thereof on file and of record with the Nicollet County Recorder; thence South 89 degrees 23 minutes 44 seconds East, (Minnesota County Coordinate System - Nicollet County Zone - HARN NAD83 - 1996), along the north line of said Trail's West Estates and along the north line of North Gate No. 2, according to the plat thereof on file and of record with the Nicollet County Recorder, a distance of 1309.05 feet; thence North 00 degrees 36 minutes 16 seconds East, 125.00 feet; thence North 20 degrees 16 minutes 33 seconds East, 63.72 feet; thence North 00 degrees 36 minutes 16 seconds East, 75.00 feet; thence North 89 degrees 23 minutes 44 seconds West, 1055.91 feet; thence North 54 degrees 24 minutes 23 seconds West, 72.12 feet; thence North 89 degrees 23 minutes 44 seconds West, 125.00 feet; thence North 00 degrees 36 minutes 16 seconds East, 430.00 feet; thence North 89 degrees 23 minutes 44 seconds West, 99.98 feet to the northeasterly corner of Outlot B, Parks Edge Addition, according to the plat thereof on file and of record with the Nicollet County Recorder; thence South 00 degrees 08 minutes 19 seconds East, along the easterly line of said Outlot B, a distance of 731.42 feet to the point of beginning. Containing 9.07 acres.

The above described property consists of a total of 9.07 acres, more or less. Copies of the corporate boundary map showing the property to be annexed and its relationship to the corporate boundaries and all appropriate plat maps are attached hereto in Exhibit B.

4. That the population of the area legally described herein and hereby annexed is 0.
5. The City of North Mankato pursuant to Minnesota Statutes §414.036, and in accordance with the reimbursement agreement (Exhibit C) that with respect to the property taxes payable on the area legally described herein, hereby annexed, shall make a cash payment to Belgrade Township of \$677.30 and shall not receive any further property tax income from the land commencing with the tax year 2017.
6. That pursuant to Minnesota Statutes § 414.036 with respect to any special assessments assigned by the Town to the annexed property and any portion of debt incurred by the Town prior to the annexation and attributable to the property to be annexed, but for which no special assessments are outstanding, for the area legally described there are no special assessments or debt incurred by the Town on the subject are for which reimbursement is required.
7. That the City Clerk of the City of North Mankato is hereby authorized and directed to file a copy of this Ordinance with the Municipal Boundary Adjustment Unit of the Office of Administrative Hearings, the Minnesota Secretary of State, the Nicollet County Auditor, and the Belgrade Township Clerk.
8. That this Ordinance shall be in full force and effect and final upon the date this Ordinance is approved by the Office of Administrative Hearings.



PASSED AND ADOPTED by the City Council of the City of North Mankato, Minnesota, this  
18<sup>th</sup> day of September 2017.

---

Mayor

ATTEST:

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City Clerk

(City Seal)

# EXHIBIT A

## PROPERTY OWNER PETITION TO MUNICIPALITY FOR ANNEXATION BY ORDINANCE - 120 Acres or Less

IN THE MATTER OF THE PETITION OF CERTAIN PERSONS FOR THE  
ANNEXATION OF CERTAIN LAND TO THE CITY OF NORTH MANKATO,  
MINNESOTA  
PURSUANT TO MINNESOTA STATUTES § 414.033, SUBD. 2(3)

---

TO: Council of the City of North Mankato, Minnesota

PETITIONER(S) STATE: All of the property owners in number are required to commence a proceeding under Minnesota Statutes § 414.033, Subd. 2(3).

It is hereby requested by:

  X   the sole property owner; or  
       all of the property owners (If the land is owned by both husband and wife, both  
must sign the petition to represent all owners.)

of the area proposed for annexation to annex certain property described herein lying in the Township of Belgrade to the City of North Mankato, County of Nicollet, Minnesota.

The area proposed for annexation is described as follows:

That part of the Southwest Quarter of Section 35, Township 109 North Range 27 West, Nicollet County, Minnesota, described as:

Beginning at the northwest corner of Trail's West Estates, according to the plat thereof on file and of record with the Nicollet County Recorder; thence South 89 degrees 23 minutes 44 seconds East, (Minnesota County Coordinate System - Nicollet County Zone - HARN NAD83 - 1996), along the north line of said Trail's West Estates and along the north line of North Gate No. 2, according to the plat thereof on file and of record with the Nicollet County Recorder, a distance of 1309.05 feet; thence North 00 degrees 36 minutes 16 seconds East, 125.00 feet; thence North 20 degrees 16 minutes 33 seconds East, 63.72 feet; thence North 00 degrees 36 minutes 16 seconds East, 75.00 feet; thence North 89 degrees 23 minutes 44 seconds West, 1055.91 feet; thence North 54 degrees 24 minutes 23 seconds West, 72.12 feet; thence North 89 degrees 23 minutes 44 seconds West, 125.00 feet; thence North 00 degrees 36 minutes 16 seconds East, 430.00 feet; thence North 89 degrees 23 minutes 44 seconds West, 99.98 feet to the northeasterly corner of Outlot B, Parks Edge Addition, according to the plat thereof on file and of record with the Nicollet County Recorder; thence South 00 degrees 08 minutes 19 seconds East, along the easterly line of said Outlot B, a distance of 731.42 feet to the point of beginning. Containing 9.07 acres.

1. There is 1 property owner in the area proposed for annexation. (If a property owner owns more than one parcel in the area proposed for annexation, he/she is only counted once as an owner - the number of parcels owned by a petitioner is not counted.)
2. The land abuts the municipality and the area to be annexed is 120 acres or less, and the area to be annexed is not presently served by public wastewater facilities or public wastewater facilities are not otherwise available.

*Except as provided for by an orderly annexation agreement, this clause may not be used to annex any property contiguous to any property previously annexed under this clause within the preceding 12 months if the property is owned by the same owners and annexation would cumulatively exceed 120 acres.*

3. Said property is unincorporated, abuts on the city's N S E W (circle one) boundary(ies), and is not included within any other municipality.
4. The area of land proposed for annexation, in acres, is 9.07 acres.
5. The reason for the requested annexation is to accommodate residential development.

PETITIONERS REQUEST: That pursuant to Minnesota Statutes § 414.033, the property described herein be annexed to and included within the City of North Mankato, Minnesota.

Dated: 8-2-17

Signatures: Mark Huil

NOTE: Pursuant to Minnesota Statutes § 414.033, Subd. 2b, before a municipality may adopt an ordinance under subdivision 2, clause (2), (3), or (4), a municipality must hold a public hearing and give 30 days' written notice by certified mail to the town or towns affected by the proposed ordinance and to all landowners within and contiguous to the area to be annexed.

NOTE: Pursuant to Minnesota Statutes § 414.033, Subd. 11, when a municipality declares land annexed to the municipality under subdivision 2, clause (3), and the land is within a designated floodplain, as provided by section 103F.111, subdivision 4, or a shoreland area, as provided by section 103F.205, subdivision 4, the municipality shall adopt or amend its land use controls to conform to chapter 103F, and any new development of the annexed land shall be subject to chapter 103F.

NOTE: Pursuant to Minnesota Statutes § 414.033, Subd. 12, when a municipality annexes land under subdivision 2, clause (2), (3) or (4), property taxes payable on the annexed land shall continue to be paid to the affected town or towns for the year in which the annexation becomes effective. If the annexation becomes effective on or before August 1 of a levy year, the municipality may levy on the annexed area beginning with that same levy year. If the annexation becomes effective after August 1 of a levy year, the town may continue to levy on the annexed area for that levy year, and the municipality may not levy on the annexed area until the following levy year.

NOTE: Pursuant to Minnesota Statutes § 414.033, Subd 13, at least 30 days before a municipality may adopt an ordinance under subdivision 2, clause (2), (3), or (4), the petitioner must be notified by the municipality that the cost of electric utility service to the petitioner may change if the land is annexed to the municipality. The notice must include an estimate of the cost impact of any change in electric utility services, including rate changes and assessments, resulting from the annexation.

Municipal Boundary Adjustment Unit Contacts

Star Holman [star.holman@state.mn.us](mailto:star.holman@state.mn.us) 651-361-7909

Katie Lin [katie.lin@state.mn.us](mailto:katie.lin@state.mn.us) 651-361-7911

(June 2011)



# EXHIBIT B



## Legend

- City Limits
- Medians
- Roadways
- Parcels (5-24-2016)
- Lakes & Ponds
- Minnesota River



## Disclaimer:

This drawing is neither a legally recorded map nor a survey and is not intended to be used as one. This drawing is a compilation of records, information, and data located in various city, county, and state offices, and other sources affecting the area shown, and is to be used for reference purposes only. The City of North Mankato is not responsible for any inaccuracies herein contained.

0 566 Feet

© Bolton & Menk, Inc - Web GIS 8/3/2017 9:14 AM



**BOLTON  
& MENK**

Real People. Real Solutions.





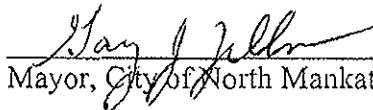
# EXHIBIT C


## ANNEXATION REIMBURSEMENT AGREEMENT BETWEEN THE CITY OF NORTH MANKATO AND BELGRADE TOWNSHIP

Pursuant to Minn. Stat. Sec. 414.036:

Unless otherwise agreed to by the annexing municipality and the affected town, when an order or other approval under this chapter annexes part of a town to a municipality the order or other approval must provide a reimbursement from the municipality to the town for all or part of the taxable property annexed as part of the order. The reimbursement shall be completed in substantially equal payments over not less than two nor more than eight years from the time of annexation. The municipality must reimburse the township for all special assessments assigned by the townships to the annexed property and any portion of debt incurred by the town prior to the annexation and attributable to the property to be annexed but for which no special assessments are outstanding, in substantially equal payments over a period of not less than two or no more than eight years.

In accordance with this State Statute, the City of North Mankato will reimburse Belgrade Township an annual amount based on the property taxes collected by Belgrade Township in the last year it collected taxes on any land valued over \$50,000 which the City of North Mankato annexes into its City limits. There will be no reimbursement for land valued under \$50,000 which the City annexes. Any reimbursement shall be paid for a period of five years. The City reserves the right to pre-pay at any time.

  
\_\_\_\_\_  
Mayor, City of North Mankato

  
\_\_\_\_\_  
Belgrade Township Supervisor

1-10-07  
\_\_\_\_\_  
Date

1-9-2007  
\_\_\_\_\_  
Date



# CITY OF NORTH MANKATO

## REQUEST FOR COUNCIL ACTION



Agenda Item #16D	Department: Community Dev.	Council Meeting Date: 9/18/17																											
<b>TITLE OF ISSUE: Consider Resolution of the North Mankato City Council Modifying Industrial Development District No. 1 and Adopting a Development Program for Said Industrial Development District.</b>																													
<b>BACKGROUND AND SUPPLEMENTAL INFORMATION: The Seventh Modification of Industrial Development District No. 1 expands the boundary to include Lot 1, Block 1, Birchwood Cottages into the Development District.</b>																													
<i>If additional space is required, attach a separate sheet</i>																													
<b>REQUESTED COUNCIL ACTION: Adopt Resolution of the North Mankato City Council Modifying Industrial Development District No. 1 and Adopting a Development Program for Said Industrial Development District.</b>																													
<div style="margin-bottom: 10px;"> Motion By: _____  Second By: _____ </div> <div> Vote Record: <table style="display: inline-table; vertical-align: top; margin-left: 20px;"> <thead> <tr> <th style="text-align: center;">Aye</th> <th style="text-align: center;">Nay</th> <th></th> </tr> </thead> <tbody> <tr><td style="text-align: center;">_____</td><td style="text-align: center;">_____</td><td>Freyberg</td></tr> <tr><td style="text-align: center;">_____</td><td style="text-align: center;">_____</td><td>Whitlock</td></tr> <tr><td style="text-align: center;">_____</td><td style="text-align: center;">_____</td><td>Steiner</td></tr> <tr><td style="text-align: center;">_____</td><td style="text-align: center;">_____</td><td>Norland</td></tr> <tr><td style="text-align: center;">_____</td><td style="text-align: center;">_____</td><td>Dehen</td></tr> </tbody> </table> </div>	Aye	Nay		_____	_____	Freyberg	_____	_____	Whitlock	_____	_____	Steiner	_____	_____	Norland	_____	_____	Dehen	<div style="text-align: center; font-weight: bold; margin-bottom: 10px;">SUPPORTING DOCUMENTS ATTACHED</div> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 20%;">Resolution</td> <td style="text-align: center; width: 20%;">Ordinance</td> <td style="text-align: center; width: 20%;">Contract</td> <td style="text-align: center; width: 20%;">Minutes</td> <td style="text-align: center; width: 20%;">Map</td> </tr> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table> <div style="margin-top: 5px;"> Other (specify) _____  _____  _____  _____  _____ </div>	Resolution	Ordinance	Contract	Minutes	Map	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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**RESOLUTION #\_\_\_\_\_ - 2017**

**RESOLUTION OF THE NORTH MANKATO CITY COUNCIL  
MODIFYING INDUSTRIAL DEVELOPMENT DISTRICT NO. 1 AND  
ADOPTING A DEVELOPMENT PROGRAM FOR SAID INDUSTRIAL DEVELOPMENT DISTRICT**

**WHEREAS**, the North Mankato Port Authority Commission has determined to undertake a modification to Industrial Development District No. 1 and has applied to the City Council of North Mankato to approve said modification; and

**WHEREAS**, the City of North Mankato (herein called the City) has reviewed the report entitled "Modification of Industrial Development District No. 1, dated September 18, 2017 (Seventh Amendment)" (herein called the Plan), which sets forth a development program for Industrial Development District No. 1; and

**WHEREAS**, it is desirable and in the public interest that the City modify Industrial Development District No. 1 and adopt a development program pursuant to Minnesota Statutes, Sections 469.048 to 469.068, encompassing the area which is more particularly described in the Plan (which area is herein called Industrial Development District No. 1); and

**WHEREAS**, the City's Planning Commission has been consulted with concerning the modification of Industrial Development District No. 1; and

**WHEREAS**, The North Mankato Port Authority Commission has conducted a public hearing on September 18, 2017, concerning the modification of Industrial Development District No. 1 and recommended approval by the City Council; and

**WHEREAS**, the City Council has received and considered the comments of the City's Planning Commission and the Port Authority Commission with regard to the contents of the Plan; and

**WHEREAS**, the City Council on September 18, 2017, after having published a notice of public hearing in the official newspaper of the City, conducted a public hearing on the Plan and received public comments on the same; now, therefore,

**THE CITY OF NORTH MANKATO RESOLVES:**

Sec. 1. That it is hereby found and determined that there is a need for the activities in Industrial Development District No. 1.

Sec. 2. That it is hereby found and determined that Industrial Development District No. consists of "marginal property" which suffers from at least one of the following conditions:

A. Faulty planning causing deterioration, disuse or economic dislocation.

- B. The subdividing and sale of lots too small and irregular for good use and development.
- C. Lots laid out ignoring their physical characteristics and surrounding conditions.
- D. Inadequate streets, open spaces, and utilities.
- E. Areas that may flood.
- F. Lower values, damaged investments, and social and economic upsets reducing taxpaying capacity making tax receipts too low for the public services rendered.
- G. Improper use of area, resulting in stagnant or unproductive land that could otherwise contribute to the public health, safety and welfare.
- H. Lower population and some improper use of areas, causing more decline, and requiring more public money for new public facilities and public services elsewhere.
- I. Property valuation too low to establish a local improvements district to construct and install streets, walks, sewers, water and other utilities.
- J. Land within an industrial area not used for industry but needed for industrial development of the area.
- K. State-acquired tax forfeited land.

Sec. 3. That it is hereby found and determined that the development program set forth in the Plan will carry out the objectives of Industrial Development District No. 1 by assisting economic development and redevelopment, retaining jobs and creating new job opportunities, providing additional housing opportunities and enhancing the tax base.

Sec. 4. That the development program as set forth in the Plan having been duly reviewed and considered, is hereby approved and the area described therein is hereby designated as Industrial Development District No. 1 pursuant to Sections 458.191 of Minnesota Statutes.

Sec. 5. That the City Council hereby designates the Executive Director of the Port Authority as the responsible officer to act as administrator of Industrial Development District No. 1.

Sec. 6. That the City hereby states that the environmental controls to be applied in connection with the execution of the development program shall consist of the applicable ordinances of this City, and the applicable provisions of Minnesota Statutes.

The foregoing resolution was offered at a regular meeting of the City Council held on September 18, 2017, by Council Member \_\_\_\_\_ who moved its adoption, was seconded by Council Member \_\_\_\_\_ and adopted by the following vote:

AYES:

NAYS:

Whereupon the above resolution was duly adopted.

Attest:

---

Mark D. Dehen, Mayor

---

April Van Genderen, City Clerk



**MODIFICATION OF  
INDUSTRIAL  
DEVELOPMENT  
DISTRICT NO. 1**  
(Seventh Amendment)

**NORTH MANKATO,  
MINNESOTA**

**SEPTEMBER 18, 2017**

**Business Finance and  
Economic Development  
Specialists**

---

**MODIFICATION OF  
INDUSTRIAL DEVELOPMENT DISTRICT NO. 1  
(Seventh Amendment)**

**CITY OF NORTH MANKATO, MINNESOTA**

**September 18, 2017**

*PREPARED BY:*

*ADVANCE RESOURCES FOR DEVELOPMENT, INC.  
MANKATO, MINNESOTA 56001*

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## BACKGROUND

Previously, the City of North Mankato and its related development organizations, the Housing and Redevelopment Authority and the North Mankato Port Authority Commission established and subsequently modified, several Project Areas and related Tax Increment Financing Districts in order to undertake redevelopment to prevent or eliminate blighted areas, enhance the local tax base, create and retain employment opportunities, assist economic development on "marginal property" and promote the health, safety and welfare of the community and its residents. These Project Areas were initially established and subsequently modified on the following dates:

Project Areas	Date of Establishment/Modification
Redevelopment Project III Central Business District	April 5, 1976; July 18, 1983; January 16, 1990; May 20, 1996 and June 22, 1998.
Municipal Development District No. 1	December 16, 1985, January 16, 1990; May 20, 1996 and June 22, 1998.
Industrial Development District No. 1	May 16, 1985; August 23, 1988; October 17, 1988; June 5, 1989, January 16, 1990; May 20, 1996; June 22, 1998; October 18, 1999; January 18, 2011, April 4, 2011 and October 17, 2011.

The purpose of the January 16, 1990 modification was to transfer control, authority and operation of the Project Areas to the North Mankato Port Authority Commission and expand the boundaries. On May 20, 1996, the City Council approved the consolidation of the three previously established Project Areas into Industrial Development District No. 1, which was subsequently expanded on June 22, 1998, October 18, 1999, January 18, 2011, April 4, 2011 and October 17, 2011.

Now, it is proposed that the boundaries of Industrial Development District No. 1 again be expanded. This expansion provides opportunities for the Port Authority Commission and the City Council to continue development and redevelopment activities as previously enumerated and provide financial assistance for these activities within its area of operations.

## INCORPORATION OF PREVIOUS PLANS

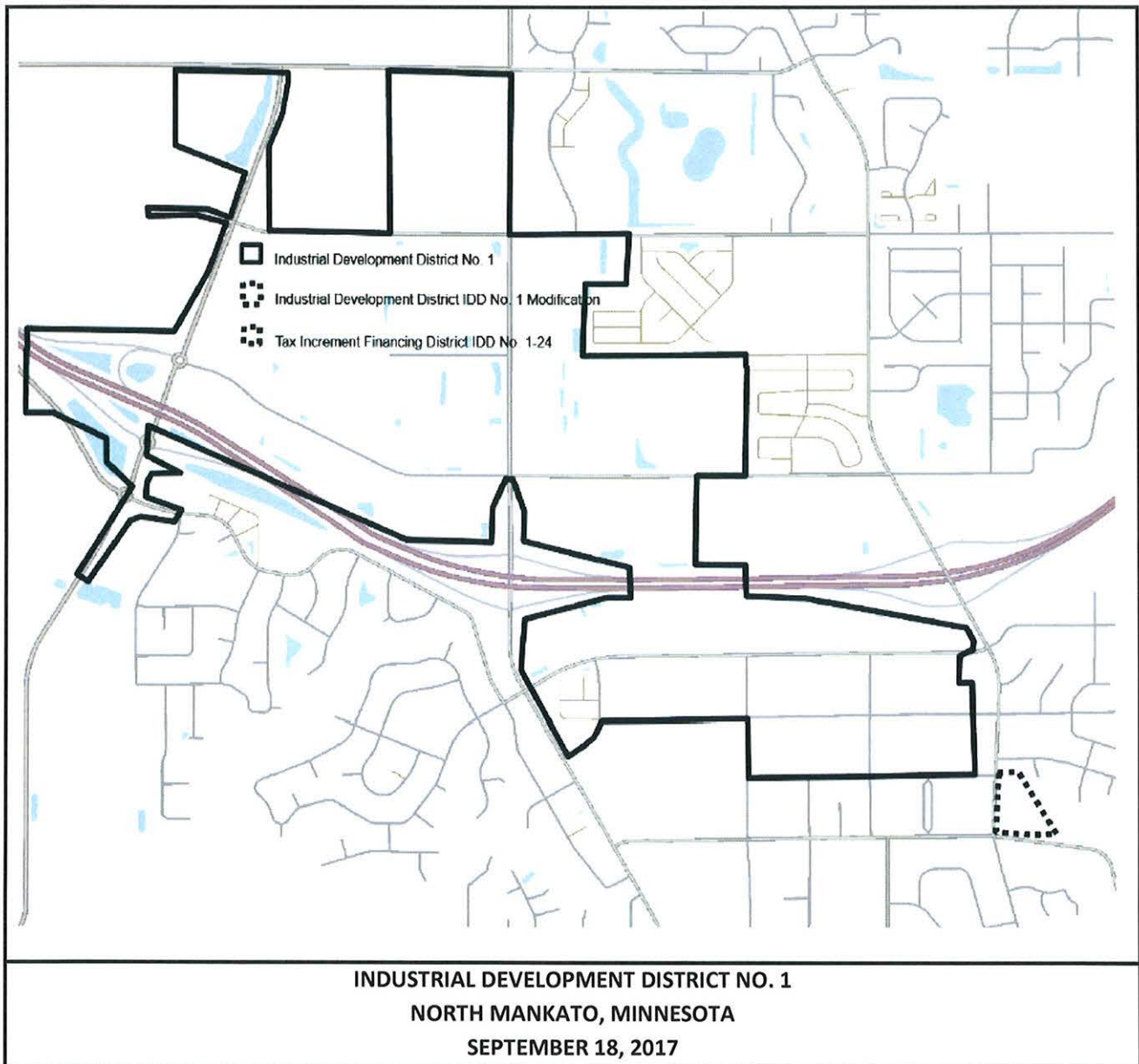
The City previously established and modified various project areas, which were subsequently transferred to the control, authority and operation of the North Mankato Port Authority Commission and combined under one project area - Industrial Development District No. 1. The current modification constitutes the seventh amendment of Industrial Development District No. 1. All provisions of the previous project plans, as originally adopted and subsequently modified, are hereby incorporated by reference except to the extent that Minnesota statutes, sections 469.048 to 469.068, inclusive and amended, requires changes and except to the extent that any such provision is explicitly contrary to a provision of this modification. Except as so modified, the previous project area plans are hereby adopted and incorporated by reference.

## CURRENT MODIFICATION

The current project plan modification involves a boundary expansion of Industrial Development District No. 1 to include the following area:

Lot 1, Block 1, Birchwood Cottages, North Mankato, Nicollet County Minnesota

The map below shows the location and boundaries of the proposed expansion of Industrial Development District No. 1.



# CITY OF NORTH MANKATO

## REQUEST FOR COUNCIL ACTION



Agenda Item #16E		Department: Community Dev.		Council Meeting Date: 9/18/17	
<b>TITLE OF ISSUE:</b> Consider Resolution of the City Council of the City of North Mankato Approving Tax Increment Financing District IDD No. 1-24.					
<b>BACKGROUND AND SUPPLEMENTAL INFORMATION:</b> Tax Increment Financing District IDD No. 1-24 establishes a district for Birchwood Cottages.					
<i>If additional space is required, attach a separate sheet</i>					
<b>REQUESTED COUNCIL ACTION:</b> Adopt Resolution of the City Council of the City of North Mankato Approving Tax Increment Financing District IDD No. 1-24.					
<b>Motion By:</b> _____ <b>Second By:</b> _____			<b>SUPPORTING DOCUMENTS ATTACHED</b>		
<b>Vote Record:</b>			Resolution   Ordinance   Contract   Minutes   Map		
Aye      Nay			<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
_____ Freyberg			Other (specify) <u>Tax Increment Financing Plan IDD No. 1-24</u>		
_____ Whitlock			_____		
_____ Steiner			_____		
_____ Norland			_____		
_____ Dehen			_____		
<input type="checkbox"/> Workshop			<input type="checkbox"/> Refer to: _____		
<input checked="" type="checkbox"/> Regular Meeting			<input type="checkbox"/> Table until: _____		
<input type="checkbox"/> Special Meeting			<input type="checkbox"/> Other: _____		

**RESOLUTION #\_\_\_\_\_ - 2017**

**RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF NORTH MANKATO APPROVING TAX INCREMENT  
FINANCING DISTRICT IDD NO. 1-24**

**WHEREAS**, the City Council of North Mankato (herein called the "City") has held a public hearing to receive input regarding the establishment of Tax Increment Financing District IDD No. 1-24 (herein called the "District") as provided in a report, dated September 18, 2017 (herein called the "Plan"); and

**WHEREAS**, the City has previously approved a plan for Industrial Development District No. 1 pursuant to Minnesota Statutes, Sections 469.048 to 469.068; thereby creating a Project within the meaning of Minnesota Statutes, Section 469.174, Subdivision 8, which encompasses the District; and

**WHEREAS**, the Plan sets forth the estimate of the fiscal and economic impact of tax increment financing on the tax capacities of all taxing jurisdictions in which the District is located; and

**WHEREAS**, the Board of Nicollet County, Minnesota, has been notified of the public hearing for review of the Plan; and

**WHEREAS**, the School Board of Independent School District No. 77 has been notified of the public hearing for review of the Plan; and

**WHEREAS**, the City has received and considered the comments of the Nicollet County Board and the School Board of the Independent School District No. 77 with regard to the contents of the Plan; and

**WHEREAS**, the North Mankato Port Authority Commission has conducted a public hearing on September 18, 2017 and recommended approval of the Plan to the City Council; and

**WHEREAS**, the City on September 18, 2017, after having published a notice of public hearing in the official newspaper of the City, conducted a public hearing on the Plan and received public comments on the same;

**NOW THEREFORE, BE IT RESOLVED**, by the North Mankato City Council:

**Sec. 1.** It is hereby found and determined that there is a need for the Project activities in the District.

**Sec. 2.** It is hereby found and determined that the Project activities set forth in the Plan will establish, for the City of North Mankato, the opportunity to promote housing development of vacant, unused and underused land and that this development will create housing opportunities, jobs and enhance the local tax base.

