

**City of St. Charles, Minnesota  
(Winona County)  
Economic Development TIF District No. 1-7  
(NRB Metals Expansion Project)  
BASIC TERMS FOR FINANCIAL ASSISTANCE CONTRACT**

**The "Company":**

NRB Metals, LLC  
Attention: Nickolas Beyerstedt  
202 Industrial Park Drive  
St. Charles, MN 55972

**The "Development Site":**

29.096.0020 & 29.096.0030

**Both Parties Agree:**

1. The original contract and associated TIF PAYG Note dated 8/14/2012 is rescinded and replaced with this new contract.

**The Company Agrees To:**

1. Substantially complete construction of the Minimum Improvements by December 31, 2014. Minimum Improvements is defined as the construction of a manufacturing facility expansion with an estimated size of 15,000 square feet and associated site improvements.
2. Not challenge taxable market valuation for duration of contract.
3. Repay any assistance received plus interest to the extent the goals in #3 and #4 are not met.
4. Indemnify the City for the project.

**The City Agrees To:**

1. Modify Economic Development Tax Increment Financing District No. 1-7. Tax increments shall be used to reimburse the Company for Site Acquisition Costs from the original agreement (\$35,000) and Site Improvement Costs for the second expansion described above (45,000).
2. Total new PAYG Note of \$80,000 with 3% simple interest. First payment date 8/1/2014, final payment date 2/1/2023.

**WAIVER AND COMMENTS**

On behalf of the Winona County Board, I hereby waive the statutory notice and comment period contained in Minnesota Statutes Section 469.175, subdivision 2, with regard to the proposed modification of Tax Increment Financing District No. 1-7 and establishment of Tax Increment Financing District No.1-8 in the City of St. Charles. Further, I acknowledge receipt of draft copies of the tax increment financing plans which contains a statement of fiscal and economic impacts of the TIF Districts.

We submit the following comments on the proposed modification of Tax Increment Financing District No. 1-7 and establishment of Tax Increment Financing District No.1-8:

This Waiver has been executed this 27<sup>th</sup> day of May, 2014.

  
\_\_\_\_\_  
County Auditor

**EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL OF THE CITY  
OF ST. CHARLES, MINNESOTA**

HELD: June 10, 2014

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of St. Charles, Winona County, Minnesota, was duly called and held on the 10th day of June, 2014, at 7:00 p.m.

The following members of the Council were present:

and the following were absent:

Member \_\_\_\_\_ introduced the following resolution and moved its adoption:

**RESOLUTION NO. 17-2014 APPROVING THE  
MODIFICATION OF TAX INCREMENT FINANCING DISTRICT NO. 1-7 AND  
ADOPTION OF THE MODIFIED TAX INCREMENT FINANCING PLAN RELATING THERETO**

WHEREAS:

- A. Tax Increment Financing District 1-7 was originally established in 2012; and
- B. It has been proposed that the City of St. Charles, Minnesota (the "City"), modify Tax Increment Financing District No. 1-7 and adopt a modified tax increment financing plan with respect thereto, under the provisions of Minnesota Statutes, Sections 469.174 to 469.1799 (inclusive, the "Act"); and
- C. The City of St. Charles has investigated the facts and has caused to be prepared a modified tax increment financing plan for Tax Increment Financing District No. 1-7; and
- D. The City has performed all actions required by law to be performed prior to the modification of Tax Increment Financing District No. 1-7 and the adoption of the modified tax increment financing plan relating thereto, including, but not limited to, notification of Winona County and St. Charles Independent School District #858 having taxing jurisdiction over the property to be included in Tax Increment Financing District No. 1-7, and the holding of a public hearing upon published and required notice as required by law.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of St. Charles as follows:

1. Modification #1 of Tax Increment Financing District No. 1-7. The City hereby approves the modification of Tax Increment Financing District No. 1-7, the boundaries of which are fixed and determined as described in the Tax Increment Financing Plan.
2. Modified Tax Increment Financing Plan. The Modified Tax Increment Financing Plan is adopted as the tax increment financing plan for Tax Increment Financing District No. 1-7, and the City Council makes the following findings;

- (a) Tax Increment Financing District No. 1-7 is an economic development district as defined in Minnesota Statutes, Section 469.174, Subd. 12.

The reasons and facts supporting this finding are that the modification of the TIF District will result in increased employment in the State and will preserve and enhance the tax base of the State.

- (b) The proposed development in the opinion of the City Council, would not occur solely through private investment within the reasonably foreseeable future and the increased market value of the site that could reasonably be expected to occur without the use of tax increment 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 Tax Increment Financing District No. 1-7 permitted by the Tax Increment Financing Plan.

The above finding is based in part by a letter submitted by NRB Metals, LLC stating that the cost of site improvements combined with the cost of construction of their second expansion makes the project cost prohibitive without tax increment financing assistance.

In addition to determinations made for the original district, the City has further determined that no other development is expected to occur that would create a greater market value than that proposed, adjusting for the tax increment assistance. Any other development of the TIF District would have to create a market value increase of more than \$1,000,733 in order to exceed the value increase expected under the current proposal, after subtracting the present value of the tax increment for 9 years (See Market Value Analysis, Exhibit 5). In fact, due to the limited space available and high cost of land, the City has no reason to expect any significant development to occur on this site without tax increment assistance. Therefore, the City reasonably believes that the expected increase in market value at this site without TIF assistance is limited to appreciation in existing real estate value, estimated to be approximately \$112,479 over the life of the TIF District.

The City makes the following determinations:

- 1) The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is \$112,479 (for the reasons described above).
  - 2) If the proposed development to be assisted with tax increment occurs in the TIF District, the total increase in market value would be approximately \$1,187,330. The increase in market value would be due primarily to new construction within the TIF District. (See Exhibit 3)
  - 3) The present value of tax increments from the TIF District for the maximum duration of the district permitted by the TIF Plan is estimated to \$186,597 (See Exhibit 5)
  - 4) Even if some development other than the proposed development were to occur, the City Council finds that no alternative would occur that would produce a market value increase greater than \$1,000,773 (the amount in clause b less the amount in clause c) without tax increment assistance.
- (c) The Modified Tax Increment Financing Plan for Modification #1 of Tax Increment Financing District No. 1-7 conforms to the general plan for development or redevelopment of the City of St. Charles as a whole.

The reasons and facts supporting this finding are that the development proposal is consistent with the City's zoning ordinances and comprehensive plans for the area, and serves to promote the City's development objectives.

- (d) The Tax Increment Financing Plan will afford maximum opportunity, consistent with the sound needs of the City of St. Charles as a whole, for the development or redevelopment of Tax Increment Financing District No. 1-7 by private enterprise.

The reasons and facts supporting this finding are that the development activities are necessary so that development and redevelopment by private enterprise can occur within the Development District.

3. Public Purpose. The adoption of the Tax Increment Financing Plan conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the City which is already built up to provide employment opportunities to improve the tax base, and to improve the general economy of the State and thereby serves a public purpose.
4. Authorization of Interfund Loan. The City intends to finance up to \$10,000 of eligible development activities and administrative expenses associated with the redevelopment project utilizing internal funds of the City. This funding shall be repaid by tax increment revenues generated within Tax Increment Financing District No. 1-7 over a term not exceeding the statutory life of the TIF District. The interest rate to be charged on internal loans shall not exceed 4% based upon the limit of the greater of the rates specified under Minnesota Statutes 270C.40 or 549.09 as of the date this Plan is approved.
5. Certification. The Auditor of Winona County is requested to certify the original net tax capacity of Modification #1 of Tax Increment Financing District No. 1-7 as described in the Modified Tax Increment Financing Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased in accordance with the Act; and the City Administrator is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within Tax Increment District No. 1-7 for which building permits have been issued during the 18 months immediately preceding the adoption of this Resolution.
6. Filing. The City Administrator is further authorized and directed to file a copy of the Tax Increment Financing Plan with the Commissioner of Revenue.

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

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

**EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL OF THE  
CITY OF ST. CHARLES, MINNESOTA**

HELD: June 10, 2014

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of St. Charles, Winona County, Minnesota, was duly held at the City Hall on Wednesday, the 10th day of June, 2014, at 7:00 o'clock p.m. for the purpose, in part, of conducting a public hearing on approving the amended and restated development agreement with NRB Metals, LLC.

The following Councilmembers were present:

and the following were absent;

Councilmember \_\_\_\_\_ introduced the following resolution and moved its adoption;

**Resolution No. 20-2014**

**Approving Amended and Restated Development Agreement with  
NRB Metals, LLC**

WHEREAS, the City of St. Charles, Minnesota (the "City") acknowledges the need to provide financial assistance to businesses in the City to further the economic and development objectives of the City; and

WHEREAS, the City of St. Charles has previously approved a Development Agreement with NRB Metals, LLC (the "Company"); and

WHEREAS, to enable additional growth, the Company will incur additional expenses and requests additional assistance; THEREFOR

BE IT RESOLVED by the City Council (the "Council") of the City as follows:

1. The Council hereby approves providing additional financial assistance to NRB Metals, LLC; and

2. The Council hereby authorizes the Mayor and Administrator to execute the Amended and Restated Development Agreement which will govern the assistance being provided to NRB Metals, LLC, attached as Exhibit A.

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

and the following voted against the same.

Whereupon said resolution was declared duly passed and adopted.

# **City of St. Charles, Minnesota**

## **MODIFICATION #1 – Budget Modification**

### **Tax Increment Financing Plan for Tax Increment Financing District No. 1-7 (NRB Metals LLC - Expansion Project)**

To be Adopted: 10 June 2014



Minneapolis Office:  
5029 Upton Avenue South  
Minneapolis, MN 55410  
612-920-3320 (phone); 612-605-2375 (fax)  
[www.daviddrown.com](http://www.daviddrown.com)

## Table of Contents

### Modification #1 – Budget Modification

#### Tax Increment Financing Plan for Tax Increment Financing District No. 1-7

Introduction		2
Section 1	Definitions	2
Section 2	Statement of Need and Public Purpose	3
Section 3	Statutory Authorization	3
Section 4	Statement of Objectives	3
Section 5	Development Activities for which the City has Designated a Developer	3
Section 6	Property to be Included in the TIF District	4
Section 7	Estimated Sources and Uses of Funds (Public Costs)	4
Section 8	Estimated Impact on Other Taxing Jurisdictions	5
Section 9	Fiscal and economic implications	5
Section 10	Property to be acquired in the TIF District / Requirement for Agreements	6
Section 11	Estimated Amount of Bonded Indebtedness	6
Section 12	Designation of TIF District as an Economic Development District	6
Section 13	Original Net Tax Capacity	6
Section 14	Original Local Tax Rate	7
Section 15	Projected Retained Captured Net Tax Capacity and Tax Increment	7
Section 16	Statutory Duration of the TIF District	8
Section 17	Use of Tax Increments – Economic Development Districts	8
Section 18	Use of Tax Increments – General	8
Section 19	"Green Acres"	9
Section 20	4-Year Knock-Down Rule	9
Section 21	Tax Increment Pooling – 5-year Rule	9
Section 22	Excess Tax Increment	10
Section 23	Limitation on Administrative Expenses	10
Section 24	Prior Planned Improvements	11
Section 25	Development Agreements	11
Section 26	Business Subsidy Laws	11
Section 27	Assessment Agreements	12
Section 28	Modifications of the Tax Increment Financing Plan	12
Section 29	Administration of the Tax Increment Financing Plan	13
Section 30	Financial Reporting and Disclosure Requirements	13
Section 31	Findings and Need for Tax Increment Financing	14
Exhibits	.....	15

# MODIFICATION #1 – Budget Modification

## Tax Increment Financing Plan for Tax Increment Financing District No. 1-7

### Introduction

On August 14, 2012 the City of St. Charles approved the creation of Economic Development Tax Increment Financing District No. 1-7. The original purpose was to assist the expansion of a local manufacturer, NRB Metals, LLC and additional industrial developers in the TIF District. NRB Metals, LLC is a metal casting company that produces products for niche markets including steel mills, incinerator facilities, and horizontal drilling industries.