**Sec. 3.** It is hereby found and determined that the tax increment financing plan as set forth in the Plan having been duly reviewed and considered is hereby approved and adopted, and the area described in Exhibit A hereto is hereby affirmed and designated as a Housing District pursuant to Minnesota Statutes, Section 469.174, Subdivision 11.

**Sec. 4.** It is hereby found and determined that, in the opinion of the City, the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.

**Sec. 5.** It is hereby found and determined that the tax increment financing plan will afford maximum opportunity, consistent with sound needs of the City as a whole, for the development of the Project by private enterprise.

**Sec. 6.** It is hereby found and determined that the tax increment financing plan set forth in the Plan conforms to the general plan for the development of the City as a whole.

**Sec. 7.** That the reasons and supporting facts for findings 3, 4, 5 and 6 as set forth on pages 5 and 6 of the Plan are by this reference confirmed and adopted.

**Sec. 8.** That the City Clerk shall request the Auditor of Nicollet County to certify the original tax capacity and original local tax rate of the District approved by this resolution.

**Sec. 9.** That the City Clerk is hereby directed to file a copy of this resolution and a copy of the Plan with the Minnesota Department of Revenue and Office of the State Auditor.

**Sec. 10.** That the City hereby states its intention to use all of the captured tax capacity for purposes of tax increment financing as per the conditions set forth in the Plan.

The foregoing resolution was offered at a regular meeting of the City Council held on September 18, 2017, by Council Member \_\_\_\_\_ who moved its adoption, was seconded by Council Member \_\_\_\_\_ and adopted by the following vote:

AYES:

NAYS:

Whereupon the above resolution was duly adopted.

Attest:

\_\_\_\_\_  
Mark D. Dehen, Mayor

\_\_\_\_\_  
April Van Genderen, City Clerk



**TAX INCREMENT  
FINANCING  
DISTRICT IDD NO. 1-24  
(Birchwood Cottages  
Assisted Living Facility)**

**NORTH MANKATO,  
MINNESOTA**

**SEPTEMBER 18, 2017**

**Business Finance and  
Economic Development  
Specialists**

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**TAX INCREMENT FINANCING DISTRICT IDD NO. 1-24  
(Birchwood Cottages Assisted Living Facility)**

**CITY OF NORTH MANKATO, MINNESOTA**

**September 18, 2017**

*PREPARED BY:*

*ADVANCE RESOURCES FOR DEVELOPMENT, INC.  
MANKATO, MINNESOTA 56001*

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## INTRODUCTION

### BACKGROUND

The North Mankato Port Authority Commission and City Council have previously established and subsequently modified Industrial Development District No. 1 (IDD No. 1) Project Area and have created and operated tax increment financing districts within the boundaries of the Project Area. At the present, the Port Authority and City Council are proposing to establish Tax Increment Financing District IDD No. 1-24 in order to assist Cottages Properties of Mankato LLC (the "Developer") in its plans to construct a 48-unit residential assisted living, memory care facility (Birchwood Cottages) on a 3.90-acre parcel at 1610 LorRay Dr.

### LOCATION

Tax Increment Financing District IDD No. 1-24 is located on Lot 1, Block 1, Birchwood Cottages (1610 LorRay Dr.), North Mankato, Minnesota. A map of the tax increment financing district is on page 2.

### DEFINITIONS

For the purpose of this Tax Increment Financing Plan, the following terms shall have the meanings specified below, unless the context otherwise requires.

"Authority" means the North Mankato Port Authority Commission, which has been granted port authority powers pursuant to Minnesota Statutes, Sections 469.048 to 469.068.

"Bonds" means any bonds or other obligations as defined in Minnesota Statutes, section 469.174, subdivision 3, including pay-as-you-go tax increment financing revenue notes.

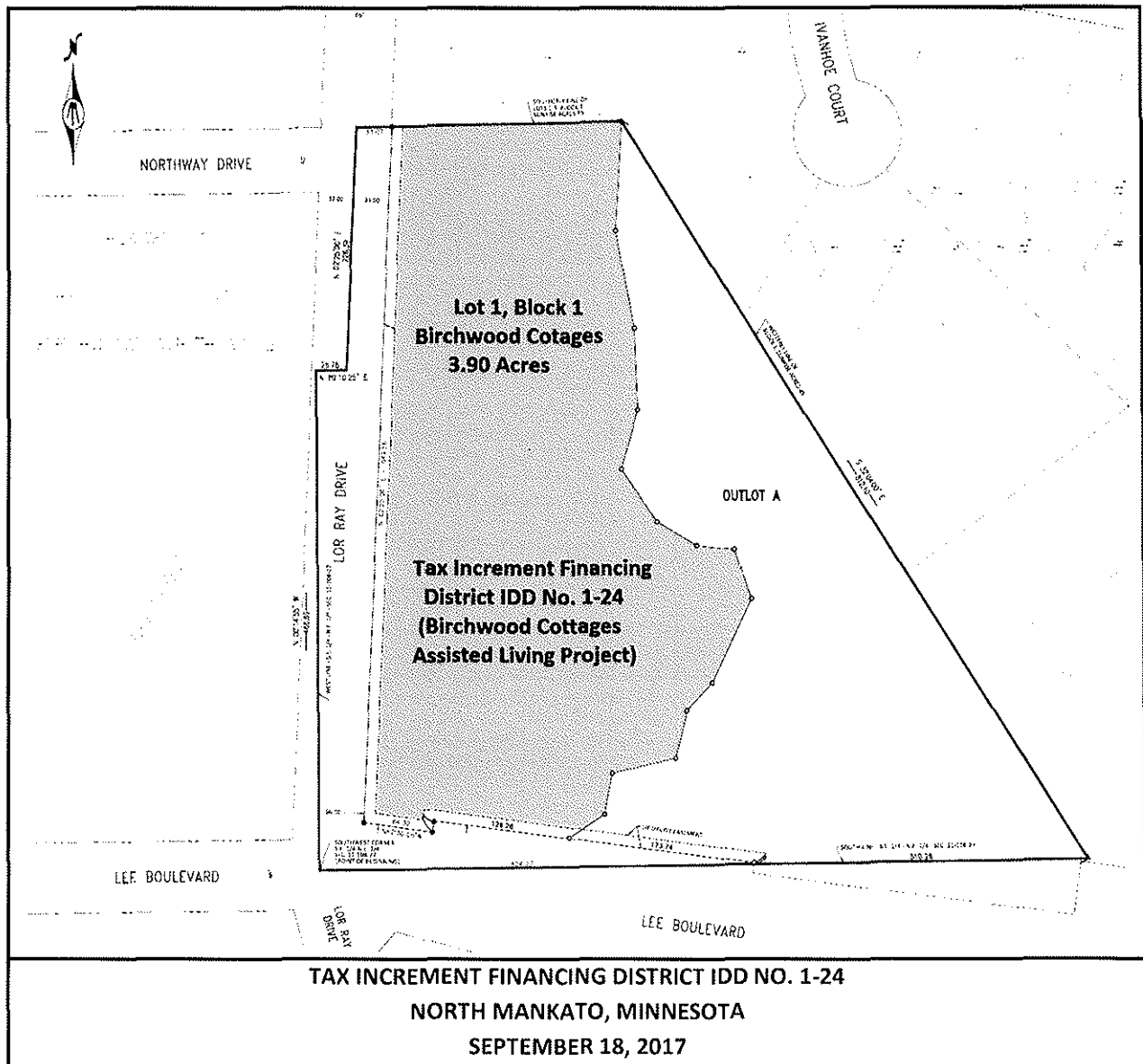
"City" means the City of North Mankato, Minnesota.

"Council" means the City Council of the City of North Mankato, Minnesota.

"Development" means the parcels of property upon which identified activities will occur as described in this Plan; the purpose of which is for the proposed construction 48-unit residential assisted living, memory care facility to promote affordable housing, create jobs and enhance the tax base.

"Housing District" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts, and that satisfies the requirements of Minnesota Statutes, Section 469.1761.

"Industrial Development District Plan" means the plan for Industrial Development District No. 1 prepared pursuant to the provisions of Minnesota Statutes, Sections 469.048 to 469.068, which provides an



outline for the development, construction and improvement of the port authority and is sufficiently complete (1) to indicate its relationship to definite local objectives as to appropriate land uses; and (2) to indicate general land uses and general standards of development or redevelopment consistent with a municipality's comprehensive plan.

"Project" is an industrial development district as defined in Minnesota Statutes, section 469.058, Subdivision 1.

"Tax Increment Financing District" or "District" means a contiguous or noncontiguous geographic area within a project delineated in the tax increment financing plan, as provided by section 469.175, subdivision 1, for the purpose of financing redevelopment, housing or economic development in municipalities through the use of tax increment generated from the captured net tax capacity in the tax increment financing district.

“Tax Increment Financing Plan” or “Plan” means the plan for establishment of Tax Increment Financing District IDD No. 1-24 prepared pursuant to the provisions of Minnesota Statutes, Sections 469.174 to 469.179, which provides a statement of objectives, the development program, development activities, project timing, budget estimates, estimated impact on affected taxing jurisdictions, identification of studies or analysis used to determine need for financing and identification of parcels to be included in the District.

#### PURPOSE OF TAX INCREMENT FINANCING PLAN

The District is established pursuant to Minnesota Statutes, Chapter 469, which provides the Authority the ability to use tax increment financing as a funding source. Under Chapter 469, a tax increment district may be established as a housing district, a redevelopment district, a renewal and renovation district, a soils condition district or an economic development district. Since this area qualifies as a housing district, pursuant to Minnesota Statutes, section 469.174, subdivision 11, it has duration of 25 years from the date of receipt by the Authority of the first tax increment.

It is the intention of the Authority to support the development of vacant or underdeveloped properties to facilitate housing opportunities for various age and income groups in proximity to necessary goods and services. To accomplish this housing development goal, the authority proposes to establish Tax Increment Financing District IDD No. 1-24 and to use tax increment revenues to fund eligible development costs.

## **TAX INCREMENT FINANCING PLAN**

### **RELATIONSHIP OF TAX INCREMENT FINANCING DISTRICTS TO INDUSTRIAL DEVELOPMENT DISTRICT**

Port Authority law (Minnesota Statutes, Sections 469.048 to 469.068) authorizes the use of tax increment funds to pay for Project improvements. When using tax increment funds, it is necessary to establish a tax increment financing district according to Minnesota Statutes, Sections 469.174 to 469.179, inclusive. Approval of this Plan establishes a tax increment financing district, the purpose of which is to finance the development activities authorized by the creation and subsequent modifications of Industrial Development District No. 1.

### **PROPERTY CONDITIONS AND DESCRIPTION OF DEVELOPMENT PROPOSAL**

The Developer proposes construction a 48-unit residential assisted living, memory care facility (Birchwood Cottages) in two 16,000-ft.<sup>2</sup> structures on a 3.90-acre parcel at 1610 LorRay Dr. The Developer is requesting approval of tax increment financing assistance for the eligible costs of a housing project, which include land acquisition, site improvements and other qualified costs. The estimated project cost is \$6,900,000. The 3.90-acre development parcel is valued by Nicollet County at \$150,800. In addition to providing affordable assisted living units, the project when complete, will create 70-100 jobs. Ten percent of these jobs will pay a minimum base salary of \$60,000-\$70,000 a year. All other fulltime positions will pay a base salary starting at \$28,000 to \$32,000 a year. This Development will create nearly \$4,000,000 in direct wages.

The Development will consist of a project intended for occupancy by persons or families of low or moderate-income. In order to provide tax increment financing assistance to a residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The proposed project meets this requirement if individuals whose income is 50 percent or less of the area median income occupy 20 percent or more of the residential units. Median family income is determined by HUD and includes adjustments for family size. Because of the nature of this project family size is always one. HUD has established the 2017 median family income for Mankato-North Mankato, Minnesota Metropolitan Statistical Area as follows:

<b>Mankato-North Mankato, MSA</b>	<b>Adjustments for Family Size</b>
2017 Median Family	1 person household
Income is \$78,000	\$27,300

HUD revises annually median family income information.

The Authority will use increment generated by the Development to reimburse the Developer eligible costs of a housing project, which include land acquisition, site improvements and other qualified costs.

### **DESCRIPTION OF PROPERTY IN TAX INCREMENT DISTRICT**

The following property is included the District: Lot 1, Block 1, Birchwood Cottages (1610 LorRay Dr.), North Mankato, Minnesota. (Parcel Identification Number 18.466.0010).

## FINDINGS

Before a municipality approves a tax increment financing plan, the statutory findings of Minnesota Statutes, section 469.175, subdivision 3, must be made and the reasons for those findings must be set forth in writing along with supporting facts for each determination. The findings and supporting facts for the District are as follows:

1. FINDING. Tax Increment Financing District IDD No. 1-24 is a housing district.

SUPPORTING FACTS. Minnesota Statutes, Chapter 469, provides for five types of districts - a redevelopment district, a renewal and renovation district, a housing district, a soils condition district and an economic development district - each serving a well-defined need and each having different qualifying standards. Tax Increment Financing District IDD No. 1-24 is a "Housing District". Minnesota Statutes, section 469.174, subdivision 11, defines "Housing District". This definition is also set forth on page 2 of this Plan.

The District qualifies as a "Housing District" pursuant to Minnesota Statutes, section 469.174, subdivision 11, because the proposed development results in the construction of a 48-unit residential assisted living, memory care facility meeting the requirements of Minnesota Statutes, section 469.1761, subdivision 3. In order to meet the requirements of this section, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The requirements Minnesota Statutes, section 469.1761, subdivision 3 apply for the duration of the tax increment financing district. The proposed development meets the requirements of Section 142(d) if 20 percent or more of the residential units are occupied by individuals whose income is 50 percent or less of the area median income, or if 40 percent or more of the residential units are occupied by individuals whose income is 60 percent or less of the area median income. A property also satisfies the requirements of section 142(d) if 50 percent of the residential units in the project are occupied by individuals whose income is 80 percent or less of area median gross income. Median family income is determined by HUD and includes adjustments for family size.

2. FINDING. That, in the opinion of the municipality the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.

SUPPORTING FACTS. The Developer's market research identifying a need for a 48-unit residential assisted living, memory care facility within the community supports this finding. The Developer's project pro forma shows that costs associated with developing, marketing and financing a residential assisted living, memory care facility requires rental rates beyond the means of low-income persons desiring this type of housing. The proposed development provides affordable housing by combining public and private resources to reduce housing costs. Components of the development's funding are line item cost reductions brought about by the use of tax increment financing. The development is only feasible through assistance, in part, from tax increment financing.

Furthermore, this finding is based upon evidence from general past experience that in order to provide housing opportunities for low and moderate-income persons that public assistance is required to reduce project costs. Tax increment financing is an essential component of the development package being considered for the project; thus, implementing the objective of providing affordable housing.

3. FINDING. That the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

SUPPORTING FACTS. The tax increment financing plan conforms to the general plan of the City for the following reason:

A. The Comprehensive Plan has designated the District as appropriate for residential development.

B. The Comprehensive Plan supports the development of housing that meets the needs of all ages and income groups.

C. Public streets and utilities are available to service property included in the District.

D. The District is designated in the zoning ordinance for residential development. Plan activities and subsequent development encourage and result in development of a 48-unit residential assisted living, memory care facility intended for occupancy by low-income individuals.

E. The general plan for the community supports the creation of additional residential opportunities within the municipality.

4. FINDING. That the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

SUPPORTING FACTS. By adopting the Industrial Development District No. 1 development program, the Authority and City approved a blueprint for development and redevelopment within the community. The Development District plan encourages cooperation with private enterprise. Information contained in the development program along with other City plans and reports has been used in the preparation of this Plan. Based upon the objective of cooperation and upon the guidance provided by City plans and ordinances, the Authority has determined Project costs that will be paid for by tax increment revenues. As the Financial Plan, on pages 8 through 13 of this Plan, shows the Authority intends to concentrate the use of tax increment revenue on those improvements that would not reasonably be expected to occur solely through private action. Private enterprise will be responsible for the vast majority of the expenses and activities normally associated with land development.

#### STATEMENT OF OBJECTIVES FOR INDUSTRIAL DEVELOPMENT DISTRICT NO. 1

The Authority and City Council have previously determined that is necessary, desirable, and in the public interest to establish/modify, designate, develop and administer an industrial development district in the City pursuant to the provisions of Minnesota Statutes, section 469.048 to 469.068, inclusive. The Authority and City Council further determine that the funding of the necessary activities and improvements in the Industrial Development District may be financed through a wide array of funding mechanisms, including tax increment financing, and other appropriate sources. Prior to involving itself in financing project activities or a development, the Authority and City Council shall determine financial feasibility of the Project or development. Any public or private activity, when municipally financed, shall demonstrate how said financing is going to be repaid.



The Authority and City Council seek to achieve the following objectives through this Plan:

1. Encourage the retention, expansion and development of commercial and industrial enterprises within the City.
2. Remove structurally substandard buildings for which rehabilitation is not feasible.
3. Acquire and remove economically or functionally obsolete or underutilized buildings.
4. Acquire land and/or buildings which are vacant, unused, underused, or inappropriately use.
5. Acquire property of irregular form and shape or inadequate size, which has prevented normal development.
6. Eliminate blighting influences, which impede potential development.
7. Encourage the rehabilitation of remaining intensive businesses.
8. Achieve a high standard of buildings that remain in the Project area.
9. Provide adequate streets, utilities and other public improvements and facilities to enhance the area for both new and existing development.
10. Eliminate or correct physical deterrents to the development of land.
11. Provide development sites of such size and character to assure the development of the area.
12. Achieve a high level of design and landscaping quality to enhance the area's physical environment.
13. Accomplish convenient and adequate parking to serve the needs of the area.
14. Combine elements of other City plans with these Project objectives.
15. Improve the financial base of the City.
16. Provide maximum opportunity, consistent with the need of the City for development by private enterprise.
17. Promote development of adequate parking areas.
18. Provide housing opportunities for various age and income groups in proximity to necessary goods, services and employment opportunities.

19. Develop the river bank and other natural resources to serve as an aesthetic focal point for the downtown area.

20. Provide increased employment opportunities and, as much as possible, seek businesses which would employ the unemployed and underemployed.

21. Provide a retail service level required by the residents of the community and surrounding region.

22. Eliminate the hazards, impediments, and existence of marginal lands.

23. Foster industrial development by related growth and development activities (i.e. commercial, residential, recreational developments).

#### DEVELOPMENT PROGRAM FOR INDUSTRIAL DEVELOPMENT DISTRICT

Minnesota Statutes, section 469.175, Subdivision 1(2) requires "A statement as to the development program for the project, including the property within the project, if any, which the authority intends to acquire;"

The Development Program for Industrial Development District No. 1 is delineated in a report entitled "Modification of Industrial Development District No. 1", adopted September 18, 2017, and is on file in the City Clerk's office. By this reference, said development program is incorporated as part of this tax increment financing plan.

#### TAX INCREMENT FINANCING DISTRICT DEVELOPMENT ACTIVITIES

Development activities to be financed in whole or in part because of the implementation of this Plan include:

1. The Authority will use tax increments, generated by development in the District, to reimburse the Developer for eligible costs of a housing project, which includes, but is not limited to property acquisition and site improvements. The reimbursement of tax increment will occur via a development agreement between the Authority and Developer.

2. The Developer will commence construction of the facilities, in the District, in September 2017.

The above activities and improvements are within the boundaries of Tax Increment Financing District IDD No. 1-24. For the purposes of budgeting in this Plan, the anticipated construction start is 2017 with total project completion by December 31, 2018.

The above activities are, at the time of preparation of this Plan, the only activities proposed for the Development District because of the formation of the District. The Authority and the Developer anticipate execution of a development agreement in September 2017.

#### CONFORMANCE WITH PLAN FOR THE CITY

The Authority and City Council, by approval of this Plan, believes that implementation of the District meets the intent of the plan for the City by providing employment opportunities, enhancing the local tax base, maintaining the quality of existing development, and improving the quality of life through orderly planned improvements.

#### PROCEDURE FOR MAKING MODIFICATIONS IN AN APPROVED TAX INCREMENT FINANCING DISTRICT PLAN

The Plan may be modified by the Authority and City Council under provisions of Minnesota Statutes, section 469.175, subdivision 4.

#### RELOCATION POLICY

The Plan does not require relocation. The Authority and City Council have previously adopted relocation policies and procedures, which conform to the Uniform Relocation Act. If in the future project activities require relocation, the Authority and City Council shall apply those policies and procedures in implementing relocation activities.

#### PROPERTY ACQUISITION AND DISPOSITION

The Plan does not anticipate that any property will be acquired by the Authority or City to implement the development. If future development activities require the use of tax increment funds for property acquisitions or disposition, the Plan shall be modified and the Authority/City will follow their policies and procedures for property acquisition and disposition.

#### NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS

Minnesota Statutes, section 469.177, Subdivision 4, requires that the request for certification of original net tax capacity be accompanied by a listing of properties within the tax increment district for which building permits have been issued in the 18 months preceding approval of the tax increment financing plan. The District consists of one parcel of land. There have been no building permits issued in the 18 months preceding approval of the Districts; accordingly, the original tax capacity is estimated at 1,885.

#### METHOD OF FINANCE

The Authority and City Council elect to use Tax Increment Financing pursuant to Minnesota Statutes, Chapter 469, to finance all or part of the costs of the Project. By electing this method of financing, the Authority and City Council are not precluding the use of other methods provided by State law.

## FINANCIAL PLAN

### ESTIMATE OF PUBLIC COST

The following is an estimate of public cost, including cost of District indebtedness, source of revenue, most recent tax capacity and estimate of captured tax capacity.

1. Activities. Activities within the District consist of the cost of the housing project, the cost of public improvements directly related to the housing project and the allocated administrative expenses of the City. The estimated cost for undertaking these activities is:

A. Housing project costs	\$486,480
C. Administration	\$25,604
<b>TOTAL USES OF FUNDS</b>	<b>\$512,084</b>

2. Source of Funds. The Authority/City may use tax increment bonds, revenue notes, tax increment reserves or other financing mechanisms to fund the above activities. The Authority/City reserve the right to finalize the funding strategy later based on factors such as construction timing requirements, economic conditions, the status of interest rates and the availability of tax increment. Based upon current information it is planned that tax increment in the following amount will become available to repay the Total Uses of Funds:

A. Tax increment from TIF IDD No. 1-24	\$512,084
<b>TOTAL SOURCE OF FUNDS</b>	<b>\$512,084</b>

The above estimated uses and sources of funds are subject to fluctuation and changes within line items as various elements of the project are clarified. The Authority/City reserves the right to adjust the line items within the parameters of the total uses and sources of funds. In addition, the amount of tax increments may vary due to changes in property valuations, interest earnings, etc. which may result in a lesser source of funds.

### FINANCING ASSUMPTIONS

Tax increment will finance activities in the District and Project area. The following information and assumptions were used to calculate financing costs for the activities in the District and Project area:

1. Table 1 on page 10 provides an estimate of the increment that would be available for Project costs.
2. Project development activities are scheduled to begin in 2017, and shall be completed by December 31, 2018.
3. Financing the Project activities will be undertaken in 2017.
4. The 2017 local tax rate of 127.986% and 2017 tax values are used to calculate the estimate of increment in this Plan. The project is classified as "Class 4a" apartments containing four or more units. The classification rate, for this type of property, for taxes payable in 2017 is 1.25% of market value.

TABLE 1: TAX INCREMENT CALCULATIONS								
Local Tax Rate = 127.986% (North Mankato, Payable 2017)								
Property Classification: Apartment (4 or more units)								
Completion Prior to December 31, 2018								
Estimated Completion Market Value: \$4,740,000								
YEAR TAXES PAYABLE	BASE TAX CAPACITY	PROJECT'S TAX CAPACITY	CAPTURED TAX CAPACITY	PROJECT'S ANNUAL TIF	LESS OSA FEE OF 0.360%	ADJUSTED TAX INCREMENT	LESS ADMIN. OF 5.0%	NET ANNUAL TIF
2018	1,885	0	0	0	0	0	0	0
2019	1,885	0	0	0	0	0	0	0
2020	1,885	59,250	57,365	73,419	264	73,155	3,658	69,497
2021	1,885	59,250	57,365	73,419	264	73,155	3,658	69,497
2022	1,885	59,250	57,365	73,419	264	73,155	3,658	69,497
2023	1,885	59,250	57,365	73,419	264	73,155	3,658	69,497
2024	1,885	59,250	57,365	73,419	264	73,155	3,658	69,497
2025	1,885	59,250	57,365	73,419	264	73,155	3,658	69,497
2026	1,885	59,250	57,365	73,419	264	73,155	3,658	69,497
<b>TOTALS</b>				<b>\$513,934</b>	<b>\$1,850</b>	<b>\$512,084</b>	<b>\$25,604</b>	<b>\$486,480</b>
Present Value of Net Annual TIF Discounted at 5.0% equals						\$397,091		\$377,236

5. Annual tax increments, as per Table 1, in 2020 through 2026 generated because of formation of this District will be the source of funds used to finance the Project area activities. The City is basing the District duration on the requirements of Minnesota Statutes, section 469.176, subdivision 1(a)(1), which permits a shorter maximum duration limit than specified for a Housing District. The City affirmatively states that the district shall terminate following receipt of the 2026 second half tax increment. Furthermore, the Authority elects pursuant to Minnesota Statutes, section 469.175 subdivision 1(8)(b) to receive the first District increment in 2020. The City and Authority by choosing these decisions will receive increment in 2020 through 2026, inclusive.

6. Increment revenues will be used to finance or otherwise pay the cost of redevelopment pursuant to Minnesota Statutes, Sections 469.048 to 469.068. All tax increment generated by the formation of the District will be used to finance the activities of the Plan.

7. The Authority may use internal funds or bond proceeds in addition to annual tax increments to service Project costs. "Project costs" means all expenditures of the Authority or reimbursement of eligible developer costs for the purchase of land or amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the District, including interest thereon. Project costs also include all administrative expenses as defined in Minnesota Statutes, section 469.174, Subdivision 14. Based upon projected tax increment revenue from the District, the Authority would be able to finance Project costs of approximately \$512,084 including administrative expenses. This amount is adequate to fund the costs within the identified budget. The first increment would be available to the Authority in 2020 and would continue through 2026 unless the Authority chooses to discontinue/decertify the District at an earlier date.