The original budget included in the TIF Plan was structured to accommodate future users. In fact, on April 23, 2013 the City approved a subsequent financial assistance package, this time for Salisbury Electric, Inc. to construct a new facility. Salisbury Electric, Inc. is a distributor of electric parts and supplies and assembler of electronic components.

Due to continued growth, NRB Metals, LLC desires to build a second expansion at their current site. However, they have determined that the cost of site improvements combined with construction costs make the project cost prohibitive without additional tax increment financing assistance. This continued growth was unforeseen at the time of the original crafting of the TIF Plan. To accommodate NRB Metals, LLC's current request the City must expand the budget for the TIF Plan, thus the need for this modification.

All modified information from the original TIF Plan is noted in the boxed areas below.

### Section 1 Definitions

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

"City" means the City of St. Charles, Minnesota.

"City Council" means the City Council of the City of St. Charles, Minnesota.

"County" means Winona County, Minnesota.

"County Board" means the County Board of Winona County.

"Developer" means NRB Metals LLC & Salisbury Electric, Inc., their successors and assigns, and any Developer within the boundaries of the Tax Increment Financing District No. 1-7.

"Development District" means Development District No. 1 in the City.

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

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

"School District" means the School District No. 858.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1799, both inclusive.

"TIF District" means Tax Increment Financing District No. 1-7.

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

## **Section 2 Statement of Need and Public Purpose**

See the Development Program for Development District No. 1 which is on file at the City Administrator's office at City Hall in St. Charles.

## **Section 3 Statutory Authorization**

The City is empowered under the provisions of the TIF Act to establish a tax increment financing district.

## **Section 4 Statement of Objectives**

The objectives of this tax increment financing plan are consistent with the objectives outlined in the Development Program.

## **Section 5 Development Activities for which the City has Designated a Developer**

The City has identified NRB Metals, LLC and Salisbury Electric, Inc. as the initial Developers for this TIF District. Both Developers have been approved for tax increment financing assistance to lower site acquisition costs as part of the original TIF Plan. However, NRB Metals, LLC desires to build a second expansion of approximately 15,000 square feet that was not contemplated at the time the original TIF Plan was crafted. NRB Metals, LLC currently employs approximately 20 individuals and anticipates 10 or more new jobs to be created as part of this expansion project.

NRB Metals, LLC has determined that the cost of site improvements combined with construction makes the project cost prohibitive without tax increment financing assistance. Therefore, the City intends to reimburse NRB Metals, LLC for eligible site improvement expenses in addition to the site acquisition costs identified in the original TIF Plan budget.

In 2012, the City of St. Charles completed public improvements to West Circle Drive in the Whitewater Industrial Park located within the City. The City specially assessed those costs to benefitting adjacent parcels of land that are available for industrial users. The City finds that the inherent price of the land coupled with the added assessment cost makes the lots unmarketable. Supporting that finding is a letter received by NRB Metals LLC requesting assistance to reduce land costs. The City intends to utilize tax increment financing to reduce land costs for future industrial users, including NRB Metals LLC.

NRB Metals LLC currently operates a metal casting facility located along West Circle Drive in the Whitewater Industrial Park. NRB Metals LLC produces a unique casting product for niche markets including steel mills, incinerator facilities, and horizontal drilling industries. NRB Metals LLC also offers replacement parts for ore and rock processing facilities, thermal processing kilns and the paper industry. The company has been operating in St. Charles, Minnesota since 2007. The company currently employs approximately 11 full time and 3 part time employees.

In order to meet ongoing demand while looking to incorporate new contracts, the company has decided it is time to expand the business by acquiring an adjacent parcel along West Circle Drive and constructing a 10,000 square foot addition to its existing facility as well as a 4,500 square foot storage building. The company contemplates adding an additional 2 full time jobs as a result of this expansion.

NRB Metals LLC has found that the cost of construction and land acquisition makes the project infeasible. As such, the company is requesting that the City utilize Tax Increment Financing to reimburse them for up to \$35,000 of land acquisition costs. The City intends to enter into a Pay As You Go Contract with the company to accomplish such.

Tax Increment Financing District No. 1-7 will incorporate a total of three parcels; the existing NRB Metals LLC lot and the adjacent lot they are purchasing for expansion purposes, as well as a bare parcel directly across the street. In addition to the Pay As You Go Contract contemplated for NRB Metals LLC, the City intends to utilize tax increments to reduce the cost of that third parcel to make it marketable to future industrial users.

**Section 6 Property to be Included in the TIF District**

The TIF District initially will include each of the following three (3) parcels:

29.096.0020    29.096.0030    29.091.0090

See the map attached as Exhibit 1 which shows the exact boundaries of the TIF District. The boundaries of the TIF District shall include all street rights-of-way and utility or drainage easements located upon or adjacent to the parcels described above.

**Section 7 Estimated Sources and Uses of Funds (Public Costs)**

The MODIFIED estimated costs of the proposed development in the TIF District which are eligible for reimbursement with tax increments of the TIF District and the projected sources of revenue available to fund these costs are summarized below:

**Uses of Funds**

	ORIGINAL BUDGET	MODIFICATION #1	NEW MODIFIED BUDGET
Land / Building Acquisition	116,187	-	116,187
Site Improvements / Prep	-	40,582	46,859
Utilities	-	-	-
Other Qualifying Improvements	-	-	-
Construction of Affordable Housing	-	-	-
Administrative Costs	15,463	5,549	21,215
Estimated Tax Increment Project Costs	131,650	46,131	184,262

Finance Costs:

Interest Expense	22,981	4,912	27,893
Subtotal Finance Costs	22,981	4,912	27,893

**TOTAL EST. PROJECT/FINANCING  
COSTS PAID WITH TAX INCREMENT                    \$212,155**

**Sources of Funds**

	ORIGINAL BUDGET	MODIFICATION #1	NEW MODIFIED BUDGET
Tax Increments	154,631	57,524	212,155
<b>TOTAL EST. TAX INCREMENT REVENUES</b>			<b>\$212,155</b>

The City reserves the right to adjust any of the items listed above or to incorporate additional eligible items, which adjustments may be made without the hearings and notice required for initial approval of the TIF Plan so long as the total capital and administrative costs (\$184,262) are not increased. The City also reserves the right to fund any of the identified costs with any other legally available revenues, but anticipates that such costs will be primarily financed with tax increments. Therefore, the total estimated costs to be financed with tax increments, including capital costs, administrative costs and financing costs (interest) is \$212,155.

**Section 8 Estimated Impact on Other Taxing Jurisdictions**

Exhibit 4 shows the estimated impact on other taxing jurisdictions if the projected Retained Captured Net Tax Capacity of the TIF District were hypothetically available to the other jurisdictions. The City believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

**Section 9 Fiscal and economic implications**

M.S. Section 469.175 Subdivision 2(b) requires a specific description of the fiscal and economic implications of the proposed TIF District. Please refer to Exhibit 4 for an estimate of the captured tax increments by jurisdiction. The probable impact of the TIF District on City-provided services such as police and fire protection, public infrastructure, and the impact of any general obligation tax increment bonds attributable to the TIF District upon the City's ability to issue other debt for general fund purposes are minimal.

Development currently contemplated within the TIF District shall occur in an already highly developed area of the City. Given the nature of the project, the relatively short duration of this TIF District, its projected tenants, and its location in the City, it is the City's opinion that there will be no significant increase in police calls or the need for additional fire protection personnel for the City. Additionally, it is the opinion of the City that police and fire protection services can be provided to the TIF District with no identifiable budget impacts or the direct need for any additional capital equipment.

Due to the highly developed nature of the area and the nature of the project itself, public infrastructure costs, (such as traffic impacts, water and sewer usage, and street maintenance) will increase only minimally, if at all, in the context of overall City demands. It is the opinion of the City that the existing sanitary sewer and water systems of the City have adequate capacity to serve the project, and are ultimately paid for through utility rates which this new development will pay

The City intends to assist the project via the issuance of Pay As You Go Contracts. This type of debt instrument does not apply to the City's legal debt limit nor does it carry the City's General Obligation pledge. As such, this TIF District will not have an adverse impact on the City's current bond credit rating or capacity to borrow for future projects.

**Section 10 Property to be acquired in the TIF District / Requirement for Agreements**

The City does not intend to acquire any parcels directly. Rather, the parcels included in this TIF District are privately owned and will be sold directly to end users. The City intends only to use tax increments on a Pay As You Go basis to lower land costs for eligible potential users in the TIF District.

**Section 11 Estimated Amount of Bonded Indebtedness**

The Authority reserves the right to fund all Project costs permitted by law using internal funding, general obligation bonds, pay-as-you-go financing or any other financing mechanism authorized by law. The maximum amount of bonds to be funded with tax increment revenue from TIF District No. 1-7 is \$184,262.

Internal Loans, including a negative balance in the TIF fund, must be authorized by resolution of the entity advancing the loan before money is transferred, advanced or spent. The resolution must include the terms and conditions for repayment of the loan to include, at a minimum, the principal amount of the loan, the interest rate and the maximum term. The interest rate to be charged on internal loans shall not exceed the greater of the rates specified under Minnesota Statutes 270C.40 or 549.09 as of the date this Plan is approved.

**Section 12 Designation of TIF District as an Economic Development District**

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

1. it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality;
2. it will result in increased employment in the state; or
3. it will result in preservation and enhancement of the tax base of the state.

The TIF District qualifies as an economic development district in that the proposed development described in this TIF Plan (see Sections 5 and 17) and will increase both tax base and employment opportunities within the City. Without establishment of the TIF District, the proposed development would not occur within the City. This finding is supported by a letter submitted by NRB Metals LLC stating that but for the use of tax increment financing their project could not proceed.

**Section 13 Original Net Tax Capacity**

The certified Original Net Tax Capacity is stated at \$8,928 by the County Auditor.

The County Auditor will certify the Original Net Tax Capacity of the TIF District, which will be the total Net Tax Capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The City intends to file the request for certification after July 1, 2012. As such, the Original Tax Capacity will be the net tax capacity as of January 2, 2012 (assessed value for taxes payable 2013) and is unknown at this time. The assessed values for taxes payable 2012 are included for estimation purposes only.

The Market Value of all property within the TIF District as of January 2, 2011 for taxes payable in 2012 is \$517,000. At this value, the Original Net Tax Capacity of the TIF District would be \$9,043.

Each year the County Auditor will certify the amount that the Original Net Tax Capacity has increased or decreased as a result of:

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

**Section 14 Original Local Tax Rate**

The certified Original Local Tax Rate is stated at 104.822% by the County Auditor.

The County Auditor shall also certify the Original Local Tax Rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the Original Net Tax Capacity.

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

As noted in Section 13, the City intends to file the TIF District for certification after July 1, 2012; therefore, the Original Local Tax Rate will be the rate that applies for taxes payable in 2013, which is unknown at this time. The rates associated with taxes payable 2012 are included for estimation purposes only:

<u>Taxing Jurisdiction</u>	<u>2011/2012 Local Tax Rate</u>
City of St. Charles	38.990%
Winona County	43.401%
School District 858	19.526%
Other	<u>2.430%</u>
<b>Total</b>	<b>104.347%</b>

The projected original local tax rate does not include the State of Minnesota property tax rate on commercial, industrial and seasonal recreation property, which is estimated to be 51.1% for 2012. The state property tax is *not* captured as tax increment.

**Section 15 Projected Retained Captured Net Tax Capacity and Tax Increment**

Each year the County Auditor will determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the Original Net Tax Capacity, the difference shall be known as the Captured Net Tax Capacity of the TIF District. It is the City's intention to retain 100% of the Captured Net Tax Capacity of the TIF District.

Exhibit 3 estimates the total amount of retained net captured tax capacity, gross tax increments, adjustments, and the net tax increment revenues which will be available annually and cumulatively over the life of the TIF District.

### **Section 16 Statutory Duration of the TIF District**

Economic development districts may remain in existence for eight years from the date of receipt of the first tax increment. This produces nine (9) annual collections of tax increments. Modifications of this plan (see Section 28) may not extend these limitations unless the City elects under certain circumstances to extend the duration of TIF District in order to recover eligible pollution cleanup costs incurred by the City (see M.S. Section 469.176, Subd. 1g for details).

The City intends to request certification of this TIF District after July 1<sup>st</sup>, 2012. As such, the City expects 2014 to be the first year to collect tax increment revenues. The City expects this TIF District to remain in existence the maximum duration allowed by law. Therefore, the expected date of required decertification is stated as December 31<sup>st</sup>, 2022.

### **Section 17 Use of Tax Increments – Economic Development Districts**

Pursuant to Minnesota Statutes Section 469.176 Subd. 4, tax increments from an economic development district must be used solely to provide improvements, loans, subsidies, grants, interest rate subsidies, or other assistance in which at least 85% of the square footage of the facilities to be constructed are used for any of the following purposes:

1. manufacturing, production, or processing of tangible personal property;
2. warehousing, storage and distribution of tangible personal property, excluding retail sales;
3. research and development related to the activities listed in (1) or (2) above;
4. telemarketing if that activity is the exclusive use of the property;
5. tourism facilities as defined in M.S. Section 469.174, Subdivision 22; or
6. space necessary for and related to the activities listed in (1) through (5) above.

The development contemplated in this TIF Plan is consistent with the restrictions listed above. See Section 5.

### **Section 18 Use of Tax Increments – General**

Each year County Treasurer shall deduct an estimated 0.36% of the annual tax increment generated by the TIF District and pay such amount to the state general fund. Such amounts will be appropriated to the state auditor for the cost of financial reporting and auditing of tax increment financing information throughout the state. Exhibit 3 shows the projected deduction for this purpose over the anticipated life of the TIF District.

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

1. Pay for the estimated public costs of the TIF District (including administrative expenses, see Section 7) and City administrative costs associated with the TIF District (see Section 29);
2. pay principal and interest on tax increment bonds, notes or other financial obligations issued to finance the public costs of the TIF District;
3. accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the public costs of the TIF District;
4. pay all or a portion of the County road costs as may be required by the County Board under M.S.

Section 469.175, Subdivision 1a; or

5. returning excess tax increments to the County Auditor for redistribution to the City, County and School District in proportion to their local tax capacity rates.

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

Tax increment may not be used to finance the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the State or Federal government. Further, tax increments may not be used to finance: a commons area used as a public park; facilities used for social or recreational purposes (whether public or private); or publicly-owned facilities used for conference purposes; provided that tax increment may be used for a privately owned conference facility, and for parking structures whether public or privately owned and whether or not they are ancillary to one of the otherwise prohibited uses described above.

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

#### **Section 19 "Green Acres"**

The TIF District may not include parcels that qualified as "green acres" in any of the five (5) years preceding the request for certification, unless 85% of development in the district is restricted to Qualified Facilities which pay at least 90% of employees wages equal to or greater than 160% of the federal minimum wage.

None of the parcels located within the TIF District was enrolled in the Green Acres program (see M.S. 273.111) within the prior five years of the anticipated certification request date.

#### **Section 20 4-Year Knock-Down Rule**

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

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

#### **Section 21 Tax Increment Pooling – 5-year Rule**

At least 80% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District. No more than 20% of the tax increments may be spent on costs outside of the TIF District, but within the boundaries of the Project Area. All administrative expenses are considered to have been spent outside of the TIF District. Tax increments are considered to have been spent within the TIF District if such amounts are:

1. actually paid to a third party for activities performed within the TIF District within five years after

certification of the district;

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

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

The City does not anticipate the need to pool tax increment revenues between this TIF District and future TIF Districts within Development District No. 1.

## **Section 22 Excess Tax Increment**

On December 31st of each year, the City must determine the amount of excess increments for the TIF District. See M.S. Section 469.176 subdivision 2 for a complete definition. Excess increments may only be used to:

1. prepay any outstanding tax increment Bonds;
2. discharge the pledge of tax increments on any outstanding Bonds.
3. pay amounts into an escrow account dedicated to the payment of any outstanding Bonds; or
4. return excess tax increments to the County Auditor for redistribution to the City, County and School District in proportion to their local tax capacity rates. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

Allocation of excess increments must be completed by September 30<sup>th</sup> in the year following the year in which excess increments were generated.

## **Section 23 Limitation on Administrative Expenses**

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

1. amounts paid for the purchase of land;
2. amounts paid for materials and services, including architectural and engineering services directly connected with the proposed development within the TIF District;
3. relocation benefits paid to, or services provided for, persons or businesses located within the TIF District; or
4. amounts used to pay interest on, fund a reserve for, or sell at a discount, tax increment bonds.
5. amounts used to make payments on other financial obligations used to finance costs outlines above.

Administrative expenses include amounts paid for services provided by bond counsel, fiscal consultants, planning or economic development consultants, and actual costs incurred by the City in administering the TIF District. For TIF Districts with certification request dates after July 31, 2001 tax increments may be used to pay

administrative expenses of the TIF District up to the lesser of (a) 10% of the total tax increment expenditures authorized by the TIF plan or (b) 10% of the total tax increments received by the TIF District. However, tax increments used to pay County expenses pursuant to M.S. Section 469.176 Subd. 3(d) are not subject to these percentage limits.

The City intends to retain the full 10% of tax increment collected allowed by law to pay its expenses related to administering the TIF District. See Exhibit 3.

#### **Section 24 Prior Planned Improvements**

The City shall accompany its request for certification to the County Auditor with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the Original Net Tax Capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

The City has issued no building permits for properties within the TIF District during the past 18 months.

#### **Section 25 Development Agreements**

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

The City does not intend to acquire any land within the TIF District. See Section 10.

#### **Section 26 Business Subsidy Laws**

Minnesota Statutes 116J.994 requires a City or Authority providing financial assistance of between \$25,000-150,000 or a business subsidy worth \$150,000 or more to complete an approval process as described below. Housing projects and many redevelopment projects are exempt from the requirements.

For financial assistance of \$25,000-149,999:

1. Adopt criteria for awarding business subsidies following a public hearing.
2. Complete the Financial Assistance Report annually for two years

For a business subsidy of \$150,000 or more, the Authority must complete the following:

1. Adopt criteria for awarding business subsidies following a public hearing.
2. Conduct a public hearing on the subsidy, after providing at least 10 days published notice in the local newspaper.
3. Enter into a subsidy agreement which must include the following information and requirements:
  - a. A description of the subsidy.
  - b. A statement of the public purpose and goals of the subsidy.
  - c. Wage and job creation goals (or job retention goals, if job loss is imminent and demonstrable) to be achieved within 2 years of receiving the subsidy;

- d. A description of the recipient's financial obligation if the goals are not met. The recipient must pay back the assistance with interest if goals are not met, although pro-ration to reflect partial fulfillment of goals is permitted.
- e. A statement of why the subsidy is needed.
- f. A commitment from the recipient to continue operations at the site for at least 5 years;
- g. The name and address of the parent company of the recipient;
- h. A list of all other financial assistance to the project; and
- i. A requirement for the recipient to provide the Authority and the Department of Employment and Economic Development with annual information regarding goals for two years after receiving the subsidy or until the goals are achieved. The reports must be filed by March 1 for the prior year.

No assistance in this modified TIF Plan is expected to exceed \$150,000 and therefore no Business Subsidy Hearing is required.

### **Section 27 Assessment Agreements**

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

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

### **Section 28 Modifications of the Tax Increment Financing Plan**

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

1. the only modification is elimination of parcels from the Project Area or the TIF District; and
2. the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's Original Net Tax Capacity, or the City agrees that the TIF District's Original Net Tax Capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

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

## **Section 29 Administration of the Tax Increment Financing Plan**

After adoption of the TIF Plan, the City shall submit a copy of such plan to the State Auditor's Office. The City shall also request that the County Auditor certify the Original Net Tax Capacity and Net Tax Capacity Rate of the TIF District. To assist the County Auditor in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements. The City shall also send the County Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District, and shall request that the County Assessor review and certify this assessment agreement as reasonable.

The County shall distribute to the City the amount of tax increment as it becomes available. The amount of tax increment in any year represents the applicable property taxes generated by the Retained Captured Net Tax Capacity of the TIF District. The amount of tax increment may change due to development anticipated by the TIF Plan, other development, inflation of property values, or changes in property classification rates or formulas.

In administering and implementing the TIF Plan, the following actions should occur on an annual basis:

1. Prior to July 1, the City shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to insure that the new value will be recorded in a timely manner.
2. If the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.