## SOURCES OF REVENUE

The proposed source of revenue of \$512,084 of increment receipts from the District will finance posing project costs within the District. The tax increment revenues will be generated because of the taxation of the land and improvements in the District. Tax increment financing refers to a funding technique that uses increases in net tax capacity and the property taxes attributed to new development to finance, or assist in the financing of public development costs.

The tax increments to be generated in the District will result from the 48-unit residential assisted living, memory care facility. The Authority may issue tax increment bonds or use the annual receipt of tax increment to reimburse itself or the developer for eligible Project costs.

## LIMITATION ON USE OF TAX INCREMENT; HOUSING DISTRICTS

Pursuant to Minnesota Statutes, section 469.176, subdivision 4d, "Revenue derived from tax increment from a housing district must be used solely to finance the cost of housing projects as defined in sections 469.174, subdivision 11, and 469.1761. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the authority may be included in the cost of a housing project."

## BONDED INDEBTEDNESS

Upon approval of this Plan, the Authority will execute a development agreement with the Developer that provides pay-as-you-go tax increment financing assistance to finance the eligible costs of this District, in the estimated amount of \$486,480.

## IMPACT OF THE USE OF TAX INCREMENT ON TAXING JURISDICTIONS

Minnesota Statutes, section 469.175, subdivision 1(6), requires, "statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict".

Table 2, on page 13 shows the impact of tax increment financing on the tax capacity of the affected taxing jurisdictions assuming (1) none of the increment would be available, and (2) the increment would be available to the tax jurisdictions.

**TABLE 2**  
**NORTH MANKATO, MINNESOTA**  
**TAX INCREMENT FINANCING DISTRICT IDD NO. 1-24**

	WITHOUT PROJECT		
	Estimated 2017 Tax Capacity	Estimated Ad Valorem Taxes Generated	Estimated 2017 Tax Rate
City	11,255,834	\$5,907,624	52.4850%
County	37,895,643	\$19,936,898	52.6100%
School District	11,306,460	\$2,534,569	22.4170%
HRA	37,895,643	\$62,528	0.1650%
RDC 9	37,895,643	\$117,098	0.3090%
<b>TOTALS</b>			<b>127.986%</b>

	WITH PROJECT							
	Estimated 2017 Tax Capacity	Projected Captured Tax Capacity	Projected Tax Capacity	Estimated Ad Valorem Taxes Generated	Adjusted Local Tax Rate	Tax Rate Impact	Projected Captured Tax Capacity	Projected Increment Income
City	11,255,834	57,365	11,313,199	\$5,907,624	52.219%	0.266%	57,365	\$30,108
County	37,895,643	57,365	37,953,008	\$19,936,898	52.530%	0.080%	57,365	\$30,180
School District	11,306,460	57,365	11,363,825	\$2,534,569	22.304%	0.113%	57,365	\$12,860
HRA	37,895,643	57,365	37,953,008	\$62,528	0.165%	0.000%	57,365	\$95
RDC 9	37,895,643	57,365	37,953,008	\$117,098	0.309%	0.000%	57,365	\$177
<b>TOTALS</b>					<u>127.526%</u>	<u>0.460%</u>		<u>\$73,419</u>

Statement 1: The current tax capacity times the local tax rate produces current taxes generated. If the captured tax capacity were available to each taxing jurisdiction, the result would be a lower or adjusted local tax rate to produce the same amount of taxes. Thus, with the addition of captured value of 57,365 the overall local tax rate would be reduced by .460% to a level of 127.5 to 6%. The captured tax capacity times the original local tax rate of 127.986% would generate \$73,419 in increment income, which represents the loss of new tax revenues if the development had occurred without inclusion in a tax increment district.

Statement 2: If no captured tax capacity is available to each of the taxing jurisdictions without creation of the District, there is no impact on the taxes heretofore levied and therefore no impact on local tax rates. The captured tax capacity at the original local tax rate would generate \$73,419 in increment income annually.



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**CONTRACT FOR PRIVATE DEVELOPMENT**

**By and Between**

**NORTH MANKATO PORT AUTHORITY COMMISSION**

**and**

**COTTAGES PROPERTIES OF MANKATO, LLC**

**Dated: September 18, 2017**

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## **CONTRACT FOR PRIVATE DEVELOPMENT**

THIS CONTRACT FOR PRIVATE DEVELOPMENT, dated September 18, 2017 (the "Agreement"), is between the NORTH MANKATO PORT AUTHORITY COMMISSION, a body corporate and politic organized and existing under the laws of the State of Minnesota (the "Authority"), and COTTAGES PROPERTIES OF MANKATO, LLC, a Minnesota limited liability company (the "Developer").

WITNESSETH:

WHEREAS, the Authority was created pursuant to Minnesota Statutes, Sections 469.048 through 469.068, as amended, and Section 469.079 (the "Act") and was authorized to transact business and exercise its powers by a resolution of the City Council of the City of North Mankato, Minnesota (the "City"); and

WHEREAS, the Authority has undertaken a program to promote economic development and job opportunities and to promote the development of land which is underutilized within the City, and in this connection created an industrial development district known as Industrial Development District No. 1 (the "Development District"), pursuant to Section 469.058 of the Act; and

WHEREAS, the Authority has approved a Tax Increment Financing Plan for Tax Increment Financing District IDD No. 1-24 (the "TIF District") pursuant to Minnesota Statutes, Sections 469.174 through 469.179, as amended (the "Tax Increment Act"), made up of certain property within the Development District; and

WHEREAS, pursuant to the Act, the Authority is authorized to undertake certain activities to facilitate the development of real property by private enterprise; and

WHEREAS, the Developer purposes developing, constructing and operating a residential assisted living, memory care facility consisting of 48-units in two 16,000-ft.<sup>2</sup> structures (the "Minimum Improvements") on certain real property located in the Development District and the TIF District and legally described in EXHIBIT A attached hereto (the "Development Property"); and

WHEREAS, in order to achieve the objectives of the Development Plan for the Development District and make the Minimum Improvements economically feasible, the Authority is prepared to reimburse the Developer for all or a portion of land acquisition and site improvement costs related to the Minimum Improvements as described in this Agreement, including tax increment financing assistance for up to seven years in the maximum amount of \$486,480 (the "TIF Assistance"); and

WHEREAS, the Authority believes that the development of the Development Property pursuant to this Agreement, and fulfillment generally of this Agreement, are in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable state and local laws and requirements under which the Minimum Improvements are being undertaken and assisted.

NOW, THEREFORE, in consideration of the premises and the mutual obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

## **ARTICLE I**

### **Definitions**

Section 1.1. Definitions. In this Agreement, unless a different meaning clearly appears from the context:

“Act” means Minnesota Statutes, Sections 469.048 through 469.068, as amended, and Section 469.079, as amended.

“Agreement” means this Contract for Private Development, dated September 18, 2017, between the Authority and the Developer, as the same may be from time to time modified, amended, or supplemented.

“Authority” means the North Mankato Port Authority Commission, or any successor or assign.

“Authority Representative” means the Executive Vice President of the Authority, or any person designated by the Executive Vice President to act as the Authority Representative for the purposes of this Agreement.

“Authorizing Resolution” means the resolution of the Authority, substantially in the form attached hereto as EXHIBIT B, to be adopted by the Board of Commissioners of the Authority to authorize the issuance of the Note.

“Available Tax Increment” means, on each Payment Date, 95% of the Tax Increment derived from the Development Property, and received by the Authority in the six months preceding the Payment Date.

“Certificate of Completion” means the certification provided to the Developer pursuant to Section 4.4 hereof.

“Construction Plans” means the plans, specifications, drawings and related documents on the construction work to be performed by the Developer on the Development Property which (a) shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the appropriate building officials of the Authority and (b) shall include at least the following for each building: (1) site plan; (2) foundation plan; (3) floor plan for each floor; (4) elevations (all sides); (5) landscape plan; and (6) such other plans or supplements to the foregoing plans as the Authority may reasonably request to allow it to ascertain the nature and quality of the proposed construction work.

“County” means the County of Nicollet, Minnesota.

“Developer” means Cottages Properties of Mankato, LLC, a Minnesota limited liability company, or its permitted successors and assigns.

“Development District” means the Authority’s Industrial Development District No. 1.

“Development Property” means the real property described in EXHIBIT A attached hereto.

“Development Program” means the Authority’s Development Program for the Development District, as amended.

“Event of Default” means an action by the Developer listed in Article IX hereof.

“Holder” means the owner of a Mortgage.

“Minimum Improvements” means the construction and development on the Development Property of a 48-unit residential assisted living, memory care facility (Birchwood Cottages) in two 16,000-ft.<sup>2</sup> to locate operate and assisted living facility in the City of North Mankato.

“Mortgage” means any mortgage made by the Developer which is secured, in whole or in part, with the Development Property and which is a permitted encumbrance pursuant to the provisions of Article VIII hereof.

“Note” means the Tax Increment Revenue Note, substantially in the form contained in the Authorizing Resolution, to be delivered by the Authority to the Developer in accordance with Section 3.2 hereof to reimburse the Developer for Public Development Costs, including land acquisition and site development costs.

“Public Development Costs” means those costs to be paid or reimbursed to the Developer by the Authority in connection with the development hereunder as set forth in Section 3.2 hereof.

“State” means the State of Minnesota.

“Tax Increment” means tax increment generated in the preceding six (6) months with respect to the Development Property and the Minimum Improvements thereon, and remitted to the Authority by the County. The term Tax Increment does not include any amounts retained by or payable to the State auditor under Section 469.177, subdivision 11 of the Tax Increment Act, or any amounts described in Section 469.174, subd. 25, clauses (2) through (4) of the Tax Increment Act.

“Tax Increment Act” means the Tax Increment Financing Act, Minnesota Statutes, Sections 469.174 through 469.1794, as amended.

“Tax Increment District” or “TIF District” means the Authority’s Tax Increment Financing District IDD No. 1-24 located within the Development District.

“Tax Increment Plan” or “TIF Plan” means the Tax Increment Financing Plan for Tax Increment Financing District No. 1-24, as approved by the Authority on September 18, 2017, and as it may be amended from time to time.

“Tax Official” means any County assessor; County auditor; County or State board of equalization, the commissioner of revenue of the State, or any State or federal district court, the tax court of the State, or the State Supreme Court.

“Termination Date” means the earlier of (a) date of the Authority’s last receipt of Tax Increment from the TIF District in accordance with Section 469.176, subdivision 1b(3) of the Tax Increment Act; (b) the date the Note has been paid in full, defeased, or terminated in accordance with its terms; (c) the date of Transfer as set forth in Section 8.2 hereof or (d) the date of termination of the Note and this Agreement by the Authority due to an Event of Default as set forth in Section 9.2 hereof.

“TIF Assistance” means the tax increment financing assistance provided by the Authority to the Developer for up to nine years in the maximum amount of \$486,480.

“Unavoidable Delays” means delays beyond the reasonable control of the party seeking to be excused as a result thereof which are the direct result of war, terrorism, strikes, other labor troubles, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar

judicial action, directly results in delays, or acts of any federal, State or local governmental unit (other than the Authority in exercising its rights under this Agreement) which directly result in delays. Unavoidable Delays shall not include delays in the Developer's obtaining of permits or governmental approvals necessary to enable construction of the Minimum Improvements by the dates such approval and construction is required under Sections 4.2 and 4.3 hereof.

## **ARTICLE II**

### **Representations and Warranties**

#### **Section 2.1. Representations by the Authority.**

(a) The Authority is a body corporate and politic organized and existing under the laws of the State, and under the provisions of the Act, the Authority has the power to enter into this Agreement and carry out its obligations hereunder.

(b) The Authority proposes to assist in financing certain Public Development Costs necessary to serve the Development Property and Minimum Improvements in accordance with the terms of this Agreement.

(c) The activities of the Authority are undertaken to foster the development of certain real property which for a variety of reasons is presently underutilized, to prevent the emergence of blight, to create increased tax base and employment in the Authority, and to stimulate further development of the Development District as a whole.

(d) The TIF District is a housing development district within the meaning of Section 469.174, subdivision 11 of the Tax Increment Act.

**Section 2.2. Representations and Warranties by the Developer.** The Developer represents and warrants that:

(a) The Developer is a limited liability company duly established and in good standing under the laws of the State, is not in violation of any provisions of its articles of organization, is duly authorized to transact business within the State, has power to enter into this Agreement and has duly authorized the execution, delivery and performance of this Agreement by proper action of its officers.

(b) The Developer will construct, operate and maintain the Minimum Improvements in accordance with the terms of this Agreement, the Development Program and all local, State and federal laws and regulations (including, but not limited to, environmental, zoning, building code and public health laws and regulations).

(c) The Developer has received no notice or communication from any local, State or federal official that the activities of the Developer or the Authority in the Development District may be or will be in violation of any environmental law or regulation (other than those notices or communications of which the Authority is aware). The Developer is aware of no facts the existence of which would cause it to be in violation of or give any person a valid claim under any local, state or federal environmental law, regulation or review procedure.

(d) The Developer will construct the Minimum Improvements in accordance with all local, State or federal energy-conservation laws or regulations.

(e) The Developer will obtain, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, State and federal laws and regulations which must be obtained or met before the Minimum Improvements may be lawfully constructed.

(f) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provisions of any partnership or company restriction or any evidences of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(g) The proposed development by the Developer hereunder would not occur but for the tax increment financing assistance being provided by the Authority hereunder.

### ARTICLE III

#### **Development Property; Public Development Costs**

Section 3.1. Environmental Conditions. The Developer acknowledges that the Authority makes no representations or warranties as to the condition of the soils on the Development Property or the fitness of the Development Property for construction of the Minimum Improvements or any other purpose for which the Developer may make use of such property, and that the assistance provided to the Developer under this Agreement neither implies any responsibility by the Authority for any contamination of the Development Property nor imposes any obligation on such parties to participate in any cleanup of the Development Property.

#### Section 3.2. Public Development Costs.

(a) *Generally.* The Authority has determined that, in order to make development of the Minimum Improvements financially feasible, it is necessary to reimburse Developer for all or a portion of the cost of land acquisition, site improvements, and other qualified costs (collectively, the "Public Development Costs") related to the Development Property, subject to the terms of Sections 3.2(b) and 3.3.

(b) *Qualifications.* The Developer understands and acknowledges that all Public Development Costs must be paid by the Developer and will be reimbursed from Available Tax Increment pursuant to the terms of the Note. The Authority makes no representations or warranties regarding the amount of Tax Increment, or that revenues pledged to the Note will be sufficient to pay the principal of the Note. Any estimates of Tax Increment prepared by the Authority or its financial advisors in connection with the TIF District or this Agreement are for the benefit of the Authority, and are not intended as representations on which the Developer may rely. Public Development Costs exceeding the principal amount of the Note are the sole responsibility of Developer.

#### Section 3.3. Issuance of Note.

(a) *Terms.* To reimburse a portion of the Public Development Costs incurred by the Developer, the Authority shall issue and the Developer shall purchase the Note in the maximum principal amount of \$486,480. The Note shall not bear interest. The Authority shall issue and deliver the Note upon the Developer having:

(i) delivered to the Authority written evidence satisfactory to the Authority that Developer has incurred Public Development Costs in an amount at least equal to the principal amount of the Note, which evidence must include copies of the paid invoices or other comparable evidence for costs of allowable Public Development Costs;



(ii) submitted and obtained Authority approval of financing in accordance with Section 7.1 hereof; and

(iii) delivered to the Authority an investment letter in substantially the form attached hereto as EXHIBIT D.

The terms of the Note will be substantially those set forth in the form of the Note shown in EXHIBIT B attached hereto, and the Note will be subject to all terms of the Authorizing Resolution, which is incorporated herein by reference.

(b) *Termination of Right to Note.* All conditions for delivery of the Note must be met by no later than December 31, 2018. If the conditions for delivery of the Note are not satisfied by the date described in this paragraph, the Authority has no further obligations under this Section 3.2.

Section 3.4. Maintenance of Minimum Improvements as Assisted Living Facility. The Developer understands and acknowledges that until the Termination Date, the Developer, and its successors and assigns, shall use the Development Property and the Minimum Improvements thereon only as an assisted living facility. At any time prior to the Termination Date, if the Minimum Improvements are not an assisted living facility, the Authority will decertify the TIF District.

## ARTICLE IV

### Construction of Minimum Improvements

Section 4.1. Construction of Minimum Improvements. The Developer agrees that it will construct the Minimum Improvements on the Development Property in accordance with the approved Construction Plans and will operate and maintain, preserve and keep the Minimum Improvements or cause the Minimum Improvements to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair and condition.

#### Section 4.2. Construction Plans.

(a) Before commencing construction of the Minimum Improvements, the Developer shall submit to the Authority completed Construction Plans. The Construction Plans shall provide for the construction of the Minimum Improvements and shall be in conformity with the Development Program, the TIF Plan, this Agreement, and all applicable State and local laws and regulations. The Authority will approve the Construction Plans in writing if: (i) the Construction Plans conform to the terms and conditions of this Agreement; (ii) the Construction Plans conform to the Development Program; (iii) the Construction Plans conform to all applicable federal, State and local laws, ordinances, rules and regulations; (iv) the Construction Plans are adequate to provide for construction of the Minimum Improvements; (v) the Construction Plans include exterior front and side walls constructed of clay brick; and (vi) no Event of Default has occurred. No approval by the Authority shall relieve the Developer of the obligation to comply with the terms of this Agreement or of the Development Program, applicable federal, State and local laws, ordinances, rules and regulations, or to construct the Minimum Improvements in accordance therewith. No approval by the Authority shall constitute a waiver of an Event of Default. If approval of the Construction Plans is requested by the Developer in writing at the time of submission, such Construction Plans shall be deemed approved unless rejected in writing by the Authority, in whole or in part. Such rejections shall set forth in detail the reasons therefor, and shall be made within 30 days after the date of their receipt by the Authority. If the Authority rejects any Construction Plans in whole or in part, the Developer shall submit new or corrected Construction Plans within 30 days after written notification to the Developer of the rejection. The provisions of this Section relating to approval, rejection and resubmission of

corrected Construction Plans shall continue to apply until the Construction Plans have been approved by the Authority. The Authority's approval shall not be unreasonably withheld. Said approval shall constitute a conclusive determination that the Construction Plans (and the Minimum Improvements, constructed in accordance with said plans) comply to the Authority's satisfaction with the provisions of this Agreement relating thereto.

(b) If the Developer desires to make any material change in the Construction Plans after their approval by the Authority, the Developer shall submit the proposed change to the Authority for its approval. If the Construction Plans, as modified by the proposed change, conform to the requirements of this Section 4.2 with respect to such previously approved Construction Plans, the Authority shall approve the proposed change and notify the Developer in writing of its approval. Such change in the Construction Plans shall, in any event, be deemed approved by the Authority unless rejected, in whole or in part, by written notice by the Authority to the Developer, setting forth in detail the reasons therefor. Such rejection shall be made within ten (10) days after receipt of the notice of such change. The Authority's approval of any such change in the Construction Plans will not be unreasonably withheld.

Section 4.3. Commencement and Completion of Construction. Subject to Unavoidable Delays, the Developer must commence construction of the Minimum Improvements by no later than October 1, 2017. Subject to Unavoidable Delays, the Developer must substantially complete construction of the Minimum Improvements by December 31, 2018. All work with respect to the Minimum Improvements to be constructed or provided by the Developer on the Development Property shall be in conformity with the Construction Plans as submitted by the Developer and approved by the Authority.

The Developer agrees for itself, its successors and assigns, and every successor in interest to the Development Property, or any part thereof, that the Developer, and such successors and assigns, shall promptly begin and diligently prosecute to completion the development of the Development Property through the construction of the Minimum Improvements thereon, and that such construction shall in any event be commenced and completed within the period specified in this Section 4.3. Subsequent to conveyance of the Development Property, or any part thereof, to the Developer, and until construction of the Minimum Improvements has been completed, the Developer shall make reports, in such detail and at such times as may reasonably be requested by the Authority, as to the actual progress of the Developer with respect to such construction.

Section 4.4. Certificate of Completion.

(a) Promptly after substantial completion of the Minimum Improvements in accordance with those provisions of the Agreement relating solely to the obligations of the Developer to construct the Minimum Improvements (including the dates for beginning and completion thereof), the Authority will furnish the Developer with a Certificate of Completion in substantially the form provided in EXHIBIT C attached hereto. Such certification by the Authority shall be (and it shall be so provided in the certification itself) a conclusive determination of satisfaction and termination of the agreements and covenants in the Agreement with respect to the obligations of the Developer, and its successors and assigns, to construct the Minimum Improvements and the dates for the beginning and completion thereof. Such certification and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any Holder of a Mortgage, or any insurer of a Mortgage, securing money loaned to finance the Minimum Improvements, or any part thereof.

(b) The certificate provided for in this Section 4.4 shall be in such form as will enable it to be recorded in the proper office for the recordation of deeds and other instruments pertaining to the Development Property. If the Authority shall refuse or fail to provide any certification in accordance with the provisions of this

Section 4.4, the Authority shall, within thirty (30) days after written request by the Developer, provide the Developer with a written statement, indicating in adequate detail in what respects the Developer has failed to complete the Minimum Improvements in accordance with the provisions of the Agreement, or is otherwise in default, and what measures or acts it will be necessary, in the opinion of the Authority, for the Developer to take or perform in order to obtain such certification.

(c) The construction of the Minimum Improvements shall be deemed to be commenced upon beginning of excavation for the building, and shall be deemed to be substantially completed when the Developer has received a certificate of occupancy issued by the Authority for the Minimum Improvements.

## **ARTICLE V**

### **Insurance**

#### **Section 5.1. Insurance.**

(a) The Developer will provide and maintain at all times during the process of constructing the Minimum Improvements an All Risk Broad Form Basis Insurance Policy and, from time to time during that period, at the request of the Authority, furnish the Authority with proof of payment of premiums on policies covering the following:

(i) Builder's risk insurance, written on the so-called "Builder's Risk -- Completed Value Basis," in an amount equal to one hundred percent (100%) of the insurable value of the Minimum Improvements at the date of completion, and with coverage available in nonreporting form on the so-called "all risk" form of policy. The interest of the Authority shall be protected in accordance with a clause in form and content satisfactory to the Authority;

(ii) Comprehensive general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual liability insurance) together with an Owner's Policy with limits against bodily injury and property damage of not less than \$1,000,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used); and

(iii) Workers' compensation insurance, with statutory coverage.

(b) Upon completion of construction of the Minimum Improvements and prior to the Termination Date, the Developer shall maintain, or cause to be maintained, at its cost and expense, and from time to time at the request of the Authority shall furnish proof of the payment of premiums on, insurance as follows:

(i) Insurance against loss and/or damage to the Minimum Improvements under a policy or policies covering such risks as are ordinarily insured against by similar businesses.

(ii) Comprehensive general public liability insurance, including personal injury liability (with employee exclusion deleted), against liability for injuries to persons and/or property, in the minimum amount for each occurrence and for each year of \$1,000,000, and shall be endorsed to show the Authority as additional insured.

(iii) Such other insurance, including workers' compensation insurance respecting all employees of the Developer, in such amount as is customarily carried by like organizations engaged in like activities of

comparable size and liability exposure; provided that the Developer may be self-insured with respect to all or any part of its liability for workers' compensation.

(c) All insurance required in this Article V shall be taken out and maintained in responsible insurance companies selected by the Developer that are authorized under the laws of the State to assume the risks covered thereby. Upon request, the Developer will deposit annually with the Authority policies evidencing all such insurance, or a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect. Unless otherwise provided in this Article V each policy shall contain a provision that the insurer shall not cancel nor modify it in such a way as to reduce the coverage provided below the amounts required herein without giving written notice to the Developer and the Authority at least thirty (30) days before the cancellation or modification becomes effective. In lieu of separate policies, the Developer may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein, in which event the Developer shall deposit with the Authority a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Minimum Improvements.

(d) The Developer agrees to notify the Authority immediately in the case of damage exceeding \$100,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In such event the Developer will forthwith repair, reconstruct, and restore the Minimum Improvements to substantially the same or an improved condition or value as it existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction, and restoration, the Developer will apply the net proceeds of any insurance relating to such damage received by the Developer to the payment or reimbursement of the costs thereof.

The Developer shall complete the repair, reconstruction and restoration of the Minimum Improvements, regardless of whether the net proceeds of insurance received by the Developer for such purposes are sufficient to pay for the same. Any net proceeds remaining after completion of such repairs, construction, and restoration shall be the property of the Developer.

(e) In lieu of its obligation to reconstruct the Minimum Improvements as set forth in this Section, the Developer shall have the option of paying to the Authority an amount that, in the opinion of the Authority and its fiscal consultant, is sufficient to pay or redeem the outstanding principal on the Note, or (ii) so long as the Developer is the owner of the Note, waiving its right to receive subsequent payments under the Note.

(f) The Developer and the Authority agree that all of the insurance provisions set forth in this Article V shall terminate upon the termination of this Agreement.

Section 5.2. Subordination. Notwithstanding anything to the contrary contained in this Article V, the rights of the Authority with respect to the receipt and application of any proceeds of insurance shall, in all respects, be subject and subordinate to the rights of any lender under a Mortgage approved pursuant to Article VII hereof.

## **ARTICLE VI**

### **Delinquent Taxes and Review of Taxes**

Section 6.1. Right to Collect Delinquent Taxes. Developer agrees for itself, its successors and assigns, in addition to the obligation pursuant to statute to pay real estate taxes, that it is also obligated by reason of this Agreement to pay before delinquency all real estate taxes assessed against the Development Property and the Minimum Improvements. The Developer acknowledges that this obligation creates a contractual right on behalf of the Authority through the Termination Date to sue the Developer or its successors and assigns to collect

delinquent real estate taxes and any penalty or interest thereon and to pay over the same as a tax payment to the county auditor. In any such suit in which the Authority is the prevailing party, the Authority shall also be entitled to recover its costs, expenses and reasonable attorney fees.

Section 6.2. Review of Taxes. The Developer agrees that prior to the Termination Date it will not cause a reduction in the real property taxes paid in respect of the Development Property through (a) willful destruction of the Development Property or any part thereof or (b) willful refusal to reconstruct damaged or destroyed property pursuant to Section 5.1 hereof, except as otherwise provided in Section 5.1(e). The Developer also agrees that it will not, prior to the Termination Date, apply for a deferral of property tax on the Development Property pursuant to any law, or transfer or permit transfer of the Development Property to any entity whose ownership or operation of the property would result in the Development Property being exempt from real estate taxes under State law (other than any portion thereof dedicated or conveyed to the Authority in accordance with this Agreement).

## **ARTICLE VII**

### **Financing**

#### **Section 7.1. Financing.**

(a) Before construction of the Minimum Improvements, the Developer shall submit to the Authority evidence of one or more commitments for mortgage financing which, together with committed equity for such construction, is sufficient for the construction of the Minimum Improvements. Such commitments may be submitted as short-term financing, long-term mortgage financing, a bridge loan with a long-term take-out financing commitment, or any combination of the foregoing. Such commitment or commitments for short-term or long-term mortgage financing shall be subject only to such conditions as are normal and customary in the mortgage banking industry.

(b) If the Authority finds that the mortgage financing is sufficiently committed and adequate in amount to provide for the construction of the Minimum Improvements, then the Authority shall notify the Developer in writing of its approval. Such approval shall not be unreasonably withheld and either approval or rejection shall be given within thirty (30) days from the date when the Authority is provided the evidence of financing. A failure by the Authority to respond to such evidence of financing shall be deemed to constitute an approval hereunder. If the Authority rejects the evidence of financing as inadequate, it shall do so in writing specifying the basis for the rejection. In any event the Developer shall submit adequate evidence of financing within thirty (30) days after such rejection. Approval of any subordination agreement under Section 7.3 hereof will constitute approval of financing for the purposes of this Section.

Section 7.2. Authority's Option to Cure Default on Mortgage. In the event that there occurs a default under any Mortgage authorized pursuant to this Article VII, the Developer shall cause the Authority to receive copies of any notice of default received by the Developer from the holder of such Mortgage. Thereafter, the Authority shall have the right, but not the obligation, to cure any such default on behalf of the Developer within such cure periods as are available to the Developer under the Mortgage documents. In the event there is an event of default under this Agreement, the Authority will transmit to the Holder of any Mortgage a copy of any notice of default given by the Authority pursuant to Article IX hereof.

## ARTICLE VIII

### **Prohibitions Against Assignment and Transfer; Indemnification**

Section 8.1. Representation as to Development. The Developer represents and agrees that its purchase of the Development Property or portions thereof, and its other undertakings pursuant to the Agreement, are, and will be used, for the purpose of development of the Development Property and not for speculation in land holding.

Section 8.2. Prohibition Against Developer's Transfer of Property and Assignment of Agreement. The Developer represents and agrees not to make or create or suffer to be made or created any total or partial sale, assignment, conveyance, or lease, or any trust or power, or transfer in any other mode or form of or with respect to the Agreement or the Development Property or any part thereof or any interest therein, or any contract or agreement to do any of the same, to any person or entity (collectively, a "Transfer"). In the event the Developer, upon transfer or assignment of the Development Property or any portion thereof, seeks to be released from its obligations under this Development Agreement as to the portions of the Development Property that are transferred or assigned, the Authority shall be entitled, except as otherwise provided in the Agreement, to cancel the outstanding balance of the Note and terminate the Agreement.

### Section 8.3. Release and Indemnification Covenants.

(a) The Developer releases from and covenants and agrees that the Authority and the governing body members, officers, agents, servants and employees thereof shall not be liable for and agrees to indemnify and hold harmless the Authority and the governing body members, officers, agents, servants and employees thereof against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Minimum Improvements.

(b) Except for any willful misrepresentation or any willful or wanton misconduct of the following named parties, the Developer agrees to protect and defend the Authority and the governing body members, officers, agents, servants and employees thereof, now or forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Minimum Improvements.

(c) The Authority and the governing body members, officers, agents, servants and employees thereof shall not be liable for any damage or injury to the persons or property of the Developer or its officers, agents, servants or employees or any other person who may be about the Development Property or Minimum Improvements due to any act of negligence of any person.

(d) All covenants, stipulations, promises, agreements and obligations of the Authority contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any governing body member, officer, agent, servant or employee of the Authority in the individual capacity thereof.

## ARTICLE IX

### Events of Default

Section 9.1. Events of Default Defined. The following shall be “Events of Default” under this Agreement and the term “Event of Default” shall mean, whenever it is used in this Agreement (unless the context otherwise provides):

(a) any failure by any party to observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement or under any other agreement entered into between the Developer and Authority in connection with development of the Development Property; and

(b) any default by the Developer under a Mortgage, if any.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 hereof occurs, the non-defaulting party may exercise its rights under this Section 9.2 after providing thirty (30) days’ written notice to the defaulting party of the Event of Default, but only if the Event of Default has not been cured within said thirty (30) days or, if the Event of Default is by its nature incurable within thirty days, the defaulting party does not provide assurances reasonably satisfactory to the non-defaulting party that the Event of Default will be cured and will be cured as soon as reasonably possible:

(a) Suspend its performance under the Agreement until it receives assurances that the defaulting party will cure its default and continue its performance under the Agreement.

(b) Upon a default by the Developer under this Agreement, the Authority may terminate the Note and/or this Agreement.

(c) Take whatever action, including legal, equitable or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement, or to enforce performance and observance of any obligation, agreement, or covenant under this Agreement.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or Developer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it, it shall not be necessary to give notice, other than such notice as may be required in this Article IX.

Section 9.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 9.5. Attorney Fees. Whenever any Event of Default occurs and if the Authority shall employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer under this

Agreement, the Developer shall, within ten (10) days of written demand by the Authority, pay to the Authority the reasonable fees of such attorneys and such other expenses so incurred by the Authority.

## ARTICLE X

### Additional Provisions

Section 10.1. Conflict of Interests; Authority Representatives Not Individually Liable. The Authority and the Developer, to the best of their respective knowledge, represent and agree that no member, official, or employee of the Authority shall have any personal interest, direct or indirect, in the Agreement, nor shall any such member, official, or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership, or association in which he is, directly or indirectly, interested. No member, official, or employee of the Authority shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the Authority or for any amount which may become due to the Developer or successor or on any obligations under the terms of the Agreement.

Section 10.2. Equal Employment Opportunity. The Developer, for itself and its successors and assigns, agrees that during the construction of the Minimum Improvements provided for in the Agreement it will comply with all applicable federal, State and local equal employment and non-discrimination laws and regulations.

Section 10.3. Restriction on Use. Until the Termination Date the Developer shall not discriminate upon the basis of race, color, creed, sex or national origin in the sale, lease, or rental or in the use or occupancy of the Development Property or any improvements erected or to be erected thereon, or any part thereof.

Section 10.4. Provisions Not Merged With Deed. None of the provisions of this Agreement are intended to or shall be merged by reason of any deed transferring any interest in the Development Property and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement.

Section 10.5. Titles of Articles and Sections. Any titles of the several parts, Articles, and Sections of the Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 10.6. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand, or other communication under the Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally; and

(a) in the case of the Developer, is addressed to or delivered personally to the Developer at 22 Omega Court, North Mankato, MN 56003, Attn: \_\_\_\_\_; and

(b) in the case of the Authority, is addressed to or delivered personally to the Authority at 1001 Belgrade Avenue, North Mankato, Minnesota 56002, Attn: Executive Vice President;

Section 10.7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 10.8. Recording. The Authority may record this Agreement and any amendments thereto with the County recorder. The Developer shall pay all costs for recording.



Section 10.9. Amendment. This Agreement may be amended only by written agreement approved by the Authority and the Developer.

Section 10.10. Authority Approvals. Unless otherwise specified, any approval required by the Authority under this Agreement may be given by the Authority Representative.

Section 10.11. Termination. This Agreement terminates on the Termination Date. Within 30 days after the Termination Date, the Authority will deliver to Developer a written release in recordable form satisfactory to Developer, evidencing termination of this Agreement.

Section 10.12. Choice of Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the state of Minnesota. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the state or federal courts of Minnesota, and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

IN WITNESS WHEREOF, the Authority and the Developer have caused this Contract for Private Development to be duly executed in their names and behalf as of the date and year first written above.

**NORTH MANKATO PORT AUTHORITY COMMISSION**

By \_\_\_\_\_  
Its President

By \_\_\_\_\_  
Its Executive Vice President

STATE OF MINNESOTA )  
 ) SS.  
COUNTY OF NICOLLET )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 2017, by and David Arnold, the President of the North Mankato Port Authority Commission, a public body politic and corporate, on behalf of the Authority.

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA )  
 ) SS.  
COUNTY OF NICOLLET )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 2017, by John Harrenstein, the Executive Vice President of the North Mankato Port Authority Commission, a public body politic and corporate, on behalf of the Authority.

\_\_\_\_\_  
Notary Public

Execution page of the Developer to the Contract for Private Development, dated as of the date and year first written above.

**COTTAGES PROPERTIES OF MANKATO, LLC**

By \_\_\_\_\_

Its \_\_\_\_\_

STATE OF MINNESOTA )

) SS.

COUNTY OF NICOLLET )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2017, by \_\_\_\_\_, the \_\_\_\_\_ of COTTAGES PROPERTIES OF MANKATO, LLC, a Minnesota limited liability company, on behalf of the Developer.

\_\_\_\_\_  
Notary Public

## **EXHIBIT A**

### **DESCRIPTION OF DEVELOPMENT PROPERTY**

Lot 1, Block 1, Birchwood Cottages (1610 LorRay Dr.), North Mankato, Minnesota. (Parcel Identification Number 18.466.0010).

**EXHIBIT B**

**NORTH MANKATO PORT AUTHORITY COMMISSION**

**RESOLUTION NO. \_\_\_\_-17**

**RESOLUTION AWARDING THE SALE OF, AND PROVIDING THE FORM, TERMS, COVENANTS AND  
DIRECTIONS FOR THE ISSUANCE OF ITS TAX INCREMENT REVENUE NOTE, SERIES 2017,  
IN THE MAXIMUM PRINCIPAL AMOUNT OF \$486,480**

BE IT RESOLVED BY the Board of Commissioners (the “Board”) of the North Mankato Port Authority Commission (the “Authority”) as follows:

Section 1. Authorization; Award of Sale.

1.01. Authorization. The Authority has heretofore approved the establishment of Tax Increment Financing District IDD No. 1-24 (the “TIF District”) within Industrial Development District No. 1 (the “Project”) in the City of North Mankato, Minnesota (the “City”), and has adopted a tax increment financing plan for the purpose of financing certain improvements within the Project.

Pursuant to Minnesota Statutes, Section 469.178, the Authority is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Project. Such bonds are payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds. The Authority hereby finds and determines that it is in the best interests of the City that it issue and sell its Tax Increment Revenue Note, Series 2017 (the “Note”) in the maximum aggregate principal amount of \$486,480, for the purpose of financing certain public costs of the Project.

1.02. Issuance, Sale, and Terms of the Note. On September 18, 2017, the Board of Commissioners of the Authority approved the execution and delivery of the Contract for Private Development (the “Agreement”) between the Authority and Cottages Properties of Mankato, LLC, a Minnesota limited liability company (the “Owner”). Pursuant to the Agreement, the Note shall be sold to the Owner. The Note shall be dated as of the date of delivery and shall not bear any interest. The Authority shall receive in exchange for the sale of the Note the payment by the Owner of the Public Development Costs as defined in the Agreement. The Note will be delivered in accordance with the terms of Section 3.3 of the Agreement.

Section 2. Form of Note. The Note shall be in substantially the form set forth in ATTACHMENT 1 attached hereto, with the blanks to be properly filled in and the principal amount adjusted as of the date of issue.

Section 3. Terms, Execution and Delivery.

3.01. Denomination, Payment. The Note shall be issued as a single typewritten note numbered R-1.

The Note shall be issuable only in fully registered form. Principal of the Note shall be payable by check or draft issued by the Registrar described herein.

3.02. Dates. Principal of the Note shall be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not such day is a business day.

3.03. Registration. The Authority hereby appoints the Finance Director of the City to perform the functions of registrar, transfer agent and paying agent (the "Registrar"). The effect of registration and the rights and duties of the Authority and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its office a bond register in which the Registrar shall provide for the registration of ownership of the Note.

(b) Cancellation. The Note shall be surrendered upon any sale or transfer and shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the Authority.

(c) Persons Deemed Owners. The Authority and the Registrar may treat the person in whose name the Note is at any time registered in the bond register as the absolute owner of the Note, whether the Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of such Note and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the Authority upon such Note to the extent of the sum or sums so paid.

(d) Mutilated, Lost, Stolen or Destroyed Note. In case any Note shall become mutilated or be lost, stolen, or destroyed, the Registrar shall deliver a new Note of like amount, maturity dates and tenor in exchange and substitution for and upon cancellation of such mutilated Note or in lieu of and in substitution for such Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of such Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the Authority and the Registrar shall be named as obligees. The Note so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the Authority. If the mutilated, lost, stolen, or destroyed Note has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new Note prior to payment.

3.04. Preparation and Delivery. The Note shall be prepared under the direction of the Executive Vice President and shall be executed on behalf of the Authority by the signatures of its President and Executive Vice President. In case any officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. When the Note has been so executed, it shall be delivered by the Executive Vice President to the Owner thereof upon receipt of written evidence satisfactory to the Authority that Developer has incurred Public Development Costs in an amount at least equal to the principal amount of the Note in accordance with the Section 3.3 of the Agreement.

#### Section 4. Security Provisions.

4.01. Pledge. The Authority hereby pledges to the payment of the principal on the Note all Available Tax Increment as defined in the Note. Available Tax Increment shall be applied to payment of the principal of the Note in accordance with the terms of the form of Note set forth in Section 2 hereof.

4.02. TIF Note Fund. Until the date the Note is no longer outstanding and no principal thereof remains unpaid, the Authority shall maintain a separate and special "Bond Fund" to be used for no purpose other than the payment of the principal of the Note. The Authority irrevocably agrees to appropriate to the Bond Fund in each year Available Tax Increment. Any Available Tax Increment remaining in the Bond Fund shall be transferred to the Authority's account for the TIF District upon the payment of all principal to be paid with respect to the Note.

Section 5.       Certification of Proceedings. The officers of the Authority are hereby authorized and directed to prepare and furnish to the Owner of the Note certified copies of all proceedings and records of the Authority, and such other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall be deemed representations of the Authority as to the facts recited therein.

Section 6.       Effective Date. This resolution shall be effective upon full execution of the Agreement.

Approved by the Board of Commissioners of the North Mankato Port Authority Commission this 18<sup>th</sup> day of September, 2017.

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President

ATTEST:

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Secretary

**ATTACHMENT 1 TO AUTHORIZING RESOLUTION**

**FORM OF NOTE**

UNITED STATE OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF NICOLLET  
NORTH MANKATO PORT AUTHORITY COMMISSION

No. R-1

\$486,480

TAX INCREMENT REVENUE NOTE  
SERIES 2017

Date  
of Original Issue

September 18, 2017

The North Mankato Port Authority Commission (the "Authority"), for value received, certifies that it is indebted and hereby promises to pay to Cottages Properties of Mankato, LLC, or registered assigns (collectively, the "Owner"), the principal sum of \$486,480 solely from the sources and to the extent set forth herein.

1. Payments. Payments of principal (the "Payments") shall be made on August 1, 2020 and each February 1 and August 1 thereafter to and including February 1, 2027 (the "Payment Dates") in the amounts and from the sources set forth in Section 3 herein.

Payments are payable by mail to the address of the Owner or such other address as the Owner may designate upon 30 days written notice to the Authority. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. Interest. No interest shall accrue on this Note.

3. Available Tax Increment. Payments on this Note are payable on each Payment Date in the amount of and solely payable from "Available Tax Increment," which shall mean, on each Payment Date, ninety-five percent (95%) of the Tax Increment attributable to the Development Property and paid to the Authority by Nicollet County, Minnesota in the six months preceding the Payment Date, all as such terms are defined in the Contract for Private Development between the Authority and the Owner, dated September 18, 2017 (the "Agreement"). Available Tax Increment shall not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default under the Agreement.

The Authority shall have no obligation to pay principal of this Note on each Payment Date from any source other than Available Tax Increment, and the failure of the Authority to pay the entire amount of principal on this Note on any Payment Date shall not constitute a default hereunder as long as the Authority pays principal hereon to the extent of Available Tax Increment. The Authority shall have no obligation to pay unpaid balance of principal that may remain after the final Payment on February 1, 2027.



4. Optional Prepayment. The principal sum payable under this Note is prepayable in whole or in part at any time by the Authority 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 Note.

5. Termination. At the Authority's option, this Note shall terminate and the Authority's obligation to make any payments under this Note shall be discharged upon the occurrence of an Event of Default on the part of the Developer as defined in Section 9.1 of the Agreement, but only if the Event of Default has not been cured in accordance with Section 9.2 of the Agreement.

6. Nature of Obligation. This Note is one of an issue in the total principal amount of \$486,480 all issued to aid in financing certain public development costs and administrative costs of a Project undertaken by the Authority, and is issued pursuant to an authorizing resolution (the "Resolution") duly adopted by the Authority on September 18, 2017, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.048 through 469.068, as amended, and Section 469.079, as amended, and Sections 469.174 through 469.1794, as amended. This Note is a limited obligation of the Authority which is payable solely from Available Tax Increment pledged to the payment hereof under the Resolution. This Note hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Note or other costs incident hereto except out of Available 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 this Note or other costs incident hereto.

7. Estimated Tax Increment Payments. Any estimates of Tax Increment prepared by the Authority or its financial advisors in connection with the TIF District or the Agreement are for the benefit of the Authority, and are not intended as representations on which the Developer may rely.

THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY THAT THE AVAILABLE TAX INCREMENT WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF THIS NOTE.

8. Registration and Transfer. This Note shall not be transferred to any person, affiliate, or other related entity.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen, and to be performed in order to make this Note a valid and binding limited obligation of the Authority according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the Board of Commissioners of the North Mankato Port Authority Commission has caused this Note to be executed with the manual signatures of its President and Executive Vice President, all as of the Date of Original Issue specified above.

**NORTH MANKATO PORT AUTHORITY COMMISSION**

\_\_\_\_\_  
President

\_\_\_\_\_  
Executive Vice President

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**REGISTRATION PROVISIONS**

The ownership of the unpaid balance of the within Note is registered in the bond register of the Finance Director of the City of North Mankato, Minnesota, in the name of the person last listed below.

<u>Date of Registration</u>	<u>Registered Owner</u>	<u>Signature of Finance Director</u>
<hr/>	Cottages Properties of Mankato, LLC Federal ID # <hr/>	<hr/>

## EXHIBIT C

### CERTIFICATE OF COMPLETION

The undersigned hereby certifies that Cottages Properties of Mankato, LLC, a Minnesota limited liability company (the "Developer"), has fully complied with its obligations under Articles III and IV of that certain Contract for Private Development, dated \_\_\_\_\_, 2017 (the "Agreement"), between the North Mankato Port Authority Commission and the Developer, with respect to construction of the Minimum Improvements in accordance with Article IV of the Agreement, and that the Developer is released and forever discharged from its obligations with respect to construction of the Minimum Improvements under Articles III and IV of the Agreement.

Dated: \_\_\_\_\_, 20\_\_.

#### NORTH MANKATO PORT AUTHORITY COMMISSION

By \_\_\_\_\_

Its \_\_\_\_\_

## EXHIBIT D

### FORM OF INVESTOR LETTER

To the North Mankato Port Authority Commission (the "Authority")  
Attention: Executive Vice President

Dated: \_\_\_\_\_

Re: \$486,480 Tax Increment Revenue Note, Series 2017

The undersigned, as Purchaser (as hereinafter defined) of \$486,480 in principal amount of the above-captioned Tax Increment Revenue Note, Series 2017 (the "Note"), approved pursuant to Resolution No. \_\_\_\_\_, adopted by the Board of Commissioners of the North Mankato Port Authority Commission (the "Authority") on September 18, 2017 (the "Resolution"), hereby represent to you as follows:

1. The Purchaser understands and acknowledges that the Note is delivered to the Purchaser on this date pursuant to the Resolution and the Contract for Private Development, dated \_\_\_\_\_, 2017 (the "Agreement"), between the Authority and Cottages Properties of Mankato, LLC, a Minnesota limited liability company (the "Purchaser").
2. The Note is payable as to principal solely from Available Tax Increment pledged to the Note, as defined therein. The Note does not accrue interest.
3. The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the above-stated principal amount of the Note.
4. The Purchaser acknowledges that no offering statement, prospectus, offering circular or other comprehensive offering statement containing material information with respect to the Authority and the Note has been issued or prepared by the Authority, and that, in due diligence, we have made our own inquiry and analysis with respect to the Authority, the Note and the security therefor, and other material factors affecting the security and payment of the Note.
5. The Purchaser acknowledges that it has either been supplied with or has access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Purchaser has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the Note and the security therefor, and that as reasonable investors the Purchaser has been able to make its decision to purchase the above-stated principal amount of the Note.
6. The Purchaser has been informed that the Note (i) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, or under federal securities laws or regulations, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.
7. The Purchaser acknowledges that the Authority has not made any representations or warranties as to the status of interest on the Note for the purpose of federal or state income taxation.

8. The Purchaser represents to you that it is purchasing the Note for its own accounts and not for resale or other distribution thereof, except to the extent otherwise provided in the Note, the Resolution, or any other resolution adopted by the Authority.

9. All capitalized terms used herein have the meaning provided in the Agreement unless the context clearly requires otherwise.

10. The Purchaser's federal tax identification number is \_\_\_\_\_.

11. The Purchaser acknowledges receipt of the Note on the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Investment Letter as of the date and year first written above.

**COTTAGES PROPERTIES OF MANKATO, LLC**

By \_\_\_\_\_

Its \_\_\_\_\_

# CITY OF NORTH MANKATO

## REQUEST FOR COUNCIL ACTION



Agenda Item #16F	Department: Community Dev.	Council Meeting Date: 9/18/17																												
<b>TITLE OF ISSUE:</b> Consider Resolution of the North Mankato City Council Modifying Industrial Development District No. 1 and Adopting a Development Program for Said Industrial Development District.																														
<b>BACKGROUND AND SUPPLEMENTAL INFORMATION:</b> The Eighth Modification of Industrial Development District No. 1 expands the boundary to include Lot 1, Block 1, Northport No. 20 and Outlot B, Northport No. 20 into the boundary of the Industrial Development District.																														
<i>If additional space is required, attach a separate sheet</i>																														
<b>REQUESTED COUNCIL ACTION:</b> Adopt Resolution of the North Mankato City Council Modifying Industrial Development District No. 1 and Adopting a Development Program for Said Industrial Development District.																														
Motion By: _____ Second By: _____  Vote Record: <table style="margin-left: 40px; border: none;"> <tr> <td style="text-align: center;">Aye</td> <td style="text-align: center;">Nay</td> <td></td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Freyberg</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Whitlock</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Steiner</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Norland</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Dehen</td> </tr> </table>	Aye	Nay		_____	_____	Freyberg	_____	_____	Whitlock	_____	_____	Steiner	_____	_____	Norland	_____	_____	Dehen	<div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 10px;"> <b>SUPPORTING DOCUMENTS ATTACHED</b> </div> <table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">Resolution</td> <td style="text-align: center;">Ordinance</td> <td style="text-align: center;">Contract</td> <td style="text-align: center;">Minutes</td> <td style="text-align: center;">Map</td> </tr> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table> Other (specify) <u>Modification of IDD No. 1 Eighth Amendment</u> _____ _____ _____		Resolution	Ordinance	Contract	Minutes	Map	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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RESOLUTION #\_\_\_\_\_ - 2017

**RESOLUTION OF THE NORTH MANKATO CITY COUNCIL  
MODIFYING INDUSTRIAL DEVELOPMENT DISTRICT NO. 1 AND  
ADOPTING A DEVELOPMENT PROGRAM FOR SAID INDUSTRIAL DEVELOPMENT DISTRICT**

**WHEREAS**, the North Mankato Port Authority Commission has determined to undertake a modification to Industrial Development District No. 1 and has applied to the City Council of North Mankato to approve said modification; and

**WHEREAS**, the City of North Mankato (herein called the City) has reviewed the report entitled "Modification of Industrial Development District No. 1, dated September 18, 2017 (Eighth Amendment)" (herein called the Plan), which sets forth a development program for Industrial Development District No. 1; and

**WHEREAS**, it is desirable and in the public interest that the City modify Industrial Development District No. 1 and adopt a development program pursuant to Minnesota Statutes, Sections 469.048 to 469.068, encompassing the area which is more particularly described in the Plan (which area is herein called Industrial Development District No. 1); and

**WHEREAS**, the City's Planning Commission has been consulted with concerning the modification of Industrial Development District No. 1; and

**WHEREAS**, The North Mankato Port Authority Commission has conducted a public hearing on September 18, 2017, concerning the modification of Industrial Development District No. 1 and recommended approval by the City Council; and

**WHEREAS**, the City Council has received and considered the comments of the City's Planning Commission and the Port Authority Commission with regard to the contents of the Plan; and

**WHEREAS**, the City Council on September 18, 2017, after having published a notice of public hearing in the official newspaper of the City, conducted a public hearing on the Plan and received public comments on the same; now, therefore,

**THE CITY OF NORTH MANKATO RESOLVES:**

Sec. 1. That it is hereby found and determined that there is a need for the activities in Industrial Development District No. 1.

Sec. 2. That it is hereby found and determined that Industrial Development District No. consists of "marginal property" which suffers from at least one of the following conditions:

A. Faulty planning causing deterioration, disuse or economic dislocation.

- B. The subdividing and sale of lots too small and irregular for good use and development.
- C. Lots laid out ignoring their physical characteristics and surrounding conditions.
- D. Inadequate streets, open spaces, and utilities.
- E. Areas that may flood.
- F. Lower values, damaged investments, and social and economic upsets reducing taxpaying capacity making tax receipts too low for the public services rendered.
- G. Improper use of area, resulting in stagnant or unproductive land that could otherwise contribute to the public health, safety and welfare.
- H. Lower population and some improper use of areas, causing more decline, and requiring more public money for new public facilities and public services elsewhere.
- I. Property valuation too low to establish a local improvements district to construct and install streets, walks, sewers, water and other utilities.
- J. Land within an industrial area not used for industry but needed for industrial development of the area.
- K. State-acquired tax forfeited land.

Sec. 3. That it is hereby found and determined that the development program set forth in the Plan will carry out the objectives of Industrial Development District No. 1 by assisting economic development and redevelopment, retaining jobs and creating new job opportunities, providing additional housing opportunities and enhancing the tax base.

Sec. 4. That the development program as set forth in the Plan having been duly reviewed and considered, is hereby approved and the area described therein is hereby designated as Industrial Development District No. 1 pursuant to Sections 458.191 of Minnesota Statutes.