Each year the County Auditor shall certify the amount of the Original Net Tax Capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:

1. the value of property that changes from tax-exempt to taxable shall be added to the Original Net Tax Capacity of the TIF District. The reverse shall also apply;
2. the Original Net Tax Capacity may be modified by any approved enlargement or reduction of the TIF District;
3. if laws governing the classification of real property cause changes to the percentage of Estimated Market Value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the Original Net Tax Capacity and the Retained Captured Net Tax Capacity of the TIF District.

The County Auditor shall notify the City of all changes made to the Original Net Tax Capacity of the TIF District.

## **Section 30 Financial Reporting and Disclosure Requirements**

The City is responsible for information and financial reporting on the activities of the TIF District. These responsibilities include:

1. Prepare and Publish an Annual Statement. No later than August 1 of each year, the City must prepare and publish an annual statement which includes at least the following information:
  - (a) tax increment received and expended in that year
  - (b) Original Net Tax Capacity
  - (c) captured Net Tax Capacity
  - (d) amount of outstanding bonded indebtedness
  - (e) increments paid to other government bodies
  - (f) administrative costs

- (g) increments paid directly or indirectly outside of the district
- (h) if a fiscal disparities contribution is computed under section 469.177, Subd. 3(a), the increase in property tax imposed on other properties in the municipality as a result of the fiscal disparities contribution in the manner prescribed by the commissioner of revenue.

A copy of the annual statement must also be provided to the State Auditor, county board and county auditor, school board, and the municipality.

2. Prepare an Annual Report. (469.175 Subds. 5 and 6) The State Auditor enforces the provisions of the TIF Act and has full responsibility for financial and compliance auditing of the City's use of tax increment financing. The State Auditor's office provides detailed tax increment reporting forms for use in complying with annual reporting requirements. On or before August 1 of each year, the City and/or the City must prepare a status and financial report for the TIF District and submit it to the state auditor, the county board, the county auditor, the school board, and the governing body of the municipality, if the municipality is not also the City.
3. Prepare a Minnesota Business Assistance Form. (116J.994) By April 1, the Authority must submit a report to the Department of Employment and Economic Development:
  - a. "Financial Assistance" Report for assistance greater than \$25,000 but less than \$150,000.
  - b. A "JOBZ Business Subsidy Form" or "Non-JOBZ Business Subsidy" for assistance of \$150,000 or greater to report on wage and job goals and progress made in achieving them. A reporting form is provided by the Department, and must be submitted for each business which has received TIF assistance.

### **Section 31 Findings and Need for Tax Increment Financing**

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

1. The TIF District qualifies as an economic development district;  
  
*The TIF District qualifies as an economic development district in that the proposed development described in this TIF Plan (see Section 5) meets all of the criteria listed in Sections 12, 17 and 18 above.*
2. The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and the increased market value of the site that could reasonably be expected to occur without the use of tax increment would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan;

*The above finding is based in part by a letter submitted by NRB Metals, LLC stating that the cost of site improvements combined with the cost of construction of their second expansion makes the project cost prohibitive without tax increment financing assistance.*

*The above finding is based in part on a letter submitted by the Developer and ongoing communications with current landowners stating that without the use of tax increment financing to lower land costs the*

cost of projects would be unfeasible.

*The City has further determined that no other development is expected to occur that would create a greater market value than that proposed, adjusting for the tax increment assistance. Any other development of the TIF District would have to create a market value increase of more than \$1,000,733 in order to exceed the value increase expected under the current proposal, after subtracting the present value of the tax increment for 9 years (See Market Value Analysis, Exhibit 5). In fact, due to the limited space available and high cost of land, the City has no reason to expect any significant development to occur on this site without tax increment assistance. Therefore, the City reasonably believes that the expected increase in market value at this site without TIF assistance is limited to appreciation in existing real estate value, estimated to be approximately \$112,479 over the life of the TIF District.*

To summarize the basis for the City's findings, the City makes the following determinations:

- a) *The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is \$112,479 (for the reasons described above).*
- b) *If the proposed development to be assisted with tax increment occurs in the TIF District, the total increase in market value would be approximately \$1,187,330. The increase in market value would be due primarily to new construction within the TIF District. (See Exhibit 3)*
- c) *The present value of tax increments from the TIF District for the maximum duration of the district permitted by the TIF Plan is estimated to \$186,597 (See Exhibit 5)*
- d) *Even if some development other than the proposed development were to occur, the City Council finds that no alternative would occur that would produce a market value increase greater than \$1,000,773 (the amount in clause b less the amount in clause c) without tax increment assistance.*

3. The TIF Plan conforms to the general plan for development or redevelopment of the City as a whole.

*The reasons and facts supporting this finding are that the development proposal is consistent with the City's zoning ordinances and comprehensive plans for the area, and serves to promote the City's development objectives.*

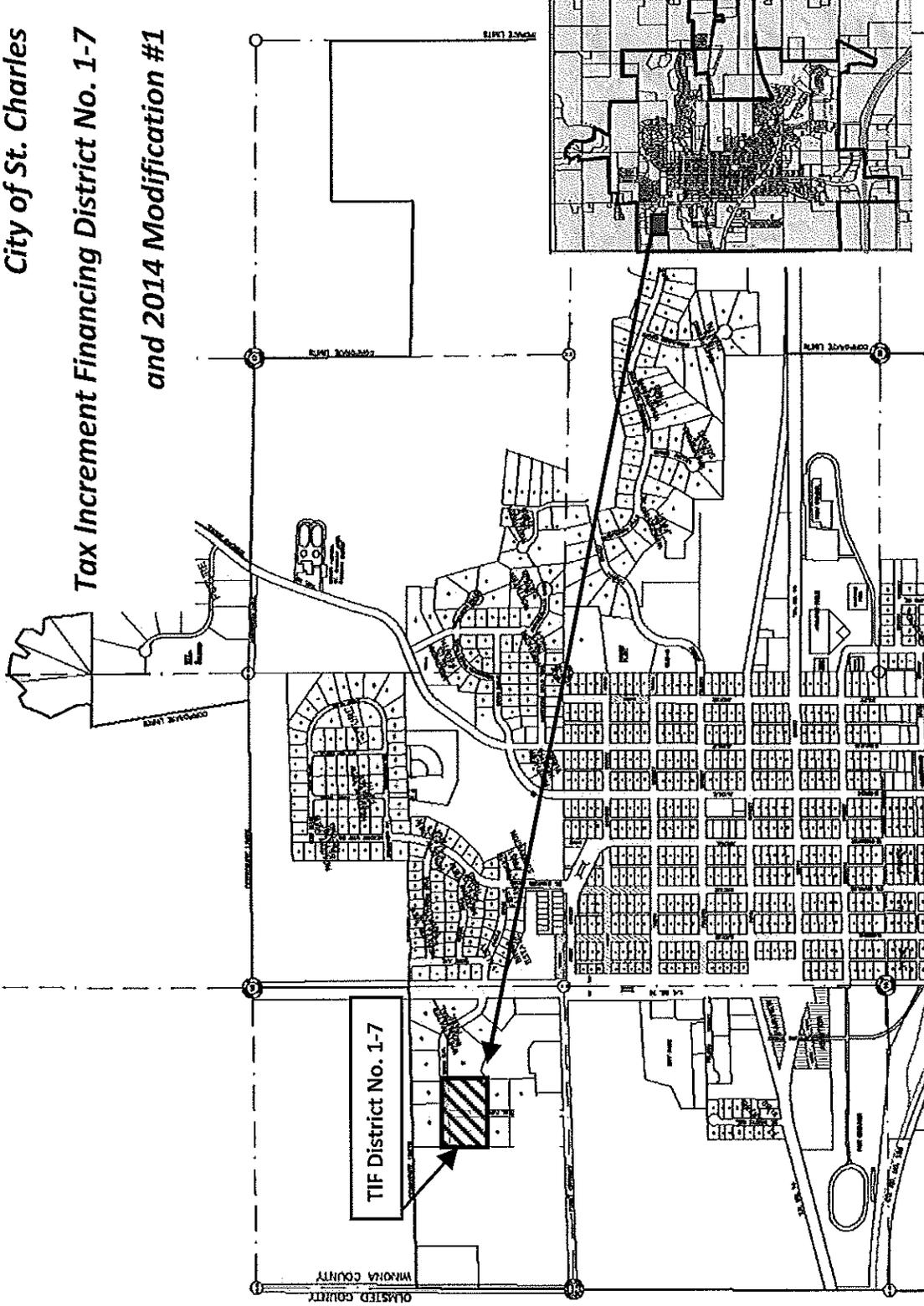
4. The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of the Project Area by private enterprise.

*The reasons and facts supporting this finding is that the assistance provided in this TIF Plan will assist in the construction of new industrial facilities.*

## Exhibits

Map of Tax Increment Financing District and Project Area	Exhibit 1
Parcels and Valuations	Exhibit 2
Tax Increment Projections	Exhibit 3
Statement of Fiscal and Economic Impacts	Exhibit 4
Market Value Analysis	Exhibit 5

**City of St. Charles**  
**Tax Increment Financing District No. 1-7**  
**and 2014 Modification #1**



The boundaries of Municipal Development District No. 1 are coterminous with the City's Corporate Limits.