Sec. 5. That the City Council hereby designates the Executive Director of the Port Authority as the responsible officer to act as administrator of Industrial Development District No.1.

Sec. 6. That the City hereby states that the environmental controls to be applied in connection with the execution of the development program shall consist of the applicable ordinances of this City, and the applicable provisions of Minnesota Statutes.

The foregoing resolution was offered at a regular meeting of the City Council held on September 18, 2017, by Council Member \_\_\_\_\_ who moved its adoption, was seconded by Council Member \_\_\_\_\_ and adopted by the following vote:



AYES:

NAYS:

Whereupon the above resolution was duly adopted.

Attest:

---

Mark D. Dehen, Mayor

---

April Van Genderen, City Clerk



**MODIFICATION OF  
INDUSTRIAL  
DEVELOPMENT  
DISTRICT NO. 1**  
(Eighth Amendment)

**NORTH MANKATO,  
MINNESOTA**

**SEPTEMBER 18, 2017**

**Business Finance and  
Economic Development  
Specialists**

---

**MODIFICATION OF  
INDUSTRIAL DEVELOPMENT DISTRICT NO. 1  
(Eighth Amendment)**

**CITY OF NORTH MANKATO, MINNESOTA**

**September 18, 2017**

*PREPARED BY:*

*ADVANCE RESOURCES FOR DEVELOPMENT, INC.  
MANKATO, MINNESOTA 56001*

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## BACKGROUND

Previously, the City of North Mankato and its related development organizations, the Housing and Redevelopment Authority and the North Mankato Port Authority Commission established and subsequently modified, several Project Areas and related Tax Increment Financing Districts in order to undertake redevelopment to prevent or eliminate blighted areas, enhance the local tax base, create and retain employment opportunities, assist economic development on "marginal property" and promote the health, safety and welfare of the community and its residents. These Project Areas were initially established and subsequently modified on the following dates:

Project Areas	Date of Establishment/Modification
Redevelopment Project III Central Business District	April 5, 1976; July 18, 1983; January 16, 1990; May 20, 1996 and June 22, 1998.
Municipal Development District No. 1	December 16, 1985, January 16, 1990; May 20, 1996 and June 22, 1998.
Industrial Development District No. 1	May 16, 1985; August 23, 1988; October 17, 1988; June 5, 1989, January 16, 1990; May 20, 1996; June 22, 1998; October 18, 1999; January 18, 2011, April 4, 2011, October 17, 2011 and September 18, 2017 (Seventh Amendment).

The purpose of the January 16, 1990 modification was to transfer control, authority and operation of the Project Areas to the North Mankato Port Authority Commission and expand the boundaries. On May 20, 1996, the City Council approved the consolidation of the three previously established Project Areas into Industrial Development District No. 1, which was subsequently expanded on June 22, 1998, October 18, 1999, January 18, 2011, April 4, 2011, October 17, 2011 and September 18, 2017 (Seventh Amendment).

Now, it is proposed that the boundaries of Industrial Development District No. 1 again be expanded. This expansion provides opportunities for the Port Authority Commission and the City Council to continue development and redevelopment activities as previously enumerated and provide financial assistance for these activities within its area of operations.

## INCORPORATION OF PREVIOUS PLANS

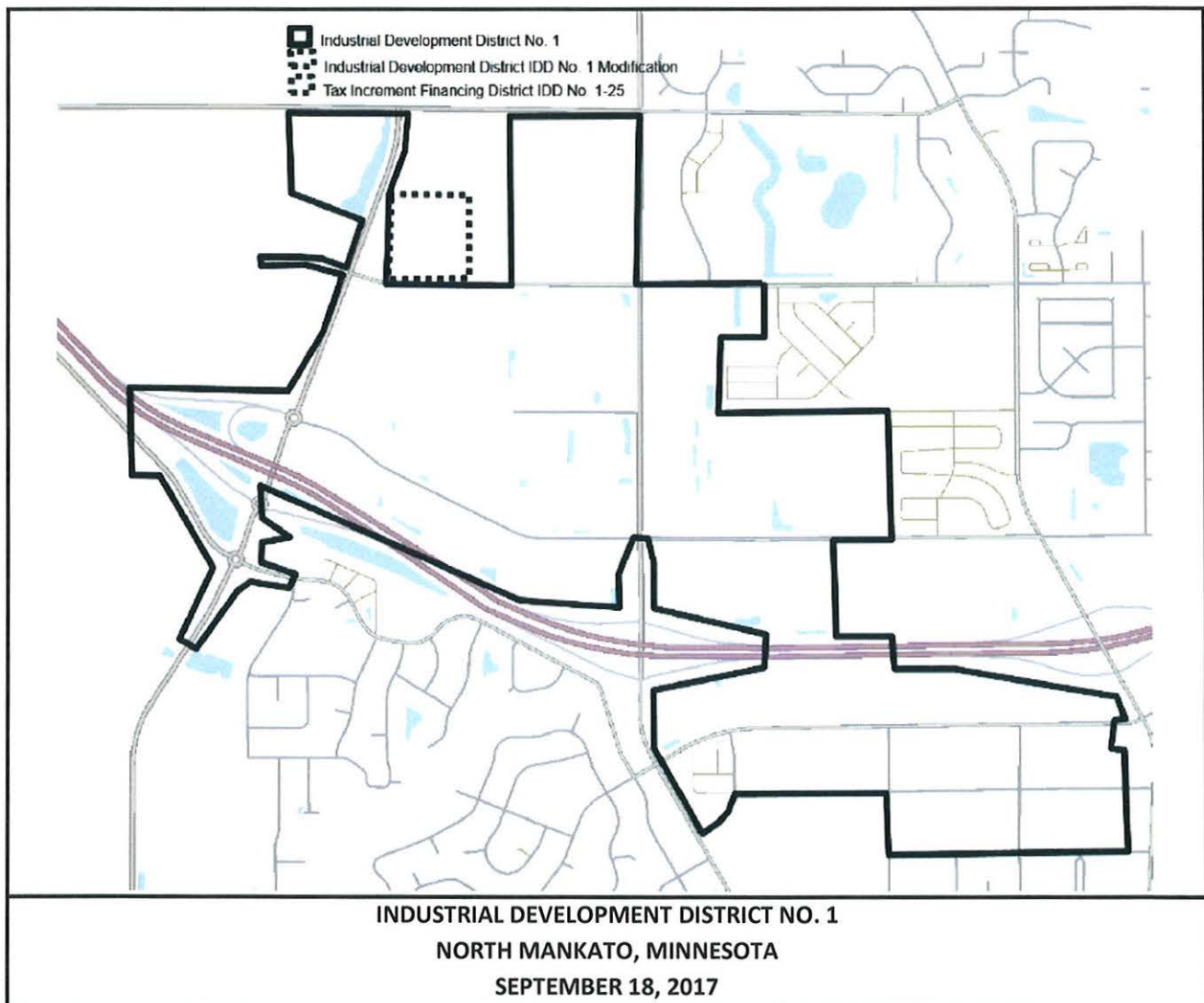
The City previously established and modified various project areas, which were subsequently transferred to the control, authority and operation of the North Mankato Port Authority Commission and combined under one project area - Industrial Development District No. 1. The current modification constitutes the eighth amendment of Industrial Development District No. 1. All provisions of the previous project plans, as originally adopted and subsequently modified, are hereby incorporated by reference except to the extent that Minnesota statutes, sections 469.048 to 469.068, inclusive and amended, requires changes and except to the extent that any such provision is explicitly contrary to a provision of this modification. Except as so modified, the previous project area plans are hereby adopted and incorporated by reference.

## CURRENT MODIFICATION

The current project plan modification involves a boundary expansion of Industrial Development District No. 1 to include the following area:

Property Description	Parcel Number
Lot 1, Block 1 Northport No. 20, North Mankato, Minnesota	18.317.0010
Outlot B, Northport No. 20, North Mankato, Minnesota	18.317.0040

The map below shows the location and boundaries of the proposed expansion of Industrial Development District No. 1.



# CITY OF NORTH MANKATO

## REQUEST FOR COUNCIL ACTION



Agenda Item #16G	Department: Community Dev.	Council Meeting Date: 9/18/17																											
<b>TITLE OF ISSUE: Consider Resolution of the City Council of the City of North Mankato Approving Tax Increment Financing District IDD No. 1-25. (Blue Star Power Systems)</b>																													
<b>BACKGROUND AND SUPPLEMENTAL INFORMATION: Tax Increment Financing District IDD No. 1-25 establishes a district for Blue Star Power Systems.</b>																													
<i>If additional space is required, attach a separate sheet</i>																													
<b>REQUESTED COUNCIL ACTION: Adopt Resolution of the City Council of the City of North Mankato Approving Tax Increment Financing District IDD No. 1-25.</b>																													
Motion By: _____ Second By: _____  Vote Record: <table style="margin-left: 40px; border: none;"> <tr> <td style="text-align: center; width: 50px;">Aye</td> <td style="text-align: center; width: 50px;">Nay</td> <td></td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Freyberg</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Whitlock</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Steiner</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Norland</td> </tr> <tr> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td>Dehen</td> </tr> </table>	Aye	Nay		_____	_____	Freyberg	_____	_____	Whitlock	_____	_____	Steiner	_____	_____	Norland	_____	_____	Dehen	<div style="text-align: center; font-weight: bold; margin-bottom: 10px;">SUPPORTING DOCUMENTS ATTACHED</div> <table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">Resolution</td> <td style="text-align: center;">Ordinance</td> <td style="text-align: center;">Contract</td> <td style="text-align: center;">Minutes</td> <td style="text-align: center;">Map</td> </tr> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table> Other (specify) <u>Tax Increment Financing Plan IDD No. 1-25</u> _____ _____ _____	Resolution	Ordinance	Contract	Minutes	Map	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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**RESOLUTION #\_\_\_\_\_ - 2017**

**RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF NORTH MANKATO APPROVING TAX INCREMENT  
FINANCING DISTRICT IDD NO. 1-25**

**WHEREAS**, the City Council of North Mankato (herein called the "City") has held a public hearing to receive input regarding the establishment of Tax Increment Financing District IDD No. 1-25 (herein called the "District") as provided in a report, dated September 18, 2017 (herein called the "Plan"); and

**WHEREAS**, the City has previously approved a plan for Industrial Development District No. 1 pursuant to Minnesota Statutes, Sections 469.048 to 469.068; thereby creating a Project within the meaning of Minnesota Statutes, Section 469.174, Subdivision 8, which encompasses the District; and

**WHEREAS**, the Plan sets forth the estimate of the fiscal and economic impact of tax increment financing on the tax capacities of all taxing jurisdictions in which the District is located; and

**WHEREAS**, the Board of Nicollet County, Minnesota, has been notified of the public hearing for review of the Plan; and

**WHEREAS**, the School Board of Independent School District No. 77 has been notified of the public hearing for review of the Plan; and

**WHEREAS**, the City has received and considered the comments of the Nicollet County Board and the School Board of the Independent School District No. 77 with regard to the contents of the Plan; and

**WHEREAS**, the North Mankato Port Authority Commission has conducted a public hearing on September 18, 2017 and recommended approval of the Plan to the City Council; and

**WHEREAS**, the City on September 18, 2017, after having published a notice of public hearing in the official newspaper of the City, conducted a public hearing on the Plan and received public comments on the same;

**NOW THEREFORE, BE IT RESOLVED**, by the North Mankato City Council:

**Sec. 1.** It is hereby found and determined that there is a need for the Project activities in the District.

**Sec. 2.** It is hereby found and determined that the Project activities set forth in the Plan will establish, for the City of North Mankato, the opportunity to promote economic development of vacant, unused and underused land and that this development will create jobs and enhance the local tax base.

**Sec. 3.** It is hereby found and determined that the tax increment financing plan as set forth in the Plan having been duly reviewed and considered is hereby approved and adopted, and the area described in Exhibit A hereto is hereby affirmed and designated as an Economic Development District pursuant to Minnesota Statutes, Section 469.174, Subdivision 12.

**Sec. 4.** That, in the opinion of the City, it is hereby found and determined: (i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and (ii) 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 District permitted by the Plan.

**Sec. 5.** That the tax increment financing plan will afford maximum opportunity, consistent with sound needs of the City as a whole, for the development of the Project by private enterprise.

**Sec. 6.** It is hereby found and determined that the tax increment financing plan set forth in the Plan conforms to the general plan for the development of the City as a whole.

**Sec. 7.** That the reasons and supporting facts for findings 3, 4, 5 and 6 as set forth on pages 4, 5 and 6 of the Plan are by this reference confirmed and adopted.

**Sec. 8.** It is hereby found and determined that the provisions of Minnesota Statutes 116J.993 to 116J.985 the Business Subsidy Act apply to this development and will require an agreement with the recipient of the subsidy.

**Sec. 9.** That the City Clerk shall request the Auditor of Nicollet County to certify the original tax capacity and original local tax rate of the District approved by this resolution.

**Sec. 10.** That the City Clerk is hereby directed to file a copy of this resolution and a copy of the Plan with the Minnesota Department of Revenue and Office of the State Auditor.

**Sec. 11.** That the City hereby states its intention to use all of the captured tax capacity for purposes of tax increment financing as per the conditions set forth in the Plan.

The foregoing resolution was offered at a regular meeting of the City Council held on September 18, 2017, by Council Member \_\_\_\_\_ who moved its adoption, was seconded by Council Member \_\_\_\_\_ and adopted by the following vote:

AYES:

NAYS:

Whereupon the above resolution was duly adopted.

Attest:

\_\_\_\_\_  
Mark D. Dehen, Mayor

\_\_\_\_\_  
April Van Genderen, City Clerk

[VIA EMAIL]

**To:** North Mankato Port Authority  
North Mankato City Council

**From:** Ed Tschida

**Re:** Blue Star Power Systems, Inc. Project Request for Financial Assistance – Tax Increment Financing

**Date:** September 12, 2017

PROJECT DESCRIPTION

Blue Star Power Systems, Inc. has submitted a request for financial assistance to the City and Port Authority in conjunction with its proposal to construct an approximate 104,600-ft.<sup>2</sup> facility consisting of approximately 76,500-ft.<sup>2</sup> of manufacturing space and 28,100-ft.<sup>2</sup> of office space on Lot 1, Block 1 Northport No. 20. The company is requesting the City and Port Authority approve tax increment financing assistance to finance land acquisition, site improvement and other qualified costs. The estimated cost of the project is \$10-\$12,000,000 which includes site improvements and landscaping. The construction timeline is to begin with the site improvements in the fall of 2017 followed by building construction in 2018. The company proposes to create at least 10 new jobs within two years of occupying the facility.



DEVELOPMENT CRITERIA

Before granting a business subsidy, the City/Port Authority requires the applicant to demonstrate that the subsidy will result in the creation or enhancement of a public benefit. In this case, the company shall conform to the City of North Mankato Tax Increment Financing Policy. Consideration for TIF will be given to projects providing public benefits as set forth in subsections 3, 4 and 5 of the City of North Mankato and North Mankato Port Authority Business Subsidy Policy as follows:

Subsection 3. Because projects vary greatly in structure and public benefit derived, each project will be considered

on its own merits. Consideration will be given to projects providing public benefits in one or more of the following categories:

- a) To retain and/or expand existing businesses located in the city. *Not applicable to this application.*
- b) To increase the tax base. *Following is information demonstrating the increase in the tax base, and providing an estimate of tax increment generated by the new development.*

<b>INCREMENT CALCULATIONS</b>	
Base Tax Capacity Calculations	
Pay 2018 Market Value	\$210,300
Less than \$150,000 @ 1.5% =	2,250
Greater than \$150,000 @ 2.0% =	1,206
<b>PAY 2018 TAX CAPACITY</b>	<b>3,456</b>
Increment Calculations	
Estimated Market Value	\$9,276,500
Less than \$150,000 @ 1.5% =	2,250
Greater than \$150,000 @ 2.0% =	182,530
<b>PAY 2018 TAX CAPACITY</b>	<b>184,780</b>
Less base tax capacity	3,456
Equals captured tax capacity	181,324
Pay 2017 LTR	127.986%
<b>EQUALS TAX INCREMENT</b>	<b>\$232,069</b>

<b>ANNUAL/TOTAL ESTIMATE OF TAX INCREMENT</b>					
Local Tax Rate = % (North Mankato, Payable 2017)					
Property Classification: Industrial					
100% Completion before December 31, 2018					
Estimated Completion Market Value: \$9,276,500					
YEAR TAXES PAYABLE	PROJECT'S ANNUAL TIF	LESS OSA FEE OF 0.360%	ADJUSTED TAX INCREMENT	LESS ADMIN. OF 2.0%	NET ANNUAL TIF
2018	0	0	0	0	0
2019	0	0	0	0	0
2020	232,069	835	231,234	4,625	226,609
2021	232,069	835	231,234	4,625	226,609
2022	232,069	835	231,234	4,625	226,609
2023	232,069	835	231,234	4,625	226,609
2024	232,069	835	231,234	4,625	226,609
2025	232,069	835	231,234	4,625	226,609
2026	232,069	835	231,234	4,625	226,609
2027	232,069	835	231,234	4,625	226,609
2028	232,069	835	231,234	4,625	226,609
<b>TOTALS</b>	<b>\$2,088,624</b>	<b>\$7,519</b>	<b>\$2,081,105</b>	<b>\$41,622</b>	<b>\$2,039,483</b>
<b>NPV @ 5.00%</b>	<b>\$1,546,571</b>				<b>\$1,510,183</b>

- c) To diversify the local economy, encourage economic and commercial activity, including the range of goods and services available. *The company is one of many area industries that contribute to diversification of the local economy.*

- d) To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits. *Current Company employment is 55. Upon occupying the new facility in North Mankato, the company expects to increase its employment by 6-8 full-time employees per year? Over three years the company expects to add 18 to 24 new employees. Looking beyond the company anticipates over a five-year period to see employment grow by 30-40 full-time employees.*
- e) To encourage additional unsubsidized private development in the area, either directly or indirectly through "spinoff" development or attracting other businesses, jobs and investments in the area. *Manufacturing is a primary component of the economy generating numerous spinoff effects in the secondary and tertiary economies including service and retail sector jobs. **For every \$1.00 spent in manufacturing, another \$1.81 is added to the economy.** That is the highest multiplier effect of any economic sector. In addition, for every one worker in manufacturing, there are another four employees hired elsewhere. (Source: National Association of Manufacturers).*
- f) To facilitate the development process and to achieve development on sites which would not otherwise be developed or that would be underdeveloped with all assistance. *The proposed development of the property is hampered by poor soil conditions, which must be remediated in order to allow construction of a large manufacturing facility on the property. Tax increment financing will pay all or a portion of the soil remediation costs.*
- g) To remove blight and/or encourage redevelopment of commercial and industrial areas in the city that resulting quality redevelopment and private reinvestment. *Not applicable to this application.*
- h) To provide significant economic impact by attracting other businesses, jobs or investment. *Refer to the response in e) above.*
- i) To offset increased costs of development or redevelopment (i.e. contaminated site cleanup) over and above the cost normally incurred in development. *Refer to response in f) above, which discusses remediation of poor soils conditions on the development site.*
- j) To fully utilize existing or planned infrastructure improvements. *The development is within the Northport Industrial Park, which is the City's designated location for new or expanding business. Northport offers sites fully serviced, which in most cases are ready to build. With regards to this project significant additional expenditures will occur on the site to correct poor soil conditions before construction begins.*
- k) To encourage fast-growing businesses. *Not applicable to this application.*
- l) To encourage businesses providing basic goods and services. *Not applicable to this application.*
- m) To create opportunities for affordable housing. *Not applicable to this application.*
- n) To contribute to the implementation of other identifiable goals of the city. *Undetermined.*

Subsection 4. It is the intent of the City of North Mankato and the Port Authority to avoid participating in "bidding wars" between cities located within Nicollet County and Blue Earth County competing for the relocation of an existing business to attempts to offer the largest tax incentive or other public inducement, which is detrimental to the local economy and public interest.... This policy does not preclude the granting of an incentive in those situations where the business has already made a decision to relocate or expand in another city, or is seriously considering moving out of Nicollet County and Blue Earth County. *After completion of a search of available industrial properties and development sites, the company concluded that its best option for*

*expansion was to build a new facility. The location within the Northport Industrial Park meets company needs for its current expansion and provides future area for additional growth. Upon making its decision, the company sought additional financial assistance that is normal and customary for manufacturing businesses locating in Northport and the greater Mankato area in general.*

Subsection 5. The governing body retains the right to review and approve subsidies that will result in public benefit but vary from the principles and criteria of this policy. The burden will be on the applicant to demonstrate, to the satisfaction of the City of North Mankato and the Port Authority, that the public benefit justifies the requested subsidy. *Based on the preceding responses to Subsection 4, the company complies with the principles and criteria of the Business Subsidy Policy.*

#### BUSINESS SUBSIDY AGREEMENT AND TAX INCREMENT FINANCING DEVELOPMENT AGREEMENT

The Business Subsidy Policy requires the company to enter into a business subsidy and tax increment financing development agreement, which will delineate the subsidy structure, amount of subsidy, expected public benefit, provisions for repayment and other penalties if terms and conditions of the agreement are not met.

#### JOB CREATION REQUIREMENT

The provisions of the business subsidy agreement may require the company to create and/or retain jobs, which at a minimum pay at least 110% of the federal poverty level for a family of four. *The company proposes to create 6-8 new full-time jobs per year over the next 3 to 5 years. Currently these positions are shop employees earning \$16.50 to \$17.50 per hour or \$34,320 to \$36,400 per year plus benefits, which include only played Blue Cross/Blue Shield health insurance for employees. By comparison the city's business subsidy requires that a business receiving assistance create jobs at 110% of the federal poverty level for a family of four. The 2017 federal poverty level is \$24,600 per year requiring a minimum wage of \$27,060 per year. Currently the company is paying between 140% and 148% of the federal poverty level for a family of four.*

#### REPORTING REQUIREMENTS

The company must comply with the business subsidy reporting requirements, which includes annual reports submitted to the City/Port Authority and Minnesota Department of Employment and Economic Development.

#### OBSERVATION AND RECOMMENDATION

**Observation:** The development proposal meets the Port Authority and City goals for financial assistance, and it will be compatible with community plans and City ordinances.

**Recommendation:** If the Port Authority concurs with the above observations improve the following resolutions:

- Resolution of Port Authority Approving the Modification of Industrial Development District No. 1 and Filing of an Application to the North Mankato City Council
- Resolution Approving Tax Increment Financing District IDD No. 1-25
- Resolution of the Port Authority Awarding the Sale of an Providing the Forms, Terms, Covenants and Directions for the Issuance of Its Tax Increment Revenue Note, Series 2017, in the Maximum Principal Amount of \$1,649,000

**Recommendation:** Pending a recommendation of the port authority to proceed with the project, the Council should approve the following resolutions:

- Resolution of the City Council Modifying Industrial Development District No. 1 and Adopting a Development Program for Said Industrial Development District
- Resolution of the City Council of the City of North Mankato Approving Tax Increment Financing District IDD No. 1-25



**TAX INCREMENT  
FINANCING  
DISTRICT IDD NO. 1-25  
(Blue Star Power  
Systems, Inc. Project)**

**NORTH MANKATO,  
MINNESOTA**

**SEPTEMBER 18, 2017**

**Business Finance and  
Economic Development  
Specialists**

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**TAX INCREMENT FINANCING DISTRICT IDD NO. 1-25  
(Blue Star Power Systems, Inc.)**

**CITY OF NORTH MANKATO, MINNESOTA**

**SEPTEMBER 18, 2017**

*PREPARED BY*

*ADVANCE RESOURCES FOR DEVELOPMENT, INC.  
MANKATO, MINNESOTA*

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## INTRODUCTION

### BACKGROUND

The North Mankato Port Authority Commission and City Council have previously established and subsequently modified Industrial Development District No. 1 (IDD No. 1) Project Area and have created and operated tax increment financing districts within the boundaries of the Project Area. At the present, the Port Authority and City Council are proposing to establish Tax Increment Financing District IDD No. 1-25 in order to assist Blue Star Power Systems, Inc. in its plans to construct an approximate 104,600-ft.<sup>2</sup> manufacturing facility.

### LOCATION

Tax Increment Financing District IDD No. 1-25 is located, on two parcels described as Lot 1, Block 1, and Outlot B, Northport No. 20, North Mankato, Minnesota. A map of the tax increment financing district is on page 2.

### DEFINITIONS

For the purpose of this Tax Increment Financing Plan, the following terms shall have the meanings specified below, unless the context otherwise requires.

"Authority" means the North Mankato Port Authority Commission, which has been granted port authority powers pursuant to Minnesota Statutes, Sections 469.048 to 469.068.

"Bonds" means any bonds or other obligations as defined in Minnesota Statutes, section 469.174, subdivision 3, including pay-as-you-go tax increment financing revenue notes.

"City" means the City of North Mankato, Minnesota.

"Council" means the City Council of the City of North Mankato, Minnesota.

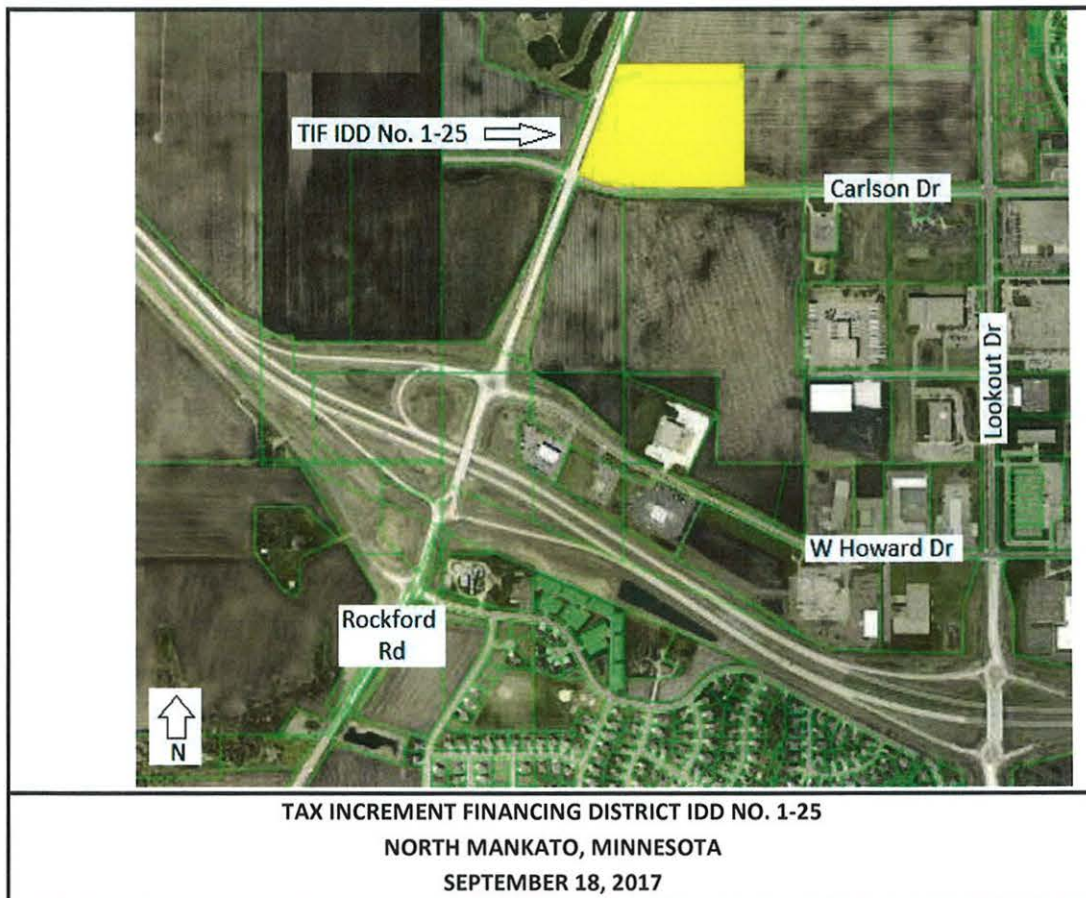
"Development" means the parcels of property upon which identified activities will occur as described in this Plan; the purpose of which is for the proposed construction of a manufacturing facility to promote economic development, create jobs and enhance the tax base.