**City of St. Charles, Minnesota  
 Economic Development Tax Increment Financing District No. 1-7  
 Parcel Summary -- Areas, Values & Conditions**

NRB Metals LLC - Expansion Project

**MODIFICATION #1**

<u>Property Owner</u>	<u>Parcel ID Nos.</u>	<u>TOTAL MARKET VALUE</u>	<u>CERTIFIED Original Tax Capacity</u>
NICKOLAS R BEYERSTEDT	29.096.0020	\$401,870	\$7,287
OMNI HOLDINGS, LLC	29.096.0030	\$32,600	\$489
NS PROPERTIES LLC	29.091.0090	\$76,800	\$1,152
<b>TOTALS \$</b>		<b>511,270 \$</b>	<b>8,928</b>

**City of St. Charles, Minnesota  
Economic Development Tax Increment Financing District No. 1-7**

**NRB Metals LLC - Expansion Project  
MODIFICATION #1**

**Tax Increment Projections**

**Valuations & Projected Increases**

	Market Value	Tax Capacity
Original Values	\$ 511,270	\$ 8,928
Projected New Value	\$ 1,698,600	\$ 31,722
Captured Values	\$ 1,187,330	\$ 22,794

**Tax Rate Assumptions:**

	Certified Rate
City of St. Charles	40.942%
County of Winona	41.441%
ISD No. 858	20.272%
Other	2.167%
	<u>104.822%</u>

**Projected Tax Increment**      2.0% MV Inflation

Payable Year	Certified Original Tax Capacity	Projected Tax Capacity	Net Captured Tax Capacity	Less Fiscal Disparities	Retained Net Captured Tax Capacity	Certified Tax Rate	Less State Auditor's Deduction	Gross Tax Increment	Adjustments	TOTAL NET REVENUES
2014	8,928	23,590	14,662	-	14,662	104.822%	(55)	15,313	no tax increments received as of 12/31/2014	13,782
2015	8,928	24,062	15,133	-	15,133	104.822%	(57)	15,806		14,225
2016	8,928	31,722	22,794	-	22,794	104.822%	(86)	23,807		21,426
2017	8,928	32,356	23,428	-	23,428	104.822%	(88)	24,469		22,022
2018	8,928	33,004	24,075	-	24,075	104.822%	(91)	25,145		22,631
2019	8,928	33,664	24,735	-	24,735	104.822%	(93)	25,835		23,251
2020	8,928	34,337	25,409	-	25,409	104.822%	(96)	26,538		23,884
2021	8,928	35,024	26,095	-	26,095	104.822%	(98)	27,255		24,530
2022	8,928	35,724	26,796	-	26,796	104.822%	(101)	27,987		25,188
								<u>212,155</u>		<u>190,939</u>

NET PRESENT VALUE @ 3% >>

163,046

**City of St. Charles, Minnesota  
Economic Development Tax Increment Financing District No. 1-7**

**NRB Metals LLC - Expansion Project  
MODIFICATION #1**

**STATEMENT OF FISCAL AND ECONOMIC IMPACTS OF PROPOSED TIF DISTRICT**

Taxing Jurisdiction	Without TIF District			With TIF District			Hypothetical Adjusted Local Tax Rate	Hypothetical Decrease in Tax Rate
	2014 Taxable Net Tax Capacity <sup>(1)</sup>	Certified Original Tax Rate	2014 Projected PV Captured Net Tax Capacity	Hypothetical Tax Generated By TIF	New Taxable Net Tax Capacity	Hypothetical Local Tax Rate		
City of St. Charles, Minnesota	2,044,447	40.942%	22,794	9,332	2,067,241	40.491%	0.451%	
Winona County, Minnesota	40,846,855	41.441%	22,794	9,446	40,869,649	41.418%	0.023%	
ISD No. 858	5,782,481	20.272%	22,794	4,621	5,805,275	20.192%	0.080%	
Other <sup>(2)</sup>	-	-	-	-	-	0.00%	-	
<b>Totals</b>	-	<b>102.655%</b>	-	<b>23,399</b>	-	<b>102.101%</b>	<b>0.554%</b>	

**Statement #1:** If all of the projected captured net tax capacity of the project were hypothetically immediately available to each taxing jurisdiction if TIF were not used, the tax capacities of each jurisdiction would be increased by the amounts shown above, and the local tax rates of each jurisdiction would be decreased by the amounts shown.

**Statement #2:** As the projected captured tax capacity of the project would not be available without the use of TIF, the tax capacities and tax rates of each jurisdiction will not be affected.

**Statement #3:** The estimated amount of tax increment (gross increment less State Auditor's deduction) generated over the life of the TIF District is estimated to be \$212,155.

**Statement #4:** A description of the probable impact of the TIF District on City services as a result of the creation of this TIF District would include the following: The City will be collecting an estimated \$82,865 in city property tax revenue from the proposed project area and applying it to project related expenses rather than general services such as police, fire, and other services not paid by user fees.

**Statement #5:** The estimated amount of increment attributed to the school districts' tax levies and captured as a result of the creation of this TIF District is \$41,030 for School District 858.

**Statement #6:** The estimated amount of increment attributed to the county tax levy and captured as a result of the creation of this TIF district is \$63,875.

<sup>(1)</sup> Taxable net tax capacity = total net tax capacity less value captured in TIF Districts and powerline value.

<sup>(2)</sup> The impacts upon other taxing jurisdictions not included since they represent a small percentage of the total tax rate.

**City of St. Charles, Minnesota**  
**Economic Development Tax Increment Financing District No. 1-7**

NRB Metals LLC - Expansion Project

MODIFICATION #1

**Market Value Analysis**

Increased Market Value of Site	\$	1,187,330
Less Present Value of TIF Revenues	\$	<u>186,597</u>
	\$	1,000,733
Estimated Increased Site Value w/out TIF	\$	<u>112,479</u>
Net Value Increase	\$	888,253

**Present Value of Tax Increments**

Calculation Date: 12/31/2014  
 Present Value Factor: 3.00%

#	Year	Tax Increment	Present Value
0	2014	15,313	15,313
1	2015	15,806	15,346
2	2016	23,807	22,440
3	2017	24,469	22,393
4	2018	25,145	22,341
5	2019	25,835	22,285
6	2020	26,538	22,225
7	2021	27,255	22,161
8	2022	27,987	22,093
		<u>212,155</u>	<u>186,597</u>

AMENDED AND RESTATED  
DEVELOPMENT AGREEMENT  
BY AND BETWEEN

CITY OF ST. CHARLES, MINNESOTA  
AND  
NRB METALS, LLC

This document drafted by:

BRIGGS AND MORGAN (MLI)  
Professional Association  
2200 First National Bank Building  
St. Paul, Minnesota 55101

Table of Contents

	Page
ARTICLE I	DEFINITIONS..... 2
Section 1.1.	Definitions..... 2
ARTICLE II	REPRESENTATIONS AND WARRANTIES..... 4
Section 2.1.	Representations and Warranties of the City..... 4
Section 2.2.	Representations and Warranties of the Developer..... 4
ARTICLE III	UNDERTAKINGS BY DEVELOPER AND CITY ..... 6
Section 3.1.	Project and Development Property ..... 6
Section 3.2.	Limitations on Undertaking of the City ..... 6
Section 3.3.	Reimbursement: Tax Increment Revenue Note..... 6
ARTICLE IV	EVENTS OF DEFAULT ..... 8
Section 4.1.	Events of Default Defined ..... 8
Section 4.2.	Remedies on Default..... 8
Section 4.3.	No Remedy Exclusive..... 9
Section 4.4.	No Implied Waiver ..... 9
Section 4.5.	Agreement to Pay Attorney's Fees and Expenses..... 9
Section 4.6.	Indemnification of City..... 9
ARTICLE V	DEVELOPER'S OPTION TO TERMINATE AGREEMENT ..... 11
Section 5.1.	The Developer's Option to Terminate..... 11
Section 5.2.	Action to Terminate ..... 11
Section 5.3.	Effect of Termination..... 11
ARTICLE VI	ADDITIONAL PROVISIONS ..... 12
Section 6.1.	Restrictions on Use ..... 12
Section 6.2.	Conflicts of Interest..... 12
Section 6.3.	Titles of Articles and Sections ..... 12
Section 6.4.	Notices and Demands ..... 12
Section 6.5.	Counterparts..... 13
Section 6.6.	Law Governing ..... 13
Section 6.7.	Expiration..... 13
Section 6.8.	Provisions Surviving Rescission or Expiration..... 13
Section 6.9.	Assignability of Agreement ..... 13
Section 6.10.	Original Agreement ..... 13
EXHIBIT A	Description of Development Property ..... A-1
EXHIBIT B	Form of TIF Note..... B-1
EXHIBIT C	Site Improvements ..... C-1

AMENDED AND RESTATED DEVELOPMENT AGREEMENT

THIS AGREEMENT, made as of the \_\_\_\_ day of \_\_\_\_\_, 2014, by and between the City of St. Charles, Minnesota (the "City"), a municipal corporation existing under the laws of the State of Minnesota and NRB Metals, LLC, a Minnesota limited liability company (the "Developer").

WITNESSETH:

WHEREAS, the City and the Developer have heretofore entered into a Development Agreement dated August 14, 2012 (the "Original Agreement");

WHEREAS, in order to modify certain terms of the Original Agreement and to further describe the manner in which the City's financial assistance will be made available to the Developer, the City and Developer have agreed to enter into this Agreement to amend and restate the Original Agreement in its entirety;

WHEREAS, pursuant to Minnesota Statutes, Section 469.124 to 469.133, the City has heretofore established Development District No. 1 (the "Development District") and has adopted a development program therefor (the "Development Program"); and

WHEREAS, pursuant to the provisions of Minnesota Statutes, Section 469.174 through 469.1794, as amended (hereinafter, the "Tax Increment Act"), the City has heretofore established, within the Development District, Tax Increment Financing District No. 1-7 (the "Tax Increment District") and has adopted a tax increment financing plan therefor (the "Tax Increment Plan") which provides for the use of tax increment financing in connection with certain development within the Development District; and

WHEREAS, in order to achieve the objectives of the Development Program and particularly to make the land in the Development District available for development by private enterprise in conformance with the Development Program, the City has determined to assist the Developer with the financing of certain costs of a Project (as hereinafter defined) to be constructed within the Tax Increment District as more particularly set forth in this Agreement; and

WHEREAS, the City believes that the development and construction of the Project, and fulfillment of this Agreement are vital and are in the best interests of the City, the health, safety, morals and welfare of residents of the City, and in accordance with the public purpose and provisions of the applicable state and local laws and requirements under which the Project has been undertaken and is being assisted; and

WHEREAS, the requirements of the Business Subsidy Law, Minnesota Statutes, Section 116J.993 through 116J.995, do not apply to this Agreement because the assistance given to the Developer under this Agreement is a business subsidy of less than \$150,000; and

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. All capitalized terms used and not otherwise defined herein shall have the following meanings unless a different meaning clearly appears from the context:

Agreement means this Amended and Restated Development Agreement, as the same may be from time to time modified, amended or supplemented;

Business Day means any day except a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City are authorized by law or executive order to close;

City means the City of St. Charles, Minnesota, its successors and assigns;

County means Winona County, Minnesota;

Developer means NRB Metals, LLC, a Minnesota limited liability company, its successors and assigns;

Development District means the real property included in the Development District No. 1 heretofore established;

Development Program means the Development Program approved in connection with the Development District;

Development Property means the real property described in Exhibit A attached to this Agreement;

Event of Default means any of the events described in Section 4.1 hereof;

Note Payment Date means August 1, 2014, and each February 1 and August 1 of each year thereafter to and including February 1, 2023; provided, that if any such Note Payment Date should not be a Business Day, the Note Payment Date shall be the next succeeding Business Day;

Original Agreement means the Development Agreement by and between the City and the Developer dated August 14, 2012;

Prime Rate means the rate of interest from time to time publicly announced by U.S. Bank National Association in St. Paul, Minnesota, as its "prime rate" or "reference rate" or any successor rate, which rate shall change as and when that rate or successor rate changes;

Project means the construction of an approximately 15,000 square foot expansion to the existing manufacturing facility on the Development Property located in the City;

Site Improvements means the site improvements undertaken or to be undertaken on the Development Property, more particularly described on Exhibit C attached hereto;

State means the State of Minnesota;

Tax Increments means 90% of the tax increments derived from the Development Property which have been received by the City in accordance with the provisions of Minnesota Statutes, Section 469.177;

Tax Increment Act means Minnesota Statutes, Sections 469.174 through 469.1794, as amended;

Tax Increment District means Tax Increment Financing District No. 1-7 located within the Development District, a description of which is set forth in the Tax Increment Financing Plan, which was qualified as an economic development district under the Tax Increment Act;

Tax Increment Financing Plan means the tax increment financing plan approved for the Tax Increment District by the City Council on August 14, 2012, and any future amendments thereto;

TIF Note means the Tax Increment Revenue Note (NRB Metals, LLC Project) to be executed by the City and delivered to the Developer pursuant to Article III hereof, the form of which is attached hereto as Exhibit B; and

Unavoidable Delays means delays, outside the control of the party claiming its occurrence, which are the direct result of strikes, other labor troubles, unusually severe or prolonged bad weather, acts of God, fire or other casualty to the Project, litigation commenced by third parties which, by injunction or other similar judicial action or by the exercise of reasonable discretion, directly results in delays, or acts of any federal, state or local governmental unit (other than the City) which directly result in delays.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the City. The City makes the following representations and warranties:

(1) The City is a municipal corporation and has the power to enter into this Agreement and carry out its obligations hereunder.