"Economic Development District" means a type of tax increment financing district, which consists of any project, or portions of a project, which the authority 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; or

(2) it will result in increased employment in the state; or

(3) it will result in preservation and enhancement of the tax base of the state.



“Industrial Development District Plan” means the plan for Industrial Development District No. 1 prepared pursuant to the provisions of Minnesota Statutes, Sections 469.048 to 469.068, which provides an outline for the development, construction and improvement of the port authority and is sufficiently complete (1) to indicate its relationship to definite local objectives as to appropriate land uses; and (2) to indicate general land uses and general standards of development or redevelopment consistent with a municipality's comprehensive plan.

“Project” is an industrial development district as defined in Minnesota Statutes, section 469.058, Subdivision 1.

“Tax Increment Financing District” or “District” means a contiguous or noncontiguous geographic area within a project delineated in the tax increment financing plan, as provided by section 469.175, subdivision 1, for the purpose of financing redevelopment, housing or economic development in municipalities through the use of tax increment generated from the captured net tax capacity in the tax increment financing district.

“Tax Increment Financing Plan” or “Plan” means the plan for establishment of Tax Increment Financing District IDD No. 1-25 prepared pursuant to the provisions of Minnesota Statutes, Sections 469.174 to 469.179, which provides a statement of objectives, the development program, development activities, project timing, budget estimates, estimated impact on affected taxing jurisdictions, identification of studies or analysis used to determine need for financing and identification of parcels to be included in the District.

## PURPOSE OF TAX INCREMENT FINANCING PLAN

The District is established pursuant to Minnesota Statutes, Chapter 469, which provides the Authority the ability to use tax increment financing as a funding source. Under Chapter 469, a tax increment district may be established as a housing district, a redevelopment district, a renewal and renovation district, a soils condition district or an economic development district. Since this area qualifies as an economic development district, pursuant to Minnesota Statutes, section 469.174, subdivision 12, it has duration of eight years from the date of receipt by the Authority of the first tax increment.

It is the intention of the Authority and City Council to support development of vacant or underdeveloped properties and provide infrastructure improvements to facilitate industrial expansion within the boundaries of the Industrial Development District and to use tax increment financing to promote development, tax base enhancement and job creation by financing eligible expenditures. In order to accomplish this development, the Authority and City Council propose to establish Tax Increment Financing District IDD No. 1-25 and to use tax increment revenues for land acquisition, site improvement and other qualified costs.

## TAX INCREMENT FINANCING PLAN

### RELATIONSHIP OF TAX INCREMENT FINANCING DISTRICTS TO INDUSTRIAL DEVELOPMENT DISTRICT

Port Authority law (Minnesota Statutes, Sections 469.048 to 469.068) authorizes the use of tax increment funds to pay for Project improvements. When using tax increment funds, it is necessary to establish a tax increment financing district according to Minnesota Statutes, Sections 469.174 to 469.179, inclusive. Approval of this Plan establishes a tax increment financing district, the purpose of which is to finance the development activities authorized by the creation and subsequent modifications of Industrial Development District No. 1.

### PROPERTY CONDITIONS AND DESCRIPTION OF DEVELOPMENT PROPOSAL

Blue Star Power Systems, Inc. proposes to construct an approximate 104,600-ft.<sup>2</sup> facility consisting of approximately 76,500-ft.<sup>2</sup> of manufacturing space and 28,100-ft.<sup>2</sup> of office space on Lot 1, Block 1 Northport No. 20. The company is requesting the City and Port Authority approve tax increment financing assistance to finance land acquisition, site improvement and other qualified costs. The estimated cost of the project is \$10-\$12,000,000 which includes site improvements and landscaping. The construction timeline is to begin with the site improvements in the fall of 2017 followed by building construction in 2018. The company proposes to create at least 10 new jobs within two years of occupying the facility.

### DESCRIPTION OF PROPERTY IN TAX INCREMENT DISTRICT

Property Description	Parcel Number	Acreage
Lot 1, Block 1 Northport No. 20, North Mankato, Minnesota	18.317.0010	13.096
Outlot B, Northport No. 20, North Mankato, Minnesota	18.317.0040	7.481

### FINDINGS

Minnesota Statutes, section 469.175, Subdivision 3, requires that prior to municipality approval of a tax increment financing plan certain statutory findings must be made and the reasons for those findings must be set forth in writing along with supporting facts for each determination.

1. FINDING. That the proposed tax increment financing district is an economic development district.

SUPPORTING FACTS. Minnesota Statutes, Chapter 469, provides for five types of districts -- a redevelopment district, renewal and renovation district, soils condition district, housing district, and an economic development district -- each serving a well-defined need and each having different qualifying standards. Tax Increment Financing District IDD No. 1-25 is an "Economic Development District". Minnesota Statutes, section 469.174, subdivision 12, defines "Economic Development District". This definition is also included on page 1 of this Plan.

The proposed District qualifies as an "Economic Development District" pursuant to the above statute because project activities will result in increased employment and preservation and enhancement of the tax

base of the state. Upon inclusion in the District, Blue Star Power Systems, Inc. will construct facilities in the City, which will increase the tax base and create additional jobs.

2. FINDING. That, in the opinion of the City:

(i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and

(ii) 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 District permitted by this Plan.

SUPPORTING FACTS. *The proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.* The City supports this finding based on the facts that the costs of constructing, equipping and operating the facility are not financially viable without public financial assistance. To address this situation the City is participating in a public/private-financing package consisting of private financing and tax increment assistance. The City will use tax increment financing to reimburse the company for land acquisition, site improvement and other qualified costs. Development proposed in this Plan meets the objectives of the City of North Mankato Tax Increment Financing Policy. The City believes that public/private financing, including the use of tax increment, is significant to the completion of this project, and that without this assistance the project would not occur in the City.

*Furthermore, 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 District permitted by this Plan.* A comparative analysis, of estimated market values both with and without District formation and the use of tax increments, has been performed as described above. If all development proposed to be assisted with tax increment were to occur in the District, the total increased market value would be up to \$ 9,066,200. The estimated present value of tax increments from the District is \$1,546,571. It is the City's finding that no development with a market value of greater than \$ 7,519,629 would occur without tax increment assistance in the District within eight years (refer to Table 1 on page 11). This finding is based upon evidence from general past experience that industry is hampered in its efforts to secure sufficient conventional bank financing, and that in order to move forward, funding sources in the form of subordinated financing must be secured. The City Council believes this project qualifies for a public/private financing package and the use of tax increment financing and is prepared to commit this resource to it.

3. FINDING. That the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

SUPPORTING FACTS. The tax increment financing plan conforms to the general plan of the City of North Mankato for the following reasons:

A. The Plan area is designated M-2 Heavy Industrial in the zoning ordinance. Plan activities and

subsequent development are intended to encourage and result in industrial development for this area.  
B. The general plan for the community supports the creation of additional job opportunities within the municipality, particularly increased opportunities for moderate income residents, the unemployed and under-employed.

4. FINDING. That the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the Project by private enterprise.

SUPPORTING FACTS. The Authority and the City Council, in approving and subsequently modifying Industrial Development District No. 1, have prepared a blueprint for development and job creation. The Industrial Development District plan encourages cooperation with private enterprise. Industrial Development District plan information along with other City plans, policies and ordinances was used to prepare this Plan. Based upon the objective of cooperation and guidance from approved plans, policies and ordinances, the Authority and City Council have determined Project costs, which will be paid for by tax increment revenues. As the Financial Plan contained on pages 9 through 14 of this Plan indicates, the Authority and City Council intend to concentrate the use of tax increment revenue on those improvements, which would not reasonably be expected to occur solely through private action. Private enterprise will be responsible for the vast majority of the expenses and activities normally associated with land development.

#### STATEMENT OF OBJECTIVES FOR INDUSTRIAL DEVELOPMENT DISTRICT NO. 1

The Authority and City Council have previously determined that is necessary, desirable, and in the public interest to establish/modify, designate, develop and administer an industrial development district in the City pursuant to the provisions of Minnesota Statutes, section 469.048 to 469.068, inclusive. The Authority and City Council further determine that the funding of the necessary activities and improvements in the Industrial Development District may be financed through a wide array of funding mechanisms, including tax increment financing, and other appropriate sources. Prior to involving itself in financing project activities or a development, the Authority and City Council shall determine financial feasibility of the Project or development. Any public or private activity, when municipally financed, shall demonstrate how said financing is going to be repaid.

The Authority and City Council seek to achieve the following objectives through this Plan:

1. Encourage the retention, expansion and development of commercial and industrial enterprises within the City.
2. Remove structurally substandard buildings for which rehabilitation is not feasible.
3. Acquire and remove economically or functionally obsolete or underutilized buildings.
4. Acquire land and/or buildings which are vacant, unused, underused, or inappropriately use.
5. Acquire property of irregular form and shape or inadequate size, which has prevented normal development.

6. Eliminate blighting influences, which impede potential development.
7. Encourage the rehabilitation of remaining intensive businesses.
8. Achieve a high standard of buildings that remain in the Project area.
9. Provide adequate streets, utilities and other public improvements and facilities to enhance the area for both new and existing development.
10. Eliminate or correct physical deterrents to the development of land.
11. Provide development sites of such size and character to assure the development of the area.
12. Achieve a high level of design and landscaping quality to enhance the area's physical environment.
13. Accomplish convenient and adequate parking to serve the needs of the area.
14. Combine elements of other City plans with these Project objectives.
15. Improve the financial base of the City.
16. Provide maximum opportunity, consistent with the need of the City for development by private enterprise.
17. Promote development of adequate parking areas.
18. Provide housing opportunities for various age and income groups in proximity to necessary goods, services and employment opportunities.
19. Develop the river bank and other natural resources to serve as an aesthetic focal point for the downtown area.
20. Provide increased employment opportunities and, as much as possible, seek businesses which would employ the unemployed and underemployed.
21. Provide a retail service level required by the residents of the community and surrounding region.
22. Eliminate the hazards, impediments, and existence of marginal lands.
23. Foster industrial development by related growth and development activities (i.e. commercial, residential, recreational developments).



## DEVELOPMENT PROGRAM FOR INDUSTRIAL DEVELOPMENT DISTRICT

Minnesota Statutes, section 469.175, Subdivision 1(2) requires "A statement as to the development program for the project, including the property within the project, if any, which the authority intends to acquire;"

The Development Program for Industrial Development District No. 1 is delineated in a report entitled "Modification of Industrial Development District No. 1", adopted September 18, 2017, and is on file in the City Clerk's office. By this reference, said development program is incorporated as part of this tax increment financing plan.

## TAX INCREMENT FINANCING DISTRICT DEVELOPMENT ACTIVITIES

Development activities to be financed in whole or in part because of the implementation of this Plan include:

1. The Authority will use tax increments, generated by development in the District, to reimburse Blue Star Power Systems, Inc. for all or a portion of the land acquisition, site improvement and other qualified costs. The reimbursement of tax increment will occur via a development agreement between the City and Blue Star Power Systems, Inc.

2. The Authority we use tax increments, generated by development in the District, to reimburse itself for land acquisition and public improvements to facilitate development in the District.

The above activities and improvements are within the boundaries of Tax Increment Financing District IDD No. 1-25. For the purposes of budgeting in this Plan, the anticipated construction start is 2017 with total project completion by December 31, 2018.

The above activities are, at the time of preparation of this Plan, the only activities proposed for the Development District because of the formation of the District. The City and Blue Star Power Systems, Inc. anticipate execution of a development agreement in September 2017.

## CONFORMANCE WITH PLAN FOR THE CITY

The City Council, by approval of this Plan, believes that implementation of the District meets the intent of the plan for the City by providing employment opportunities, enhancing the local tax base, maintaining the quality of existing development, and improving the quality of life through orderly planned improvements.

## PROCEDURE FOR MAKING MODIFICATIONS IN AN APPROVED TAX INCREMENT FINANCING DISTRICT PLAN

The Plan may be modified by the Authority and City Council under provisions of Minnesota Statutes, section 469.175, subdivision 4.

## RELOCATION POLICY

The Plan does not require relocation. The Authority and City Council have previously adopted relocation policies and procedures, which conform to the Uniform Relocation Act. If in the future project activities require relocation, the Authority and City Council shall apply those policies and procedures in implementing relocation activities.

## PROPERTY ACQUISITION AND DISPOSITION

Property acquisition will occur in the District in order to provide financial assistance to enable economic development and job creation. All parcels identified within the boundaries of District are eligible for property acquisition and disposition. The purchase will be in conformance with applicable rules and regulations and will be facilitated with a development agreement, when the purchase results in private development and use of the property.

Acquisition of the properties may be financed from the sale of tax increment general obligation bonds or notes, tax increment revenues or other sources, provided that in no case shall City general funds be used to pay acquisition costs without a prior agreement for its reimbursement from other sources.

## NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS

Minnesota Statutes, section 469.177, Subdivision 4, requires that the request for certification of original net tax capacity be accompanied by a listing of properties within the tax increment district for which building permits have been issued in the 18 months preceding approval of the tax increment financing plan. The District consists of two parcels of land that are presently vacant. There have been no building permits issued in the 18 months preceding approval of the Districts; accordingly, the original tax capacity is estimated at 3,456.

## METHOD OF FINANCE

The City Council elects to use Tax Increment Financing pursuant to Minnesota Statutes, Chapter 469, to finance all or part of the costs of the Project. By electing this method of financing, the City Council is not precluding the use of other methods provided by State law.

## FINANCIAL PLAN

### ESTIMATE OF PUBLIC COST

The following is an estimate of public cost, including cost of District indebtedness, source of revenue, most recent tax capacity and estimate of captured tax capacity.

1. Activities. Activities within the Project area will consist of property acquisition, public improvements, site improvements and administration. The estimated cost for undertaking these activities is:

A. Property Acquisition (development site)	\$851,500
B. Property Acquisition (wetland)	192,500
C. Wetland Construction	100,000
D. Site Improvements	797,500
E. Administration	41,622
<b>TOTAL USES OF FUNDS</b>	<b><u>\$1,983,122</u></b>

2. Source of Funds. The Authority/City may use tax increment bonds, revenue notes, tax increment reserves or other financing mechanisms to fund the above activities. The Authority/City reserve the right to finalize the funding strategy later based on factors such as actual construction costs, construction timing requirements, economic conditions, the status of interest rates and the availability of tax increment. Based upon current information it is planned that tax increment in the following amount will become available to repay the Total Uses of Funds:

A. Tax increment from TIF IDD No. 1-25	\$1,983,122
<b>TOTAL SOURCE OF FUNDS</b>	<b><u>\$1,983,122</u></b>

The above estimated uses and sources of funds are subject to fluctuation and changes within line items as various elements of the project are clarified. The Authority/City reserves the right to adjust the line items within the parameters of the total uses and sources of funds. In addition, the amount of tax increments may vary due to changes in property valuations, interest earnings, etc. which may result in a lesser source of funds.

#### FINANCING ASSUMPTIONS

Tax increment will finance activities in the District and Project area. The following information and assumptions were used to calculate financing costs for the activities in the District and Project area:

1. Table 1, on page 11, provides an estimate of the increment that would be available for Project costs.
2. Project development activities are scheduled to begin in 2017, and shall be completed by December 31, 2018.
3. Financing the Project activities will be undertaken in 2017.
4. The tax increment estimate is based upon the 2017 local tax rate of 127.986%.

5. Annual tax increments, as per Table 1, in 2020 through 2029 generated because of formation of this District will be the source of funds used to finance the Project area activities. Pursuant to Minnesota Statutes, section 469.176, subdivision 1b.(3), the Authority is basing the District duration on the requirements for statutory decertification of a tax increment financing district, which permits increment to be paid to the City for eight years after receipt of the first increment for an economic development district. This provision allows the District to continue through 2029.

TABLE 1: TAX INCREMENT CALCULATIONS								
Local Tax Rate = 127.986% (North Mankato, Payable 2017)								
Property Classification: Industrial								
100% Completion before December 31, 2018								
Estimated Completion Market Value: \$9,276,500								
YEAR TAXES PAYABLE	BASE TAX CAPACITY	PROJECT'S TAX CAPACITY	CAPTURED TAX CAPACITY	PROJECT'S ANNUAL TIF	LESS OSA FEE OF 0.360%	ADJUSTED TAX INCREMENT	LESS ADMIN. OF 2.00%	NET ANNUAL TIF
2018	3,456	3,456	0	0	0	0	0	0
2019	3,456	3,456	0	0	0	0	0	0
2020	3,456	184,780	181,324	232,069	835	231,234	4,625	226,609
2021	3,456	184,780	181,324	232,069	835	231,234	4,625	226,609
2022	3,456	184,780	181,324	232,069	835	231,234	4,625	226,609
2023	3,456	184,780	181,324	232,069	835	231,234	4,625	226,609
2024	3,456	184,780	181,324	232,069	835	231,234	4,625	226,609
2025	3,456	184,780	181,324	232,069	835	231,234	4,625	226,609
2026	3,456	184,780	181,324	232,069	835	231,234	4,625	226,609
2027	3,456	184,780	181,324	232,069	835	231,234	4,625	226,609
2028	3,456	184,780	181,324	232,069	835	231,234	4,625	226,609
<b>TOTALS</b>				<b>\$2,088,624</b>	<b>\$7,519</b>	<b>\$2,081,105</b>	<b>\$41,622</b>	<b>\$2,039,483</b>
Present Value of Net Annual TIF Discounted at 5.0% equals								<b>\$1,510,183</b>

6. Increment revenues will be used to finance or otherwise pay the cost of redevelopment pursuant to Minnesota Statutes, Sections 469.048 to 469.068. All tax increment generated by the formation of the District will be used to finance the activities of the Plan.

7. The Authority may use internal funds or bond proceeds in addition to annual tax increments to service Project costs. "Project costs" means all expenditures of the Authority or reimbursement of eligible developer costs for the purchase of land or amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the District, including interest thereon. Project costs also include all administrative expenses as defined in Minnesota Statutes, section 469.174, Subdivision 14. Based upon projected tax increment revenue from the District, the Authority would be able to finance Project costs of approximately \$2,081,105 including administrative expenses. This amount is adequate to fund the costs within the identified budget. The first increment would be available to the City in 2020 and would continue through 2029 unless the City chooses to discontinue/decertify the District at an earlier date. Based upon the assumptions in this Plan the duration of the District would be December 31, 2029.

#### SOURCES OF REVENUE

The proposed source of revenue of \$2,081,105 of increment receipts from the District will finance public costs associated with the Project Area and District. The tax increment revenues will be generated because of the taxation of the land and improvements in the District. Tax increment financing refers to a funding technique that

uses increases in net tax capacity and the property taxes attributed to new development to finance, or assist in the financing of public development costs.

The tax increments to be generated in the District will result from the Blue Star Power Systems, Inc. The City may issue tax increment bonds or use the annual receipt of tax increment to reimburse itself or the developer for eligible Project costs.

#### LIMITATION ON USE OF TAX INCREMENT; ECONOMIC DEVELOPMENT DISTRICTS

Pursuant to Minnesota Statutes, section 469.176, subdivision 4c, "(a) 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) qualified border retail facilities; or
- (7) space necessary for and related to the activities listed in clauses (1) to (6)."

#### BONDED INDEBTEDNESS

Upon approval of this Plan, the City will execute a development agreement with Blue Star Power Systems, Inc. that provides pay-as-you-go tax increment financing assistance to finance the eligible costs of this District, in the estimated amount of \$1,941,500.

#### TIF BUSINESS SUBSIDY

Pursuant to Minnesota Statutes 116J.993, subdivision 3 the financial assistance offered pursuant to this Plan must comply with the provisions of the Business Subsidy law. In order to satisfy the provisions of the Minnesota Statutes 116J.993 to 116J.985 (The Business Subsidies Act) Blue Star Power Systems, Inc.'s business subsidy shall not exceed \$1,941,500, which is the amount of the public and private costs that the City anticipates to finance by issuance of bonds to be repaid by tax increments. The business subsidy is needed because project construction is not sufficiently feasible for Blue Star Power Systems, Inc. to undertake without the business subsidy. The District is an economic development tax increment financing district and the public purpose of the business subsidy is to develop property in order to maintain the tax base of the City. The City has determined that the purpose of the business subsidy (tax increment assistance) to be in aid of Blue Star Power Systems, Inc.'s plans to develop property that increases the tax base of the City.

## IMPACT OF THE USE OF TAX INCREMENT ON TAXING JURISDICTIONS

Minnesota Statutes, section 469.175, subdivision 1(6), requires, "statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict".

Table 2, on page 14 shows the impact of tax increment financing on the tax capacity of the affected taxing jurisdictions assuming (1) none of the increment would be available, and (2) the increment would be available to the tax jurisdictions.

**TABLE 2**  
**NORTH MANKATO, MINNESOTA**  
**TAX INCREMENT FINANCING DISTRICT IDD NO. 1-25**

	WITHOUT PROJECT		
	Estimated 2014 Tax Capacity	Estimated Ad Valorem Taxes Generated	Estimated 2014 Tax Rate
City	11,255,834	\$5,907,624	52.4850%
County	37,895,643	\$19,936,898	52.6100%
School District	11,306,460	\$2,534,569	22.4170%
HRA	37,895,643	\$62,528	0.1650%
RDC 9	37,895,643	\$117,098	0.3090%
<b>TOTALS</b>			<b>127.986%</b>

	WITH PROJECT							
	Estimated 2014 Tax Capacity	Projected Captured Tax Capacity	Projected Tax Capacity	Estimated Ad Valorem Taxes Generated	Adjusted Local Tax Rate	Tax Rate Impact	Projected Captured Tax Capacity	Projected Increment Income
City	11,255,834	181,324	11,437,158	\$5,907,624	51.653%	0.832%	181,324	\$95,168
County	37,895,643	181,324	38,076,967	\$19,936,898	52.359%	0.251%	181,324	\$95,395
School District	11,306,460	181,324	11,487,784	\$2,534,569	22.063%	0.354%	181,324	\$40,647
HRA	37,895,643	181,324	38,076,967	\$62,528	0.164%	0.001%	181,324	\$299
RDC 9	37,895,643	181,324	38,076,967	\$117,098	0.308%	0.001%	181,324	\$560
<b>TOTALS</b>					<b>126.547%</b>	<b>1.439%</b>		<b>\$232,069</b>

Statement 1: The current tax capacity times the local tax rate produces current taxes generated. If the captured tax capacity were available to each taxing jurisdiction, the result would be a lower or adjusted local tax

rate to produce the same amount of taxes. Thus, with the addition of captured value of 181,324 the overall local tax rate would be reduced by 1.439% to a level of 126.547%. The captured tax capacity times the original local tax rate of 127.986% would generate \$232,069 in increment income, which represents the loss of new tax revenues if the development had occurred without inclusion in a tax increment district.

Statement 2: If no captured tax capacity is available to each of the taxing jurisdictions without creation of the District, there is no impact on the taxes heretofore levied and therefore no impact on local tax rates. The captured tax capacity at the original local tax rate would generate \$232,069 in increment income annually.

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**CONTRACT FOR PRIVATE DEVELOPMENT**

**By and Between**

**NORTH MANKATO PORT AUTHORITY COMMISSION**

**and**

**BLUE STAR POWER SYSTEMS, INC.**

**Dated: September 18, 2017**

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## CONTRACT FOR PRIVATE DEVELOPMENT

THIS CONTRACT FOR PRIVATE DEVELOPMENT, dated September 18, 2017 (the "Agreement"), is between the NORTH MANKATO PORT AUTHORITY COMMISSION, a body corporate and politic organized and existing under the laws of the State of Minnesota (the "Authority"), and BLUE STAR POWER SYSTEMS, INC., a Minnesota corporation (the "Developer").

WITNESSETH:

WHEREAS, the Authority was created pursuant to Minnesota Statutes, Sections 469.048 through 469.068, as amended, and Section 469.079 (the "Act") and was authorized to transact business and exercise its powers by a resolution of the City Council of the City of North Mankato, Minnesota (the "City"); and

WHEREAS, pursuant to Minnesota Statutes, Sections 116J.993 through 116J.995, as amended (the "Business Subsidy Act"), the Authority is authorized to grant business subsidies to facilitate development in the City, Nicollet County, Minnesota (the "County"), and the State of Minnesota (the "State"); and

WHEREAS, the Authority has undertaken a program to promote economic development and job opportunities and to promote the development of land which is underutilized within the City, and in this connection created an industrial development district known as Industrial Development District No. 1 (the "Development District"), pursuant to Section 469.058 of the Act; and

WHEREAS, the Authority has approved a Tax Increment Financing Plan for Tax Increment Financing District IDD No. 1-25 (the "TIF District") pursuant to Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the "Tax Increment Act"), made up of certain property within the Development District; and

WHEREAS, pursuant to the Act, the Authority is authorized to undertake certain activities to facilitate the development of real property by private enterprise; and

WHEREAS, the Developer purposes developing, constructing and operating an approximately 104,600-ft.<sup>2</sup> building to expand its diesel and gaseous driven generator sets manufacturing business (the "Minimum Improvements") on certain real property located in the Development District and the TIF District and legally described in EXHIBIT A attached hereto (the "Development Property"); and

WHEREAS, in order to achieve the objectives of the Development Plan for the Development District and make the Minimum Improvements economically feasible, the Authority is prepared to reimburse the Developer for all or a portion of land acquisition and site improvement costs related to the Minimum Improvements as described in this Agreement, including tax increment financing assistance in the maximum amount of \$1,649,000 (the "TIF Assistance"); and

WHEREAS, the Authority believes that the development of the Development Property pursuant to this Agreement, and fulfillment generally of this Agreement, are in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable state and local laws and requirements under which the Minimum Improvements are being undertaken and assisted.