(2) The Tax Increment District is an "economic development district" within the meaning of Minnesota Statutes, Section 469.174, Subdivision 12, and was created, adopted and approved in accordance with the terms of the Tax Increment Act.

(3) The development contemplated by this Agreement is in conformance with the development objectives set forth in the Development Program.

(4) To finance certain costs within the Tax Increment District, the City proposes, subject to the further provisions of this Agreement, to apply Tax Increments to reimburse the Developer for a portion of the costs of a portion of the Development Property incurred in connection with the Project as further provided in this Agreement.

(5) The City makes no representation or warranty, either express or implied, as to the Development Property or its condition or the soil conditions thereon, or that the Development Property shall be suitable for the Developer's purposes or needs.

Section 2.2. Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(1) The Developer is a Minnesota limited liability company and has the power and authority to enter into this Agreement and to perform its obligations hereunder and doing so will not violate its articles, bylaws, or the laws of the State and by proper action has authorized the execution and delivery of this Agreement.

(2) The Developer shall cause the Project to be constructed 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, energy conservation, building code and public health laws and regulations).

(3) The construction of the Project would not be undertaken by the Developer, and in the opinion of the Developer would not be economically feasible within the reasonably foreseeable future, without the assistance and benefit to the Developer provided for in this Agreement.

(4) 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 provision of any contractual restriction, evidence 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.

(5) The Developer will cooperate fully with the City with respect to any litigation commenced with respect to the Project.

(6) The Developer will cooperate fully with the City in resolution of any traffic, parking, trash removal or public safety problems which may arise in connection with the construction and operation of the Project.

(7) Construction shall begin by \_\_\_\_\_ and the construction of the Project will be substantially completed by December 31, 2014, subject to Unavoidable Delays.

(8) The Developer will not seek a reduction in the market value as determined by the Winona County Assessor of the Project or other facilities that it constructs on the Development Property, pursuant to the provisions of this Agreement, for so long as the TIF Note remains outstanding.

(9) The Developer will use its best efforts to obtain, or cause to be obtained, 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 Project may be lawfully constructed.

(10) The Developer acknowledges that Tax Increment projections contained in the Tax Increment Financing Plan are estimates only and the Developer acknowledges that it shall place no reliance on the amount of projected Tax Increments and the sufficiency of such Tax Increments to reimburse the Developer for a portion of the costs of the Site Improvements as provided in Article III.

## ARTICLE III

### UNDERTAKINGS BY DEVELOPER AND CITY

Section 3.1. Project and Development Property. The City shall reimburse the Developer for up to \$80,000 of the costs of a portion of the Development Property and the construction of the Site Improvements paid by the Developer (the "Reimbursement Amount") as further provided in Section 3.3.

Section 3.2. Limitations on Undertaking of the City. Notwithstanding the provisions of Sections 3.1, the City shall have no obligation to the Developer under this Agreement to reimburse the Developer for the costs identified in Section 3.1, if the City, at the time or times such payment is to be made, is entitled under Section 4.2 to exercise any of the remedies set forth therein as a result of an Event of Default which has not been cured.

Section 3.3. Reimbursement: Tax Increment Revenue Note. The City shall reimburse for the costs of a portion of the Development Property and the construction of Site Improvements through the issuance of the City's TIF Note in substantially the form attached to this Agreement as Exhibit B, subject to the following conditions:

(1) The TIF Note shall be dated, issued and delivered when the Developer shall have demonstrated in writing to the reasonable satisfaction of the City that the construction of the Site Improvements has been completed and that the Developer has incurred and paid all costs of acquisition and the construction costs of Site Improvements on the Development Property, as described in and limited by Section 3.1 and shall have submitted paid invoices for the costs of construction of the Site Improvements and a settlement statement or other evidence of payment of the cost of the Development Property in an amount not less than the Reimbursement Amount.

(2) The unpaid principal of the TIF Note shall bear simple non-compounding interest from the date of issuance of the TIF Note, at 3.00% per annum. Interest shall be computed on the basis of a 360 day year consisting of twelve (12) 30-day months.

(3) The principal amount of the TIF Note and the interest thereon shall be payable solely from the Tax Increments.

(4) On each Note Payment Date and subject to the provisions of the TIF Note, the City shall pay, against the principal and interest outstanding on the TIF Note, any Tax Increments received by the City during the preceding 6 months. All such payments shall be applied first to accrued interest and then to reduce the principal of the TIF Note.

(5) The TIF Note shall be a special and limited obligation of the City and not a general obligation of the City, and only Tax Increments shall be used to pay the principal and interest on the TIF Note. If, on any TIF Note Payment Date, the Tax Increments for the payment of the accrued and unpaid interest on the Tax Increment Note are insufficient for such purposes, the difference shall be carried forward, without interest accruing thereon, and shall be paid if and to the extent that on a future TIF Note Payment Date there are Tax Increments in excess of the amounts needed to pay the accrued interest then due on the Tax Increment Note.

(6) The City's obligation to make payments on the TIF Note on any Note Payment Date or any date thereafter shall be conditioned upon the requirements that: (A) there shall not at that time be an Event of Default that has occurred and is continuing under this Agreement and (B) this Agreement shall not have been rescinded pursuant to Section 4.2.

(7) The TIF Note shall be governed by and payable pursuant to the additional terms thereof, as set forth in Exhibit B. In the event of any conflict between the terms of the TIF Note and the terms of this Section 3.3, the terms of the TIF Note shall govern. The issuance of the TIF Note pursuant and subject to the terms of this Agreement, and the taking by the City of such additional actions as bond counsel for the TIF Note may require in connection therewith, are hereby authorized and approved by the City.

## ARTICLE IV

### EVENTS OF DEFAULT

Section 4.1. 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 any one or more of the following events:

(1) Failure by the Developer to timely pay any ad valorem real property taxes assessed and special assessments or other City charges with respect to the Development Property.

(2) Failure of the Developer to observe or perform any covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement.

(3) The holder of any mortgage on the Development Property or any improvements thereon, or any portion thereof, commences foreclosure proceedings as a result of any default under the applicable mortgage documents.

(4) If the Developer shall:

(a) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 1978, as amended or under any similar federal or state law; or

(b) make an assignment for the benefit of its creditors; or

(c) admit in writing its inability to pay its debts generally as they become due;  
or

(d) be adjudicated a bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Developer as bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within sixty (60) days after the filing thereof; or a receiver, liquidator or trustee of the Developer, or of the Project, or part thereof, shall be appointed in any proceeding brought against the Developer, and shall not be discharged within sixty (60) days after such appointment, or if the Developer, shall consent to or acquiesce in such appointment.

Section 4.2. Remedies on Default. Whenever any Event of Default referred to in Section 4.1 occurs and is continuing, the City, as specified below, may take any one or more of the following actions after the giving of thirty (30) days' written notice to the Developer, but only if the Event of Default has not been cured within said thirty (30) days:

(1) The City may suspend its performance under this Agreement and the TIF Note until it receives assurances from the Developer, deemed adequate by the City, that the Developer will cure its default and continue its performance under this Agreement.

(2) The City may cancel and rescind the Agreement and the TIF Note.

(3) The City may take any action, including legal or administrative action, in law or equity, which may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant of the Developer under this Agreement.

Section 4.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the City 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.

Section 4.4. No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any 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 4.5. Agreement to Pay Attorney's Fees and Expenses. Whenever any Event of Default occurs and the City shall employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement or performance or observance of any obligation or agreement on the part of the Developer herein contained, the Developer agrees that it shall, on demand therefor, pay to the City the reasonable fees of such attorneys and such other expenses so incurred by the City.

Section 4.6. Indemnification of City.

(1) The Developer (a) releases the City and its governing body members, officers, agents, including the independent contractors, consultants and legal counsel, servants and employees (collectively, the "Indemnified Parties") from, (b) covenants and agrees that the Indemnified Parties shall not be liable for, and (c) agrees to indemnify and hold harmless the Indemnified Parties against, any claim, cause of action, suit or liability for 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 Project or on the Development Property.

(2) Except for any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties, the Developer agrees to protect and defend the Indemnified Parties, now and 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 the actions or inactions of the Developer (or if other persons acting on its behalf or under its direction or control) under this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Project; provided, that this indemnification shall not apply to the warranties made or obligations undertaken by the City in this Agreement or to any actions undertaken by the City which are not contemplated by this Agreement but shall, in any event and without regard to any fault on the part of the City, apply to any pecuniary loss or penalty (including interest thereon

from the date the loss is incurred or penalty is paid by the City at a rate equal to the Prime Rate) as a result of the Project causing the Tax Increment District to not qualify or cease to qualify as an "economic development district" under Section 469.174, Subdivision 12, of the Act and Section 469.176, Subdivision 4c. or to violate limitations as to the use of Tax Increments as set forth in Section 469.176, Subdivision 4c.

(3) All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any governing body member, officer, agent, servant or employee of the City.

## ARTICLE V

### DEVELOPER'S OPTION TO TERMINATE AGREEMENT

Section 5.1. The Developer's Option to Terminate. This Agreement may be terminated by the Developer, if (i) the Developer is in compliance with all material terms of this Agreement and no Event of Default has occurred; and (ii) the City fails to comply with any material term of this Agreement, and, after written notice by the Developer of such failure, the City has failed to cure such noncompliance within ninety (90) days of receipt of such notice, or, if such noncompliance cannot reasonably be cured by the City within ninety (90) days, of receipt of such notice, the City has not provided assurances, reasonably satisfactory to the Developer, that such noncompliance will be cured as soon as reasonably possible.

Section 5.2. Action to Terminate. Termination of this Agreement pursuant to Section 5.1 must be accomplished by written notification by the Developer to the City within sixty (60) days after the date when such option to terminate may first be exercised. A failure by the Developer to terminate this Agreement within such period constitutes a waiver by the Developer of its rights to terminate this Agreement due to such occurrence or event.

Section 5.3. Effect of Termination. If this Agreement is terminated pursuant to this Article V, this Agreement shall be from such date forward null and void and of no further effect; provided, however, the termination of this Agreement shall not affect the rights of either party to institute any action, claim or demand for damages suffered as a result of breach or default of the terms of this Agreement by the other party, or to recover amounts which had accrued and become due and payable as of the date of such termination. Upon termination of this Agreement pursuant to this Article V, the Developer shall be free to proceed with the Project at its own expense and without regard to the provisions of this Agreement; provided, however, that the City shall have no further obligations to the Developer with respect to reimbursement of the expenses set forth in Section 3.3.

## ARTICLE VI

### ADDITIONAL PROVISIONS

Section 6.1. Restrictions on Use. Until termination of this Agreement, 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 operate, or cause to be operated, the Project as a manufacturing facility and shall devote the Development Property to, and in accordance with, the uses specified in this Agreement.

Section 6.2. Conflicts of Interest. No member of the governing body or other official of the City shall have any financial interest, direct or indirect, in this Agreement, the Development Property or the Project, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the City shall be personally liable to the City in the event of any default or breach by the Developer or successor or on any obligations under the terms of this Agreement.

Section 6.3. 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 6.4. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by any party to any 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

- (1) in the case of the Developer is addressed to or delivered personally to:

NRB Metals, LLC  
Attention: Nickolas Beyerstedt  
202 Industrial Park Drive  
St. Charles, MN 55972

- (2) in the case of the City is addressed to or delivered personally to the City

at:

City of St. Charles, Minnesota  
Attention: City Administrator  
St. Charles City Hall  
830 Whitewater Avenue  
St. Charles, MN 55972-1129

with a copy to:

Briggs and Morgan, P.A.  
Attention: Mary Ippel  
W2200 First National Bank Building  
332 Minnesota Street  
St. Paul, MN 55101

or at such other address with respect to any such party as that party may, from time to time, designate in writing and forward to the other, as provided in this Section.

Section 6.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 6.6. Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 6.7. Expiration. This Agreement shall expire on the earlier of (i) February 1, 2023, (ii) the date the TIF Note is paid in full or (iii) the date this Agreement is terminated or rescinded in accordance with its terms.

Section 6.8. Provisions Surviving Rescission or Expiration. Sections 4.5 and 4.6 shall survive any rescission, termination or expiration of this Agreement with respect to or arising out of any event, occurrence or circumstance existing prior to the date thereof.

Section 6.9. Assignability of Agreement. This Agreement may be assigned only with the consent of the City. The TIF Note may only be assigned pursuant to the terms of the TIF Note.

Section 6.10. Original Agreement. The Original Agreement shall be cancelled as of the date of this Agreement.

IN WITNESS WHEREOF, the City has caused this Agreement to be duly executed in its name and on its behalf and the Developer has caused this Agreement to be duly executed in its name and on its behalf, on or as of the date first above written.

CITY OF ST. CHARLES, MINNESOTA

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its City Administrator

This is a signature page to the Amended and Restated Development Agreement by and between the City of St. Charles, Minnesota and NRB Metals, LLC.

NRB METALS, LLC

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

This is a signature page to the Amended and Restated Development Agreement by and between the City of St. Charles, Minnesota and NRB Metals, LLC.

EXHIBIT A

Description of Development Property

29.096.0020

29.096.0030

EXHIBIT B

Form of TIF Note

No. R-1

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF WINONA  
CITY OF ST. CHARLES

TAX INCREMENT REVENUE NOTE  
(NRB METALS, LLC PROJECT)

The City of St. Charles, Minnesota (the "City"), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay the amounts hereinafter described (the "Payment Amounts") to NRB Metals, LLC (the "Developer") or its registered assigns (the "Registered Owner"), but only in the manner, at the times, from the sources of revenue, and to the extent hereinafter provided.

The principal amount of this Note shall equal from time to time the principal amount stated above, as reduced to the extent that such principal installments shall have been paid in whole or in part pursuant to the terms hereof; provided that the sum of the principal amount listed above shall in no event exceed \$80,000 as provided in that certain Development Agreement, dated as of \_\_\_\_\_, 2014, as the same may be amended from time to time (the "Development Agreement"), by and between the City and the Developer. The unpaid principal amount hereof shall bear interest from the date of this Note at the simple non-compounded rate of five and no hundredths percent (3.00%) per annum. Interest shall be computed on the basis of a 360 day year consisting of twelve (12) 30-day months.

The amounts due under this Note shall be payable on August 1, 2014, and on each February 1 and August 1 thereafter to and including February 1, 2023, or, if the first should not be a Business Day (as defined in the Development Agreement), the next succeeding Business Day (the "Payment Dates"). On each Payment Date the City shall pay by check or draft mailed to the person that was the Registered Owner of this Note at the close of the last business day of the City preceding such Payment Date an amount equal to the sum of the Tax Increments (hereinafter defined) received by the City during the six month period preceding such Payment Date. All payments made by the City under this Note shall first be applied to accrued interest and then to principal.

The Payment Amounts due hereon shall be payable solely from 90% of tax increments (the "Tax Increments") from the Development Property (as defined in the Development Agreement) within the City's Tax Increment Financing District No. 1-7 (the "Tax Increment District") within its Development District No. 1 which are paid to the City and which the City is entitled to retain pursuant to the provisions of Minnesota Statutes, Sections 469.174 through 469.1794, as the same may be amended or supplemented from time to time (the "Tax Increment Act"). This Note shall terminate and be of no further force and effect following the last Payment Date defined above, on any date upon which the City shall have terminated the Development Agreement under Section 4.2(2) thereof or the Developer shall have terminated the Development Agreement under Article V thereof, on the date the Tax Increment District is terminated, or on the date that all principal payable hereunder shall have been paid in full, whichever occurs earliest.

The City makes no representation or covenant, express or implied, that the Tax Increments will be sufficient to pay, in whole or in part, the amounts which are or may become due and payable hereunder.

The City's payment obligations hereunder shall be further conditioned on the fact that no Event of Default under the Development Agreement shall have occurred and be continuing at the time payment is otherwise due hereunder, but such unpaid amounts shall become payable if said Event of Default shall thereafter have been cured; and, further, if pursuant to the occurrence of an Event of Default under the Development Agreement the City elects to cancel and rescind the Development Agreement, the City shall have no further debt or obligation under this Note whatsoever. Reference is hereby made to all of the provisions of the Development Agreement, including without limitation Section 3.3 thereof, for a fuller statement of the rights and obligations of the City to pay the principal of this Note, and said provisions are hereby incorporated into this Note as though set out in full herein.

This Note is a special, limited revenue obligation and not a general obligation of the City and is payable by the City only from the sources and subject to the qualifications stated or referenced herein. This Note is not a general obligation of the City and neither the full faith and credit nor the taxing powers of the City are pledged to the payment of the principal of this Note and no property or other asset of the City, save and except the above-referenced Tax Increments, is or shall be a source of payment of the City's obligations hereunder.

This Note is issued by the City in aid of financing a project pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including the Tax Increment Act.

This Note may be assigned only with the consent of the City which consent shall not be unreasonably withheld. In order to assign the Note, the assignee shall surrender the same to the City either in exchange for a new fully registered note or for transfer of this Note on the registration records for the Note maintained by the City. Each permitted assignee shall take this Note subject to the foregoing conditions and subject to all provisions stated or referenced herein.

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 have happened, and to be performed precedent to and in the issuance of this Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; and that this Note, together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation thereon.

IN WITNESS WHEREOF, City of St. Charles, Minnesota, by its City Council, has caused this Note to be executed by the manual signatures of its Mayor and City Administrator and has caused this Note to be dated as of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
City Administrator

\_\_\_\_\_  
Mayor

**CERTIFICATION OF REGISTRATION**

It is hereby certified that the foregoing Note was registered in the name of NRB Metals, LLC, and that, at the request of the Registered Owner of this Note, the undersigned has this day registered the Note in the name of such Registered Owner, as indicated in the registration blank below, on the books kept by the undersigned for such purposes.

NAME AND ADDRESS OF  
REGISTERED OWNER

DATE OF  
REGISTRATION

SIGNATURE OF  
CITY ADMINISTRATOR

NRB Metals, LLC  
202 Industrial Park Drive  
St. Charles, MN 55972

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## EXHIBIT C

### Site Improvements

Landscaping, including irrigation

Foundations and Footings

Grading/earthwork

Engineering

Survey

Environmental Testing

Soil Borings

Site Preparation

Onsite Utilities

Storm Water/Ponding

Outdoor Lighting

Onsite Road, Curb, Gutter, Driveway, Sidewalk and Streetscape Improvements

Parking

**City of St. Charles, Minnesota  
(Winona County)  
Economic Development TIF District No. 1-8  
(Active Tool & Die Project)  
BASIC TERMS FOR BUSINESS SUBSIDY CONTRACT**

**The "Company":**

Active Tool & Die, Inc.  
c/o Darin Ihrke, CEO  
88 Pearson Drive  
St. Charles, MN 55972

**The "Development Site":**

The south two acres of Tax Parcel 29.026.0040

**The Company Agrees To:**

1. Substantially complete construction of the Minimum Improvements by December 31, 2014. Minimum Improvements is defined as the construction of a manufacturing facility estimated size of 12,000 square feet and associated site improvements.
2. Purchase the south two acres of Parcel 29.0026.0040 in the Chattanooga Innovation Park from the City for \$1 (actual sales value is \$130,680). The Company will not guarantee full repayment of full value in the event that tax increments fall short.
3. Not challenge taxable market valuation for duration of contract.
4. Maintain operations for at least five years from the Benefit Date, defined as the date the Minimum Improvements are completed.
5. Create at least 3 new FTE jobs with an average wage /benefit package of \$12 per hour within two years of the Benefit Date.
6. Submit employment reports, on forms prescribed by the City, by March 1 each year until the employment goals are achieved.
7. Repay any assistance received plus interest to the extent the goals in #3 and #4 are not met.
8. Indemnify the City for the project.

**The City Agrees To:**

1. Establish Economic Development Tax Increment Financing District No. 1-8. Tax increments shall be used to reimburse the City for the full value of the land plus 3.3% interest to the maximum extent possible.
2. Sell 2 acres of developed land to the Company for \$1 free and clear of any special assessments.
3. Provide up to a \$50,000 up front forgivable loan to assist with equipment and other expenses (this is a non-tax increment benefit). The full amount of the loan shall be forgiven if the goals noted above are fully met after five years.