NOW, THEREFORE, in consideration of the premises and the mutual obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

## **ARTICLE I**

### **Definitions**

Section 1.1. Definitions. In this Agreement, unless a different meaning clearly appears from the context:

“Act” means Minnesota Statutes, Sections 469.048 through 469.068, as amended, and Section 469.079, as amended.

“Agreement” means this Contract for Private Development, dated September 18, 2017, between the Authority and the Developer, as the same may be from time to time modified, amended, or supplemented.

“Authority” means the North Mankato Port Authority Commission, or any successor or assign.

“Authority Representative” means the Executive Vice President of the Authority, or any person designated by the Executive Vice President to act as the Authority Representative for the purposes of this Agreement.

“Authorizing Resolution” means the resolution of the Authority, substantially in the form attached hereto as EXHIBIT B, to be adopted by the Board of Commissioners of the Authority to authorize the issuance of the Note.

“Available Tax Increment” means, on each Payment Date, 98% of the Tax Increment derived from the Development Property, and received by the Authority in the six months preceding the Payment Date.

“Business Subsidy Act” means Minnesota Statutes, Section 116J.993 to 116J.995, as amended.

“Certificate of Completion” means the certification provided to the Developer pursuant to Section 4.4 hereof.

“Construction Plans” means the plans, specifications, drawings and related documents on the construction work to be performed by the Developer on the Development Property which (a) shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the appropriate building officials of the Authority and (b) shall include at least the following for each building: (1) site plan; (2) foundation plan; (3) floor plan for each floor; (4) elevations (all sides); (5) landscape plan; and (6) such other plans or supplements to the foregoing plans as the Authority may reasonably request to allow it to ascertain the nature and quality of the proposed construction work.

“County” means the County of Nicollet, Minnesota.

“Developer” means Blue Star Power Systems, Inc., a Minnesota corporation, or its permitted successors and assigns.

“Development District” means the Authority’s Industrial Development District No. 1.

“Development Property” means the real property described in EXHIBIT A attached hereto.

“Development Program” means the Authority’s Development Program for the Development District, as amended.

“Event of Default” means an action by the Developer listed in Article IX hereof.

“Holder” means the owner of a Mortgage.

“Minimum Improvements” means the development and construction of an approximately 104,600-ft.<sup>2</sup> building to consisting of an approximately 76,474-ft.<sup>2</sup> manufacturing space and 28,144-ft.<sup>2</sup> ancillary office space on the Development Property.

“Mortgage” means any mortgage made by the Developer which is secured, in whole or in part, with the Development Property and which is a permitted encumbrance pursuant to the provisions of Article VIII hereof.

“Note” means the Tax Increment Revenue Note, substantially in the form contained in the Authorizing Resolution, to be delivered by the Authority to the Developer in accordance with Section 3.2 hereof to reimburse the Developer for Public Development Costs, including land acquisition and site development costs.

“Public Development Costs” means those costs to be paid or reimbursed to the Developer by the Authority in connection with the development hereunder as set forth in Section 3.2 hereof.

“Qualified Facility” means a distribution, warehouse or manufacturing facility, including office space necessary for and related to those activities, all within the meaning of Section 469.176, subdivision 4c of the Tax Increment Act.

“State” means the State of Minnesota.

“Tax Increment” means tax increment generated in the preceding six (6) months with respect to the Development Property and the Minimum Improvements thereon, and remitted to the Authority by the County. The term Tax Increment does not include any amounts retained by or payable to the State auditor under Section 469.177, subdivision 11 of the Tax Increment Act, or any amounts described in Section 469.174, subd. 25, clauses (2) through (4) of the Tax Increment Act.

“Tax Increment Act” means the Tax Increment Financing Act, Minnesota Statutes, Sections 469.174 through 469.1794, as amended.

“Tax Increment District” or “TIF District” means the Authority’s Tax Increment Financing District IDD No. 1-25 located within the Development District.

“Tax Increment Plan” or “TIF Plan” means the Tax Increment Financing Plan for Tax Increment Financing District No. 1-25, as approved by the Authority on September 18, 2017, and as it may be amended from time to time.

“Tax Official” means any County assessor; County auditor; County or State board of equalization, the commissioner of revenue of the State, or any State or federal district court, the tax court of the State, or the State Supreme Court.

“Termination Date” means the earlier of (a) date of the Authority’s last receipt of Tax Increment from the TIF District in accordance with Section 469.176, subdivision 1b(3) of the Tax Increment Act; (b) the date the Note has been paid in full, defeased, or terminated in accordance with its terms; or (c) the date of termination of the Note and this Agreement by the Authority due to an Event of Default as set forth in Section 9.2 hereof.

“TIF Assistance” means the tax increment financing assistance provided by the Authority to the Developer for up to nine years in the maximum amount of \$1,649,000.

“Unavoidable Delays” means delays beyond the reasonable control of the party seeking to be excused as a result thereof which are the direct result of war, terrorism, strikes, other labor troubles, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, State or local governmental unit (other than the Authority in exercising its rights under this Agreement) which directly result in delays. Unavoidable Delays shall not include delays in the Developer’s obtaining of permits or governmental approvals necessary to enable construction of the Minimum Improvements by the dates such approval and construction is required under Sections 4.2 and 4.3 hereof.

## **ARTICLE II**

### **Representations and Warranties**

#### **Section 2.1. Representations by the Authority.**

(a) The Authority is a body corporate and politic organized and existing under the laws of the State, and under the provisions of the Act, the Authority has the power to enter into this Agreement and carry out its obligations hereunder.

(b) The Authority proposes to assist in financing certain Public Development Costs necessary to serve the Development Property and Minimum Improvements in accordance with the terms of this Agreement.

(c) The activities of the Authority are undertaken to foster the development of certain real property, which for a variety of reasons is presently underutilized, to prevent the emergence of blight, to create increased tax base and employment in the Authority, and to stimulate further development of the Development District as a whole.

(d) The TIF District is an economic development district within the meaning of Section 469.174, subdivision 12 of the Tax Increment Act.

**Section 2.2. Representations and Warranties by the Developer.** The Developer represents and warrants that:

(a) The Developer is a corporation duly established and in good standing under the laws of the State, is not in violation of any provisions of its articles of organization, is duly authorized to transact business within the State, has power to enter into this Agreement and has duly authorized the execution, delivery and performance of this Agreement by proper action of its officers.

(b) The Developer will construct, operate and maintain the Minimum Improvements in accordance with the terms of this Agreement, the Development Program and all local, State and federal laws and regulations (including, but not limited to, environmental, zoning, building code and public health laws and regulations).

(c) The Developer has received no notice or communication from any local, State or federal official that the activities of the Developer or the Authority in the Development District may be or will be in violation of any environmental law or regulation (other than those notices or communications of which the Authority is

aware). The Developer is aware of no facts the existence of which would cause it to be in violation of or give any person a valid claim under any local, state or federal environmental law, regulation or review procedure.

(d) The Developer will construct the Minimum Improvements in accordance with all local, State or federal energy-conservation laws or regulations.

(e) The Developer will obtain, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, State and federal laws and regulations which must be obtained or met before the Minimum Improvements may be lawfully constructed.

(f) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provisions of any partnership or company restriction or any evidences of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(g) The proposed development by the Developer hereunder would not occur but for the tax increment financing assistance being provided by the Authority hereunder.

(h) The Developer has not defaulted under a business subsidy agreement entered into pursuant to the Business Subsidy Act in the five years prior to the date of execution of this Agreement.

### **ARTICLE III**

#### **Development Property; Public Development Costs**

Section 3.1. Environmental Conditions. The Developer acknowledges that the Authority makes no representations or warranties as to the condition of the soils on the Development Property or the fitness of the Development Property for construction of the Minimum Improvements or any other purpose for which the Developer may make use of such property, and that the assistance provided to the Developer under this Agreement neither implies any responsibility by the Authority for any contamination of the Development Property nor imposes any obligation on such parties to participate in any cleanup of the Development Property.

#### **Section 3.2. Public Development Costs.**

(a) *Generally.* The Authority has determined that, in order to make development of the Minimum Improvements financially feasible, it is necessary to reimburse Developer for all or a portion of the cost of land acquisition, site improvements, and other qualified costs (collectively, the “Public Development Costs”) related to the Development Property, subject to the terms of Sections 3.2(b) and 3.3.

(b) *Qualifications.* The Developer understands and acknowledges that all Public Development Costs must be paid by the Developer and will be reimbursed from Available Tax Increment pursuant to the terms of the Note. The Authority makes no representations or warranties regarding the amount of Tax Increment, or that revenues pledged to the Note will be sufficient to pay the principal of the Note. Any estimates of Tax Increment prepared by the Authority or its financial advisors in connection with the TIF District or this Agreement are for the benefit of the Authority, and are not intended as representations on which the Developer may rely. Public Development Costs exceeding the principal amount of the Note are the sole responsibility of Developer.

### Section 3.3. Issuance of Note.

(a) *Terms.* To reimburse a portion of the Public Development Costs incurred by the Developer, the Authority shall issue and the Developer shall purchase the Note in the maximum principal amount of \$1,649,000. The Note shall not bear interest. The Authority shall issue and deliver the Note upon the Developer having:

(i) delivered to the Authority written evidence satisfactory to the Authority that Developer has incurred Public Development Costs in an amount at least equal to the principal amount of the Note, which evidence must include copies of the paid invoices or other comparable evidence for costs of allowable Public Development Costs;

(ii) submitted and obtained Authority approval of financing in accordance with Section 7.1 hereof; and

(iii) delivered to the Authority an investment letter in substantially the form attached hereto as EXHIBIT D.

The terms of the Note will be substantially those set forth in the form of the Note shown in EXHIBIT B attached hereto, and the Note will be subject to all terms of the Authorizing Resolution, which is incorporated herein by reference.

(b) *Termination of Right to Note.* All conditions for delivery of the Note must be met by no later than December 31, 2018. If the conditions for delivery of the Note are not satisfied by the date described in this paragraph, the Authority has no further obligations under this Section 3.2.

Section 3.4. Business Subsidy Agreement. The provisions of this Section constitute the “business subsidy agreement” in connection with the business subsidy provided by the Authority for the purposes of Minnesota Statutes, Sections 116J.993 to 116J.995, as amended (the “Business Subsidy Act”).

(a) *General Terms.* The parties agree and represent to each other as follows:

(1) The subsidy provided to the Developer shall be in the maximum of \$1,649,000 and consists of TIF Assistance. The subsidy will be applied to the reimbursement of Public Development Costs for the Development Property, as described in Section 3.2 hereof.

(2) The public purposes of the subsidy are to encourage additional unsubsidized private development in the area through “spinoff” development in the area, increase net jobs in the City and the State, and increase the tax base of the City and the State.

(3) The goals for the subsidy are to secure development of the Minimum Improvements on the Development Property; to maintain such improvements as a manufacturing facility for the time period described in clause (6) below; and to create the jobs and wage levels in accordance with Section 3.4(b) hereof.

(4) If the goals described in clause (3) are not met, the Developer must make the payments to the Authority described in Section 3.4(c).

(5) The subsidy is needed to induce Developer to expand and locate its business in the City and mitigate the costs of land acquisition and site development, all as determined by the Authority upon approval of the TIF Plan.



(6) The Developer must continue operation of the Minimum Improvements as a “Qualified Facility” for at least five years after the Benefit Date (defined hereinafter), subject to the continuing obligation described in Section 3.5 hereof. During any period when the Minimum Improvements are vacant and not operated for the aforementioned qualified uses, the Minimum Improvements will not constitute a Qualified Facility.

(7) The Developer does not have a parent corporation.

(8) The Developer has not received, and does not expect to receive, financial assistance from any other “grantor” as defined in the Business Subsidy Act, in connection with the Development Property or the Minimum Improvements.

(b) *Job and Wage Goals.* The “Benefit Date” of the assistance provided in this Agreement is the earlier of the date of issuance of a Certificate of Completion for the Minimum Improvements substantially in the form attached hereto as EXHIBIT B or the date the Minimum Improvements are occupied by Developer. Within two years after the Benefit Date (the “Compliance Date”), the Developer shall create at least ten (10) new full-time equivalent jobs on the Development Property with wages equally to at least one hundred ten percent (110%) of the federal poverty level for a family of four, as determined annually by the United States Department of Health and Human Services. Notwithstanding anything to the contrary herein, if the wage and job goals described in this paragraph are met by the Compliance Date, those goals are deemed satisfied despite the Developer’s continuing obligations under Sections 3.4(a)(6) and 3.4(d). The Authority may, after a public hearing, extend the Compliance Date by up to one year, provided that nothing in this Section will be construed to limit the Authority’s legislative discretion regarding this matter.

(c) *Remedies.* If the Developer fails to meet the goals described in Section 3.4(a)(3), the Developer shall repay to the Authority upon written demand from the Authority a “pro rata share” of prior payments of made hereunder to reimburse the Developer for Public Development Costs, if any, together with interest on such amounts at the implicit price deflator as defined in Section 116J.994, subdivision 6 of the Business Subsidy Act, accrued from the date of issuance of the Certificate of Completion to the date of payment. The term “pro rata share” means percentages calculated as follows:

(i) if the failure relates to the number of jobs, the jobs required less the jobs created, divided by the jobs required;

(ii) if the failure relates to wages, the number of jobs required less the number of jobs that meet the required wages, divided by the number of jobs required;

(iii) if the failure relates to maintenance of the facility as a Qualified Facility in accordance with Section 3.4(a)(6), 60 less the number of months of operation as a Qualified Facility (where any month in which the Qualified Facility is in operation for at least fifteen (15) days constitutes a month of operation), commencing on the Benefit Date and ending with the date the Qualified Facility ceases operation as determined by the City Representative, divided by sixty (60); and

(iv) if more than one of clauses (i) through (iii) apply, the sum of the applicable percentages, not to exceed 100%.

Nothing in this Section shall be construed to limit the Authority’s remedies under Article IX hereof. In addition to the remedy described in this Section and any other remedy available to the Authority for failure to meet the goals stated in Section 3.4(a)(3), the Developer agrees and understands that it may not receive a business subsidy from the Authority or any grantor (as defined in the Business Subsidy Act) for a period of five years from the date of the failure or until the Developer satisfies its repayment obligation under this Section, whichever occurs first.

(d) *Reports.* The Developer must submit to the Authority a written report regarding business subsidy goals and results by no later than February 1 of each year, commencing February 1, 2019, and continuing until the later of (i) the date the goals stated Section 3.4(a)(3) are met; (ii) 30 days after expiration of the period described in Section 3.4(a)(6); or (iii) if the goals are not met, the date the subsidy is repaid in accordance with Section 3.4(c) hereof. The report must comply with Section 116J.994, subdivision 7 of the Business Subsidy Act. The Authority will provide information to the Developer regarding the required forms. If the Developer fails to timely file any report required under this Section, the Authority will mail the Developer a warning within one week after the required filing date. If, after fourteen (14) days of the postmarked date of the warning, the Developer fails to provide a report, the Developer must pay to the Authority a penalty of \$100 for each subsequent day until the report is filed. The maximum aggregate penalty payable under this Section is \$1,000.

Section 3.5. Maintenance of Minimum Improvements as Qualified Facility. The Developer understands and acknowledges that until the Termination Date, the Developer, and its successors and assigns, shall use the Development Property and the Minimum Improvements thereon only as a Qualified Facility. At any time prior to the Termination Date, if the Minimum Improvements are not a Qualified Facility, the Authority will decertify the TIF District.

## **ARTICLE IV**

### **Construction of Minimum Improvements**

Section 4.1. Construction of Minimum Improvements. The Developer agrees that it will construct the Minimum Improvements on the Development Property in accordance with the approved Construction Plans and will operate and maintain, preserve and keep the Minimum Improvements or cause the Minimum Improvements to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair and condition. Minimum improvements must include but are not limited to construction of a building of at least 84,000 sq. ft., the building will be construction of tip-up or tilt-up concrete panels with textured surfaces, or other approved masonry materials as depicted on the conceptual renderings submitted to the Authority, all parking lot and driving areas on the Property will be constructed using asphalt or concrete materials, and concrete “b” style curb is required throughout all parking and driving areas on the property.

#### Section 4.2. Construction Plans.

(a) Before commencing construction of the Minimum Improvements, the Developer shall submit to the Authority completed Construction Plans. The Construction Plans shall provide for the construction of the Minimum Improvements and shall be in conformity with the Development Program, the TIF Plan, this Agreement, and all applicable State and local laws and regulations. The Authority will approve the Construction Plans in writing if: (i) the Construction Plans conform to the terms and conditions of this Agreement; (ii) the Construction Plans conform to the Development Program; (iii) the Construction Plans conform to all applicable federal, State and local laws, ordinances, rules and regulations; (iv) the Construction Plans are adequate to provide for construction of the Minimum Improvements; and (v) no Event of Default has occurred. No approval by the Authority shall relieve the Developer of the obligation to comply with the terms of this Agreement or of the Development Program, applicable federal, State and local laws, ordinances, rules and regulations, or to construct the Minimum Improvements in accordance therewith. No approval by the Authority shall constitute a waiver of an Event of Default. If approval of the Construction Plans is requested by the Developer in writing at the time of submission, such Construction Plans shall be deemed approved unless rejected in writing by the Authority, in whole or in part. Such rejections shall set forth in detail the reasons therefor, and shall be made within 30 days after the date of their receipt by the Authority. If the Authority rejects any Construction Plans in whole or in part, the Developer shall submit new or corrected Construction Plans within 30 days after written notification to the Developer of the rejection. The provisions of this Section relating to approval, rejection and

resubmission of corrected Construction Plans shall continue to apply until the Construction Plans have been approved by the Authority. The Authority's approval shall not be unreasonably withheld. Said approval shall constitute a conclusive determination that the Construction Plans (and the Minimum Improvements, constructed in accordance with said plans) comply to the Authority's satisfaction with the provisions of this Agreement relating thereto.

(b) If the Developer desires to make any material change in the Construction Plans after their approval by the Authority, the Developer shall submit the proposed change to the Authority for its approval. If the Construction Plans, as modified by the proposed change, conform to the requirements of this Section 4.2 with respect to such previously approved Construction Plans, the Authority shall approve the proposed change and notify the Developer in writing of its approval. Such change in the Construction Plans shall, in any event, be deemed approved by the Authority unless rejected, in whole or in part, by written notice by the Authority to the Developer, setting forth in detail the reasons therefor. Such rejection shall be made within ten (10) days after receipt of the notice of such change. The Authority's approval of any such change in the Construction Plans will not be unreasonably withheld.

Section 4.3. Commencement and Completion of Construction. Subject to Unavoidable Delays, the Developer must commence construction of the Minimum Improvements by no later than October 1, 2017. Subject to Unavoidable Delays, the Developer must substantially complete construction of the Minimum Improvements by December 31, 2018. All work with respect to the Minimum Improvements to be constructed or provided by the Developer on the Development Property shall be in conformity with the Construction Plans as submitted by the Developer and approved by the Authority.

The Developer agrees for itself, its successors and assigns, and every successor in interest to the Development Property, or any part thereof, that the Developer, and such successors and assigns, shall promptly begin and diligently prosecute to completion the development of the Development Property through the construction of the Minimum Improvements thereon, and that such construction shall in any event be commenced and completed within the period specified in this Section 4.3. Subsequent to conveyance of the Development Property, or any part thereof, to the Developer, and until construction of the Minimum Improvements has been completed, the Developer shall make reports, in such detail and at such times as may reasonably be requested by the Authority, as to the actual progress of the Developer with respect to such construction.

Section 4.4. Certificate of Completion.

(a) Promptly after substantial completion of the Minimum Improvements in accordance with those provisions of the Agreement relating solely to the obligations of the Developer to construct the Minimum Improvements (including the dates for beginning and completion thereof), the Authority will furnish the Developer with a Certificate of Completion in substantially the form provided in EXHIBIT C attached hereto. Such certification by the Authority shall be (and it shall be so provided in the certification itself) a conclusive determination of satisfaction and termination of the agreements and covenants in the Agreement with respect to the obligations of the Developer, and its successors and assigns, to construct the Minimum Improvements and the dates for the beginning and completion thereof. Such certification and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any Holder of a Mortgage, or any insurer of a Mortgage, securing money loaned to finance the Minimum Improvements, or any part thereof.

(b) The certificate provided for in this Section 4.4 shall be in such form as will enable it to be recorded in the proper office for the recordation of deeds and other instruments pertaining to the Development Property. If the Authority shall refuse or fail to provide any certification in accordance with the provisions of this

Section 4.4, the Authority shall, within thirty (30) days after written request by the Developer, provide the Developer with a written statement, indicating in adequate detail in what respects the Developer has failed to complete the Minimum Improvements in accordance with the provisions of the Agreement, or is otherwise in default, and what measures or acts it will be necessary, in the opinion of the Authority, for the Developer to take or perform in order to obtain such certification.

(c) The construction of the Minimum Improvements shall be deemed to be commenced upon beginning of excavation for the building, and shall be deemed to be substantially completed when the Developer has received a certificate of occupancy issued by the Authority for the Minimum Improvements.

## **ARTICLE V**

### **Insurance**

#### **Section 5.1. Insurance.**

(a) The Developer will provide and maintain at all times during the process of constructing the Minimum Improvements an All Risk Broad Form Basis Insurance Policy and, from time to time during that period, at the request of the Authority, furnish the Authority with proof of payment of premiums on policies covering the following:

(i) Builder's risk insurance, written on the so-called "Builder's Risk -- Completed Value Basis," in an amount equal to one hundred percent (100%) of the insurable value of the Minimum Improvements at the date of completion, and with coverage available in nonreporting form on the so-called "all risk" form of policy. The interest of the Authority shall be protected in accordance with a clause in form and content satisfactory to the Authority;

(ii) Comprehensive general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual liability insurance) together with an Owner's Policy with limits against bodily injury and property damage of not less than \$1,000,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used); and

(iii) Workers' compensation insurance, with statutory coverage.

(b) Upon completion of construction of the Minimum Improvements and prior to the Termination Date, the Developer shall maintain, or cause to be maintained, at its cost and expense, and from time to time at the request of the Authority shall furnish proof of the payment of premiums on, insurance as follows:

(i) Insurance against loss and/or damage to the Minimum Improvements under a policy or policies covering such risks as are ordinarily insured against by similar businesses.

(ii) Comprehensive general public liability insurance, including personal injury liability (with employee exclusion deleted), against liability for injuries to persons and/or property, in the minimum amount for each occurrence and for each year of \$1,000,000, and shall be endorsed to show the Authority as additional insured.

(iii) Such other insurance, including workers' compensation insurance respecting all employees of the Developer, in such amount as is customarily carried by like organizations engaged in like activities of

comparable size and liability exposure; provided that the Developer may be self-insured with respect to all or any part of its liability for workers' compensation.

(c) All insurance required in this Article V shall be taken out and maintained in responsible insurance companies selected by the Developer that are authorized under the laws of the State to assume the risks covered thereby. Upon request, the Developer will deposit annually with the Authority policies evidencing all such insurance, or a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect. Unless otherwise provided in this Article V each policy shall contain a provision that the insurer shall not cancel nor modify it in such a way as to reduce the coverage provided below the amounts required herein without giving written notice to the Developer and the Authority at least thirty (30) days before the cancellation or modification becomes effective. In lieu of separate policies, the Developer may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein, in which event the Developer shall deposit with the Authority a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Minimum Improvements.

(d) The Developer agrees to notify the Authority immediately in the case of damage exceeding \$100,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In such event the Developer will forthwith repair, reconstruct, and restore the Minimum Improvements to substantially the same or an improved condition or value as it existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction, and restoration, the Developer will apply the net proceeds of any insurance relating to such damage received by the Developer to the payment or reimbursement of the costs thereof.

The Developer shall complete the repair, reconstruction and restoration of the Minimum Improvements, regardless of whether the net proceeds of insurance received by the Developer for such purposes are sufficient to pay for the same. Any net proceeds remaining after completion of such repairs, construction, and restoration shall be the property of the Developer.

(e) In lieu of its obligation to reconstruct the Minimum Improvements as set forth in this Section, the Developer shall have the option of paying to the Authority an amount that, in the opinion of the Authority and its fiscal consultant, is sufficient to pay or redeem the outstanding principal on the Note, or (ii) so long as the Developer is the owner of the Note, waiving its right to receive subsequent payments under the Note.

(f) The Developer and the Authority agree that all of the insurance provisions set forth in this Article V shall terminate upon the termination of this Agreement.

Section 5.2. Subordination. Notwithstanding anything to the contrary contained in this Article V, the rights of the Authority with respect to the receipt and application of any proceeds of insurance shall, in all respects, be subject and subordinate to the rights of any lender under a Mortgage approved pursuant to Article VII hereof.

## **ARTICLE VI**

### **Delinquent Taxes and Review of Taxes**

Section 6.1. Right to Collect Delinquent Taxes. Developer agrees for itself, its successors and assigns, in addition to the obligation pursuant to statute to pay real estate taxes, that it is also obligated by reason of this Agreement to pay before delinquency all real estate taxes assessed against the Development Property and the Minimum Improvements. The Developer acknowledges that this obligation creates a contractual right on behalf of the Authority through the Termination Date to sue the Developer or its successors and assigns to collect

delinquent real estate taxes and any penalty or interest thereon and to pay over the same as a tax payment to the county auditor. In any such suit in which the Authority is the prevailing party, the Authority shall also be entitled to recover its costs, expenses and reasonable attorney fees.

Section 6.2. Review of Taxes. The Developer agrees that prior to the Termination Date it will not cause a reduction in the real property taxes paid in respect of the Development Property through (a) willful destruction of the Development Property or any part thereof or (b) willful refusal to reconstruct damaged or destroyed property pursuant to Section 5.1 hereof, except as otherwise provided in Section 5.1(e). The Developer also agrees that it will not, prior to the Termination Date, apply for a deferral of property tax on the Development Property pursuant to any law, or transfer or permit transfer of the Development Property to any entity whose ownership or operation of the property would result in the Development Property being exempt from real estate taxes under State law (other than any portion thereof dedicated or conveyed to the Authority in accordance with this Agreement).

## **ARTICLE VII**

### **Financing**

#### **Section 7.1. Financing.**

(a) Before construction of the Minimum Improvements, the Developer shall submit to the Authority evidence of one or more commitments for mortgage financing which, together with committed equity for such construction, is sufficient for the construction of the Minimum Improvements. Such commitments may be submitted as short-term financing, long-term mortgage financing, a bridge loan with a long-term take-out financing commitment, or any combination of the foregoing. Such commitment or commitments for short-term or long-term mortgage financing shall be subject only to such conditions as are normal and customary in the mortgage banking industry.

(b) If the Authority finds that the mortgage financing is sufficiently committed and adequate in amount to provide for the construction of the Minimum Improvements, then the Authority shall notify the Developer in writing of its approval. Such approval shall not be unreasonably withheld and either approval or rejection shall be given within thirty (30) days from the date when the Authority is provided the evidence of financing. A failure by the Authority to respond to such evidence of financing shall be deemed to constitute an approval hereunder. If the Authority rejects the evidence of financing as inadequate, it shall do so in writing specifying the basis for the rejection. In any event the Developer shall submit adequate evidence of financing within thirty (30) days after such rejection. Approval of any subordination agreement under Section 7.3 hereof will constitute approval of financing for the purposes of this Section.

Section 7.2. Authority's Option to Cure Default on Mortgage. In the event that there occurs a default under any Mortgage authorized pursuant to this Article VII, the Developer shall cause the Authority to receive copies of any notice of default received by the Developer from the holder of such Mortgage. Thereafter, the Authority shall have the right, but not the obligation, to cure any such default on behalf of the Developer within such cure periods as are available to the Developer under the Mortgage documents. In the event there is an event of default under this Agreement, the Authority will transmit to the Holder of any Mortgage a copy of any notice of default given by the Authority pursuant to Article IX hereof.

Section 7.3. Subordination and Modification for the Benefit of Mortgagee. In order to facilitate the Developer obtaining financing for construction of the Minimum Improvements according to the Construction Plans, the Authority agrees to subordinate its rights under this Agreement, provided that (a) such subordination shall be subject to such reasonable terms and conditions as the Authority and Holder mutually agree in writing,

and (b) the Authority's obligation to subordinate is contingent on the Authority's approval of the financing in accordance with Section 7.1 hereof.

## **ARTICLE VIII**

### **Prohibitions Against Assignment and Transfer; Indemnification**

Section 8.1. Representation as to Development. The Developer represents and agrees that its purchase of the Development Property or portions thereof, and its other undertakings pursuant to the Agreement, are, and will be used, for the purpose of development of the Development Property and not for speculation in land holding.

Section 8.2. Prohibition Against Developer's Transfer of Property and Assignment of Agreement. Except only by way of security for, and only for, the purpose of obtaining financing necessary to enable the Developer to perform its obligations with respect to making the Minimum Improvements under this Agreement the Developer represents and agrees not to make or create or suffer to be made or created any total or partial sale, assignment, conveyance, or lease, or any trust or power, or transfer in any other mode or form of or with respect to the Agreement or the Development Property or any part thereof or any interest therein, or any contract or agreement to do any of the same, to any person or entity (collectively, a "Transfer"). In the event the Developer, upon transfer or assignment of the Development Property or any portion thereof, seeks to be released from its obligations under this Development Agreement as to the portions of the Development Property that are transferred or assigned, the Authority shall be entitled to cancel the outstanding balance of the Note and terminate the Agreement.

### Section 8.3. Release and Indemnification Covenants.

(a) The Developer releases from and covenants and agrees that the Authority and the governing body members, officers, agents, servants and employees thereof shall not be liable for and agrees to indemnify and hold harmless the Authority and the governing body members, officers, agents, servants and employees thereof against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Minimum Improvements.

(b) Except for any willful misrepresentation or any willful or wanton misconduct of the following named parties, the Developer agrees to protect and defend the Authority and the governing body members, officers, agents, servants and employees thereof, now or forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Minimum Improvements.

(c) The Authority and the governing body members, officers, agents, servants and employees thereof shall not be liable for any damage or injury to the persons or property of the Developer or its officers, agents, servants or employees or any other person who may be about the Development Property or Minimum Improvements due to any act of negligence of any person.

(d) All covenants, stipulations, promises, agreements and obligations of the Authority contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any governing body member, officer, agent, servant or employee of the Authority in the individual capacity thereof.

## ARTICLE IX

### Events of Default

Section 9.1. Events of Default Defined. The following shall be “Events of Default” under this Agreement and the term “Event of Default” shall mean, whenever it is used in this Agreement (unless the context otherwise provides):

(a) any failure by any party to observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement or under any other agreement entered into between the Developer and Authority in connection with development of the Development Property; and

(b) any default by the Developer under a Mortgage, if any.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 hereof occurs, the non-defaulting party may exercise its rights under this Section 9.2 after providing thirty (30) days’ written notice to the defaulting party of the Event of Default, but only if the Event of Default has not been cured within said thirty (30) days or, if the Event of Default is by its nature incurable within thirty days, the defaulting party does not provide assurances reasonably satisfactory to the non-defaulting party that the Event of Default will be cured and will be cured as soon as reasonably possible:

(a) Suspend its performance under the Agreement until it receives assurances that the defaulting party will cure its default and continue its performance under the Agreement.

(b) Upon a default by the Developer under this Agreement, the Authority may terminate the Note and/or this Agreement.

(c) Take whatever action, including legal, equitable or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement, or to enforce performance and observance of any obligation, agreement, or covenant under this Agreement.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or Developer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it, it shall not be necessary to give notice, other than such notice as may be required in this Article IX.

Section 9.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 9.5. Attorney Fees. Whenever any Event of Default occurs and if the Authority shall employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer under this



Agreement, the Developer shall, within ten (10) days of written demand by the Authority, pay to the Authority the reasonable fees of such attorneys and such other expenses so incurred by the Authority.

## ARTICLE X

### Additional Provisions

Section 10.1. Conflict of Interests; Authority Representatives Not Individually Liable. The Authority and the Developer, to the best of their respective knowledge, represent and agree that no member, official, or employee of the Authority shall have any personal interest, direct or indirect, in the Agreement, nor shall any such member, official, or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership, or association in which he is, directly or indirectly, interested. No member, official, or employee of the Authority shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the Authority or for any amount which may become due to the Developer or successor or on any obligations under the terms of the Agreement.

Section 10.2. Equal Employment Opportunity. The Developer, for itself and its successors and assigns, agrees that during the construction of the Minimum Improvements provided for in the Agreement it will comply with all applicable federal, State and local equal employment and non-discrimination laws and regulations.

Section 10.3. Restriction on Use. Until the Termination Date the Developer shall not discriminate upon the basis of race, color, creed, sex or national origin in the sale, lease, or rental or in the use or occupancy of the Development Property or any improvements erected or to be erected thereon, or any part thereof.

Section 10.4. Provisions Not Merged With Deed. None of the provisions of this Agreement are intended to or shall be merged by reason of any deed transferring any interest in the Development Property and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement.

Section 10.5. Titles of Articles and Sections. Any titles of the several parts, Articles, and Sections of the Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 10.6. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand, or other communication under the Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally; and

(a) in the case of the Developer, is addressed to or delivered personally to the Developer at \_\_\_\_\_, Attn: \_\_\_\_\_; and

(b) in the case of the Authority, is addressed to or delivered personally to the Authority at 1001 Belgrade Avenue, North Mankato, Minnesota 56002, Attn: Executive Vice President;

Section 10.7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 10.8. Recording. The Authority may record this Agreement and any amendments thereto with the County recorder. The Developer shall pay all costs for recording.

Section 10.9. Amendment. This Agreement may be amended only by written agreement approved by the Authority and the Developer.

Section 10.10. Authority Approvals. Unless otherwise specified, any approval required by the Authority under this Agreement may be given by the Authority Representative.

Section 10.11. Termination. This Agreement terminates on the Termination Date. Within 30 days after the Termination Date, the Authority will deliver to Developer a written release in recordable form satisfactory to Developer, evidencing termination of this Agreement.

Section 10.12. Choice of Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the state of Minnesota. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the state or federal courts of Minnesota, and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

IN WITNESS WHEREOF, the Authority and the Developer have caused this Contract for Private Development to be duly executed in their names and behalf as of the date and year first written above.

**NORTH MANKATO PORT AUTHORITY COMMISSION**

By \_\_\_\_\_  
Its President

By \_\_\_\_\_  
Its Executive Vice President

STATE OF MINNESOTA )  
 ) SS.  
COUNTY OF NICOLLET )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 2017, by and David Arnold, the President of the North Mankato Port Authority Commission, a public body politic and corporate, on behalf of the Authority.

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA )  
 ) SS.  
COUNTY OF NICOLLET )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 2017, by John Harrenstein, the Executive Vice President of the North Mankato Port Authority Commission, a public body politic and corporate, on behalf of the Authority.

\_\_\_\_\_  
Notary Public

Execution page of the Developer to the Contract for Private Development, dated as of the date and year first written above.

**BLUE STAR POWER SYSTEMS, INC.**

By \_\_\_\_\_

Its \_\_\_\_\_

STATE OF MINNESOTA )

) SS.

COUNTY OF NICOLLET )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2017, by \_\_\_\_\_, the \_\_\_\_\_ of BLUE STAR POWER SYSTEMS, INC., a Minnesota corporation, on behalf of the Developer.

\_\_\_\_\_  
Notary Public

## **EXHIBIT A**

### **DESCRIPTION OF DEVELOPMENT PROPERTY**

Lot 1, Block 1, Northport 20 (2250 Carlson Dr.), North Mankato, Minnesota. (Parcel Identification Number 18.317.0010).

**EXHIBIT B**

**NORTH MANKATO PORT AUTHORITY COMMISSION**

**RESOLUTION NO. \_\_\_\_-17**

**RESOLUTION AWARDING THE SALE OF, AND PROVIDING THE FORM, TERMS, COVENANTS AND  
DIRECTIONS FOR THE ISSUANCE OF ITS TAX INCREMENT REVENUE NOTE, SERIES 2017,  
IN THE MAXIMUM PRINCIPAL AMOUNT OF \$1,649,000**

BE IT RESOLVED BY the Board of Commissioners (the “Board”) of the North Mankato Port Authority Commission (the “Authority”) as follows:

Section 1. Authorization; Award of Sale.

1.01. Authorization. The Authority has heretofore approved the establishment of Tax Increment Financing District IDD No. 1-25 (the “TIF District”) within Industrial Development District No. 1 (the “Project”) in the City of North Mankato, Minnesota (the “City”), and has adopted a tax increment financing plan for the purpose of financing certain improvements within the Project.

Pursuant to Minnesota Statutes, Section 469.178, the Authority is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Project. Such bonds are payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds. The Authority hereby finds and determines that it is in the best interests of the City that it issue and sell its Tax Increment Revenue Note, Series 2017 (the “Note”) in the maximum aggregate principal amount of \$1,649,000, for the purpose of financing certain public costs of the Project.

1.02. Issuance, Sale, and Terms of the Note. On September 18, 2017, the Board of Commissioners of the Authority approved the execution and delivery of the Contract for Private Development (the “Agreement”) between the Authority and Blue Star Power Systems, Inc., a Minnesota corporation (the “Owner”). Pursuant to the Agreement, the Note shall be sold to the Owner. The Note shall be dated as of the date of delivery and shall not bear any interest. The Authority shall receive in exchange for the sale of the Note the payment by the Owner of the Public Development Costs as defined in the Agreement. The Note will be delivered in accordance with the terms of Section 3.3 of the Agreement.

Section 2. Form of Note. The Note shall be in substantially the form set forth in ATTACHMENT I attached hereto, with the blanks to be properly filled in and the principal amount adjusted as of the date of issue.

Section 3. Terms, Execution and Delivery.

3.01. Denomination, Payment. The Note shall be issued as a single typewritten note numbered R-1.

The Note shall be issuable only in fully registered form. Principal of the Note shall be payable by check or draft issued by the Registrar described herein.

3.02. Dates. Principal of the Note shall be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not such day is a business day.

3.03. Registration. The Authority hereby appoints the Finance Director of the City to perform the functions of registrar, transfer agent and paying agent (the "Registrar"). The effect of registration and the rights and duties of the Authority and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its office a bond register in which the Registrar shall provide for the registration of ownership of the Note and the registration of transfers and exchanges of the Note.

(b) Cancellation. The Note shall be surrendered upon any transfer and shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the Authority.

(c) Persons Deemed Owners. The Authority and the Registrar may treat the person in whose name the Note is at any time registered in the bond register as the absolute owner of the Note, whether the Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of such Note and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the Authority upon such Note to the extent of the sum or sums so paid.

(d) Mutilated, Lost, Stolen or Destroyed Note. In case any Note shall become mutilated or be lost, stolen, or destroyed, the Registrar shall deliver a new Note of like amount, maturity dates and tenor in exchange and substitution for and upon cancellation of such mutilated Note or in lieu of and in substitution for such Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of such Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the Authority and the Registrar shall be named as obligees. The Note so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the Authority. If the mutilated, lost, stolen, or destroyed Note has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new Note prior to payment.

3.04. Preparation and Delivery. The Note shall be prepared under the direction of the Executive Vice President and shall be executed on behalf of the Authority by the signatures of its President and Executive Vice President. In case any officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. When the Note has been so executed, it shall be delivered by the Executive Vice President to the Owner thereof upon receipt of written evidence satisfactory to the Authority that Developer has incurred Public Development Costs in an amount at least equal to the principal amount of the Note in accordance with the Section 3.3 of the Agreement.

#### Section 4. Security Provisions.

4.01. Pledge. The Authority hereby pledges to the payment of the principal on the Note all Available Tax Increment as defined in the Note. Available Tax Increment shall be applied to payment of the principal of the Note in accordance with the terms of the form of Note set forth in Section 2 hereof.

4.02. Bond Fund. Until the date the Note is no longer outstanding and no principal thereof remains unpaid, the Authority shall maintain a separate and special "Bond Fund" to be used for no purpose other than the payment of the principal of the Note. The Authority irrevocably agrees to appropriate to the Bond Fund in each year Available Tax Increment. Any Available Tax Increment remaining in the Bond Fund shall be transferred to the Authority's account for the TIF District upon the payment of all principal to be paid with respect to the Note.

Section 5.        Certification of Proceedings. The officers of the Authority are hereby authorized and directed to prepare and furnish to the Owner of the Note certified copies of all proceedings and records of the Authority, and such other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall be deemed representations of the Authority as to the facts recited therein.

Section 6.        Effective Date. This resolution shall be effective upon full execution of the Agreement.

Approved by the Board of Commissioners of the North Mankato Port Authority Commission this 18<sup>th</sup> day of September, 2017.

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President

ATTEST:

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Secretary



## ATTACHMENT I TO AUTHORIZING RESOLUTION

### FORM OF NOTE

UNITED STATE OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF NICOLLET  
NORTH MANKATO PORT AUTHORITY COMMISSION

No. R-1

\$1,649,000

#### TAX INCREMENT REVENUE NOTE SERIES 2017

Date of Original Issue

September 18, 2017

The North Mankato Port Authority Commission (the "Authority"), for value received, certifies that it is indebted and hereby promises to pay to Blue Star Power Systems, Inc., or registered assigns (collectively, the "Owner"), the principal sum of \$1,649,000 solely from the sources and to the extent set forth herein.

1. Payments. Payments of principal (the "Payments") shall be made on August 1, 2020 and each February 1 and August 1 thereafter to and including February 1, 2029 (the "Payment Dates") in the amounts and from the sources set forth in Section 3 herein.

Payments are payable by mail to the address of the Owner or such other address as the Owner may designate upon 30 days written notice to the Authority. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. Interest. No interest shall accrue on this Note.

3. Available Tax Increment. Payments on this Note are payable on each Payment Date in the amount of and solely payable from "Available Tax Increment," which shall mean, on each Payment Date, ninety-eight percent (98%) of the Tax Increment attributable to the Development Property and paid to the Authority by Nicollet County, Minnesota in the six months preceding the Payment Date, all as such terms are defined in the Contract for Private Development between the Authority and the Owner, dated September 18, 2017 (the "Agreement"). Available Tax Increment shall not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default under the Agreement.

The Authority shall have no obligation to pay principal of this Note on each Payment Date from any source other than Available Tax Increment, and the failure of the Authority to pay the entire amount of principal on this Note on any Payment Date shall not constitute a default hereunder as long as the Authority pays principal hereon to the extent of Available Tax Increment. The Authority shall have no obligation to pay unpaid balance of principal that may remain after the final Payment on February 1, 2029.

4. Optional Prepayment. The principal sum payable under this Note is prepayable in whole or in part at any time by the Authority 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 Note.

5. Termination. At the Authority's option, this Note shall terminate and the Authority's obligation to make any payments under this Note shall be discharged upon the occurrence of an Event of Default on the part of the Developer as defined in Section 9.1 of the Agreement, but only if the Event of Default has not been cured in accordance with Section 9.2 of the Agreement.

6. Nature of Obligation. This Note is one of an issue in the total principal amount of \$1,649,000 all issued to aid in financing certain public development costs and administrative costs of a Project undertaken by the Authority, and is issued pursuant to an authorizing resolution (the "Resolution") duly adopted by the Authority on September 18, 2017, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.048 through 469.068, as amended, and Section 469.079, as amended, and Sections 469.174 through 469.1794, as amended. This Note is a limited obligation of the Authority which is payable solely from Available Tax Increment pledged to the payment hereof under the Resolution. This Note hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Note or other costs incident hereto except out of Available 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 this Note or other costs incident hereto.

7. Estimated Tax Increment Payments. Any estimates of Tax Increment prepared by the Authority or its financial advisors in connection with the TIF District or the Agreement are for the benefit of the Authority, and are not intended as representations on which the Developer may rely.

THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY THAT THE AVAILABLE TAX INCREMENT WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF THIS NOTE.

8. Registration and Transfer. Except only by way of security for, and only for, the purpose of obtaining financing necessary to enable the Owner or any successor in interest to the Development Property, or any part thereof, to perform its obligations with respect to making the Minimum Improvements under the Agreement this Note shall not be transferred to any person other than an affiliate, or other related entity, of the Owner.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen, and to be performed in order to make this Note a valid and binding limited obligation of the Authority according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the Board of Commissioners of the North Mankato Port Authority Commission has caused this Note to be executed with the manual signatures of its President and Executive Vice President, all as of the Date of Original Issue specified above.

**NORTH MANKATO PORT AUTHORITY COMMISSION**

\_\_\_\_\_  
President

\_\_\_\_\_  
Executive Vice President

---

**REGISTRATION PROVISIONS**

The ownership of the unpaid balance of the within Note is registered in the bond register of the Finance Director of the City of North Mankato, Minnesota, in the name of the person last listed below.

Date of Registration

Registered Owner

Signature of  
Finance Director

Blue Star Power Systems, Inc.  
Federal ID # \_\_\_\_\_

**EXHIBIT C**

**CERTIFICATE OF COMPLETION**

The undersigned hereby certifies that Blue Star Power Systems, Inc., a Minnesota corporation (the “Developer”), has fully complied with its obligations under Articles III and IV of that certain Contract for Private Development, dated \_\_\_\_\_, 2017 (the “Agreement”), between the North Mankato Port Authority Commission and the Developer, with respect to construction of the Minimum Improvements in accordance with Article IV of the Agreement, and that the Developer is released and forever discharged from its obligations with respect to construction of the Minimum Improvements under Articles III and IV of the Agreement.

Dated: \_\_\_\_\_, 20\_\_.

**NORTH MANKATO PORT AUTHORITY COMMISSION**

By \_\_\_\_\_

Its \_\_\_\_\_

## EXHIBIT D

### FORM OF INVESTOR LETTER

To the North Mankato Port Authority Commission (the "Authority")  
Attention: Executive Vice President

Dated: \_\_\_\_\_

Re: \$1,649,000 Tax Increment Revenue Note, Series 2017

The undersigned, as Purchaser (as hereinafter defined) of \$1,649,000 in principal amount of the above-captioned Tax Increment Revenue Note, Series 2017 (the "Note"), approved pursuant to Resolution No. \_\_\_\_\_, adopted by the Board of Commissioners of the North Mankato Port Authority Commission (the "Authority") on September 18, 2017 (the "Resolution"), hereby represent to you as follows:

1. The Purchaser understands and acknowledges that the Note is delivered to the Purchaser on this date pursuant to the Resolution and the Contract for Private Development, dated \_\_\_\_\_, 2017 (the "Agreement"), between the Authority and Blue Star Power Systems, Inc., a Minnesota corporation (the "Purchaser").
2. The Note is payable as to principal solely from Available Tax Increment pledged to the Note, as defined therein. The Note does not accrue interest.
3. The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the above-stated principal amount of the Note.
4. The Purchaser acknowledges that no offering statement, prospectus, offering circular or other comprehensive offering statement containing material information with respect to the Authority and the Note has been issued or prepared by the Authority, and that, in due diligence, we have made our own inquiry and analysis with respect to the Authority, the Note and the security therefor, and other material factors affecting the security and payment of the Note.
5. The Purchaser acknowledges that it has either been supplied with or has access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Purchaser has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the Note and the security therefor, and that as reasonable investors the Purchaser has been able to make its decision to purchase the above-stated principal amount of the Note.
6. The Purchaser has been informed that the Note (i) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, or under federal securities laws or regulations, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.
7. The Purchaser acknowledges that the Authority has not made any representations or warranties as to the status of interest on the Note for the purpose of federal or state income taxation.

8. The Purchaser represents to you that it is purchasing the Note for its own accounts and not for resale or other distribution thereof, except to the extent otherwise provided in the Note, the Resolution, or any other resolution adopted by the Authority.

9. All capitalized terms used herein have the meaning provided in the Agreement unless the context clearly requires otherwise.

10. The Purchaser's federal tax identification number is \_\_\_\_\_.

11. The Purchaser acknowledges receipt of the Note on the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Investment Letter as of the date and year first written above.

**BLUE STAR POWER SYSTEMS, INC.**

By \_\_\_\_\_

Its \_\_\_\_\_

# CITY OF NORTH MANKATO

## REQUEST FOR COUNCIL ACTION



Agenda Item #16H	Department: Community Dev.	Council Meeting Date: 9/18/17																																																					
<b>TITLE OF ISSUE: Consider Approving North Gate No. 3 Final Plat; A Request from Hiniker Homes.</b>																																																							
<b>BACKGROUND AND SUPPLEMENTAL INFORMATION: Please review the attached report.</b>																																																							
<i>If additional space is required, attach a separate sheet</i>																																																							
<b>REQUESTED COUNCIL ACTION: Approve North Gate No. 3 Final Plat; A Request from Hiniker Homes.</b>																																																							
<p>Motion By: _____</p> <p>Second By: _____</p> <p>Vote Record:</p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%;">Aye</th> <th style="width: 15%;">Nay</th> <th></th> </tr> </thead> <tbody> <tr> <td>_____</td> <td>_____</td> <td>_____</td> <td>Freyberg</td> </tr> <tr> <td>_____</td> <td>_____</td> <td>_____</td> <td>Whitlock</td> </tr> <tr> <td>_____</td> <td>_____</td> <td>_____</td> <td>Steiner</td> </tr> <tr> <td>_____</td> <td>_____</td> <td>_____</td> <td>Norland</td> </tr> <tr> <td>_____</td> <td>_____</td> <td>_____</td> <td>Dehen</td> </tr> </tbody> </table>		Aye	Nay		_____	_____	_____	Freyberg	_____	_____	_____	Whitlock	_____	_____	_____	Steiner	_____	_____	_____	Norland	_____	_____	_____	Dehen	<p style="text-align: center;"><b>SUPPORTING DOCUMENTS ATTACHED</b></p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="width: 20%;">Resolution</th> <th style="width: 20%;">Ordinance</th> <th style="width: 20%;">Contract</th> <th style="width: 20%;">Minutes</th> <th style="width: 20%;">Map</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td colspan="5">Other (specify) <u>Report</u></td> </tr> <tr><td colspan="5">_____</td></tr> <tr><td colspan="5">_____</td></tr> <tr><td colspan="5">_____</td></tr> </tbody> </table>	Resolution	Ordinance	Contract	Minutes	Map	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other (specify) <u>Report</u>					_____					_____					_____				
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NORTH GATE NO. 3  
FINAL PLAT  
A REQUEST FROM HINIKER HOMES



## THE CITY OF NORTH MANKATO

SUBJECT: Final Plat of North Gate No. 3  
APPLICANT: Hiniker Homes  
LOCATION: Part of Section 35-109-27  
EXISTING ZONING: R-1S, One Family Dwelling, Small Lot  
DATE OF HEARING: September 14, 2017  
DATE OF REPORT: September 7, 2017  
REPORTED BY: Mike Fischer, Community Development Director

### APPLICATION SUBMITTED

Request to replat part of Section 35-109-27 as North Gate No. 3

### COMMENT

In August of 2017, the applicant received preliminary plat approval of North Gate No. 3 as shown on Exhibit A. The location of the property is shown on Exhibit B which is in the process of being annexed into the City limits. In August of 2017, the City approved a request by the applicant to zone the property as R-1S, One Family Dwelling, Small Lot. As shown on Exhibit C, the applicant is requesting consideration of final platting for North Gate No.3. The plat consists of 27 lots for single-family residential development including the extensions of Anchorage Drive and Valdez Drive and the addition of Denali Drive. Outlot A would be the location of a storm water holding pond.

As shown on Exhibit A, North Gate No. 3 would be the first phase of single-family residential development on property owned by the applicant.

As the property is zoned R-1S, according to the Zoning Code, the minimum lot size requirements are:

Lot width – 60 feet  
Lot depth – 100 feet  
Lot size – 6,000 sq. ft.

All lots proposed within North Gate No. 3 meet the minimum lot size requirements in an R-1S zoning district.

RECOMMENDATION

Staff recommends approval of the Final Plat of North Gate No. 3 contingent upon successful annexation.



## ASSUMPTION

West Point, and the Southwest County, Missouri, Districts 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, Township 120 North Range 27 North, West Point, Missouri, Missouri, described as:

### SURVEYOR'S CERTIFICATION

02757013  
 02757013  
 02757013

**PRELIMINARY PLAT**  
**WITH MARKING, SURVEY**


**BOLTON  
& MENK**

DATE OF THE S.W. 1/4-SECTION 33, T.20N. R.27E.

DATE: 11/11/2011

DATE: 01/11/2014

www.elsevier.com/locate/jmb