**Estimated Total Benefit:**

TIF Benefit / Land Cost Write Down	\$130,679
Forgivable Loan	\$50,000
Total Benefit:	\$180,679

**EXTRACT OF MINUTES OF A MEETING OF THE  
PLANNING COMMISSION OF  
THE CITY OF ST. CHARLES, MINNESOTA**

HELD: June 5, 2014

Pursuant to due call and notice thereof, a regular meeting of the Planning Commission of the City of St. Charles, Winona County, Minnesota, was duly held at City Hall on the 5<sup>th</sup> day of June, 2014, at 7:00 p.m. for the purpose, in part, of making a recommendation to the City Council on the modification of Municipal Development District No. 1 and the establishment of Tax Increment Financing District No. 1-8 therein.

The following Commissioners were present: Nancy Heim, John Schaber, Bruce Dorman  
Jerel Mockenhaupt, Tim Jones

And the following were absent: Wayne Getz

Commissioner Jerel Mockenhaupt introduced the following resolution and moved its adoption;

**RESOLUTION #15-2014 RECOMMENDING APPROVAL  
OF THE MODIFICATION OF MUNICIPAL DEVELOPMENT DISTRICT NO. 1,  
THE MODIFICATION OF THE DEVELOPMENT PROGRAM RELATING THERETO,  
THE ESTABLISHMENT OF TAX INCREMENT FINANCING DISTRICT NO. 1-8  
AND THE ADOPTION OF A TAX INCREMENT FINANCING PLAN RELATING THERETO.**

WHEREAS, the Planning Commission has reviewed the documents relating to the proposed modification of Municipal Development District No. 1, the modification of the Development Program relating thereto, the establishment of Tax Increment Financing District No. 1-8, and the adoption of a Tax Increment Financing Plan relating thereto; and

WHEREAS, the Planning Commission has been asked to provide a recommendation to the City Council regarding the adoption of the same;

NOW THEREFORE BE IT RESOLVED by the Planning Commission of the City of St. Charles, Winona County, Minnesota (the "City"), as follows:

1. The proposed development of the project area as described in the modified Development Program and Financing Plan will serve to complement the City's plans for creation of development opportunities in the City, and serves to promote the City's development objectives.

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

And the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

**EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL OF THE CITY  
OF ST. CHARLES, MINNESOTA**

HELD: June 10, 2014

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of St. Charles, Winona County, Minnesota, was duly called and held on the 10th day of June, 2014, at 7:00 p.m.

The following members of the Council were present:

and the following were absent:

Member \_\_\_\_\_ introduced the following resolution and moved its adoption:

**RESOLUTION NO. 18-2014 APPROVING THE  
MODIFICATION OF MUNICIPAL DEVELOPMENT DISTRICT NO. 1,  
THE MODIFICATION OF THE DEVELOPMENT PROGRAM RELATING THERETO,  
THE ESTABLISHMENT OF TAX INCREMENT FINANCING DISTRICT NO. 1-8 AND  
THE ADOPTION OF THE TAX INCREMENT FINANCING PLAN RELATING THERETO**

**WHEREAS:**

A. It has been proposed that the City of St. Charles, Minnesota (the "City"), modify Municipal Development District No. 1 and a Development Program relating thereto and establish Tax Increment Financing District No. 1-8 and adopt a tax increment financing plan with respect thereto, under the provisions of Minnesota Statutes, Sections 469.124 to 469.134 and 469.174 to 469.1799 (collectively, the "Act"); and

B. The City of St. Charles has investigated the facts and has caused to be prepared a modification of the development program for Development District No. 1 and a tax increment financing plan for Tax Increment Financing District No. 1-8; and

C. The City has performed all actions required by law to be performed prior to the modification of Development District No. 1, modification of the Development Program relating thereto, the establishment of Tax Increment Financing District No. 1-8 and the adoption of the tax increment financing plan relating thereto, including, but not limited to, notification of Winona County and St. Charles Independent School District #858 having taxing jurisdiction over the property to be included in Tax Increment Financing District No. 1-8, and the holding of a public hearing upon published and required notice as required by law.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of St. Charles as follows:

1. Development District No. 1 and Tax Increment Financing District No. 1-8. The City hereby approves the modification of Development District No. 1 and of the Development Plan relating thereto, and the establishment of Tax Increment Financing District No. 1-8, the boundaries of which are fixed and determined as described in the Tax Increment Financing Plan.

2. Tax Increment Financing Plan. The Tax Increment Financing Plan is adopted as the tax increment financing plan for Tax Increment Financing District No. 1-8, and the City Council makes the following findings;

- (a) Tax Increment Financing District No. 1-8 is an economic development district as defined in Minnesota Statutes, Section 469.174, Subd. 12.

The reasons and facts supporting this finding are that the creation of the TIF District will result in increased employment in the State and will preserve and enhance the tax base of the State.

- (b) The proposed development in the opinion of the City Council, would not occur solely through private investment within the reasonably foreseeable future and the increased market value of the site that could reasonably be expected to occur without the use of tax increment 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 Tax Increment Financing District No. 1-8 permitted by the Tax Increment Financing Plan.

The above finding is based on a letter submitted by the Developer stating that without the use of tax increment financing the Project could not proceed.

The City has further determined that no other development is expected to occur that would create a greater market value than that proposed, adjusting for the tax increment assistance. Any other development of the TIF District would have to create a market value increase of more than \$2,027,222 in order to exceed the value increase expected under the current proposal, after subtracting the present value of the tax increment for 9 years (See Market Value Analysis, Exhibit 5). Due to the amount of time the site in question has sat in its current condition the City has no reason to expect any significant development to occur without tax increment assistance. Therefore, the City reasonably believes that the expected increase in market value at this site without TIF assistance is limited to appreciation in existing real estate value, estimated to be approximately \$98,208 over the life of the TIF District.

To summarize the basis for the City's findings, the City makes the following determinations:

- 1) The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is \$98,208 (for the reasons described above).
  - 2) If the proposed development to be assisted with tax increment occurs in the TIF District, the total increase in market value would be approximately \$2,400,000. The increase in market value would be due primarily to new construction within the TIF District. (See Exhibit 3b)
  - 3) The present value of tax increments from the TIF District for the maximum duration of the district permitted by the TIF Plan is estimated to \$372,778 (See Exhibit 5)
  - 4) Even if some development other than the proposed development were to occur, the City Council finds that no alternative would occur that would produce a market value increase greater than \$2,027,222 (the amount in clause b less the amount in clause c) without tax increment assistance.
- (c) The Tax Increment Financing Plan for Tax Increment Financing District No. 1-8 conforms to the general plan for development or redevelopment of the City of St. Charles as a

whole.

The reasons and facts supporting this finding are that the development proposal is consistent with the City's zoning ordinances and comprehensive plans for the area, and serves to promote the City's development objectives. This is further supported by a resolution adopted by the City Planning Commission, recommending approval of the modification of the Development Program for Municipal Development District No. 1 and the establishment of Tax Increment Financing District No. 1-8 located therein.

- (d) The Tax Increment Financing Plan will afford maximum opportunity, consistent with the sound needs of the City of St. Charles as a whole, for the development or redevelopment of Tax Increment Financing District No. 1-8 by private enterprise.

The reasons and facts supporting this finding are that the assistance provided in this TIF Plan will assist in the construction of manufacturing facilities.

3. Public Purpose. The adoption of the Tax Increment Financing Plan conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the City which is already built up to provide employment opportunities to improve the tax base, and to improve the general economy of the State and thereby serves a public purpose.
4. Authorization of Interfund Loan. The City intends to finance up to \$10,000 of eligible development activities and administrative expenses associated with the redevelopment project utilizing internal funds of the City. This funding shall be repaid by tax increment revenues generated within Tax Increment Financing District No. 1-8 over a term not exceeding the statutory life of the TIF District. The interest rate to be charged on internal loans shall not exceed 4% based upon the limit of the greater of the rates specified under Minnesota Statutes 270C.40 or 549.09 as of the date this Plan is approved.
5. Certification. The Auditor of Winona County is requested to certify the original net tax capacity of Tax Increment Financing District No. 1-8 as described in the Tax Increment Financing Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased in accordance with the Act; and the City Administrator is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within Tax Increment District No. 1-8 for which building permits have been issued during the 18 months immediately preceding the adoption of this Resolution.
6. Filing. The City Administrator is further authorized and directed to file a copy of the Tax Increment Financing Plan with the Commissioner of Revenue.

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

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

**EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL OF THE  
CITY OF ST. CHARLES, MINNESOTA**

HELD: June 10, 2014

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of St. Charles, Winona County, Minnesota, was duly held at the City Hall on Wednesday, the 10th day of June, 2014, at 7:00 o'clock p.m. for the purpose, in part, of conducting a public hearing on providing a business subsidy to Active Tool & Die, Inc..

The following Councilmembers were present:

and the following were absent;

Councilmember \_\_\_\_\_ introduced the following resolution and moved its adoption;

**Resolution No. 19-2014**

**Approving Business Subsidy to Active Tool & Die, Inc.**

WHEREAS, the City of St. Charles, Minnesota (the "City") acknowledges the need to provide financial assistance to businesses in the City to further the economic and development objectives of the City; and

WHEREAS, the City of St. Charles has held a public hearing as required by Minnesota Statutes 116J.993 through 116J.995 prior to awarding a Business Subsidy in excess of \$150,000; and

WHEREAS, the City has performed all actions required by law to be performed prior to the awarding of a Business Subsidy Criteria, therefore

BE IT RESOLVED by the City Council (the "Council") of the City as follows:

1. The Council hereby approves providing financial assistance to Active Tool & Die, Inc. in accordance with the requirements of Minnesota Statutes 116J.993 through 116J.995; and
2. The Council hereby authorizes the Mayor and Administrator to execute the Development Agreement which will govern the assistance being provided to Active Tool & Die, Inc. in accordance with the terms agreed upon and as outlined in attached Exhibit A.

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

and the following voted against the same.

Whereupon said resolution was declared duly passed and adopted.

Exhibit A

City of St. Charles, Minnesota  
(Winona County)  
Economic Development TIF District No. 1-8  
(Active Tool & Die Project)

**BASIC TERMS FOR BUSINESS SUBSIDY CONTRACT**

**The "Company":**

Active Tool & Die, Inc.  
c/o Darin Ihrke, CEO  
88 Pearson Drive  
St. Charles, MN 55972

**The "Development Site":**

The south two acres of Tax Parcel 29.026.0040

**The Company Agrees To:**

1. Substantially complete construction of the Minimum Improvements by December 31, 2014. Minimum Improvements is defined as the construction of a manufacturing facility estimated size of 12,000 square feet and associated site improvements.
2. Purchase the south two acres of Parcel 29.0026.0040 in the Chattanooga Innovation Park from the City for \$1 (actual sales value is \$130,680). The Company will not guarantee full repayment of full value in the event that tax increments fall short.
3. Not challenge taxable market valuation for duration of contract.
4. Maintain operations for at least five years from the Benefit Date, defined as the date the Minimum Improvements are completed.
5. Create at least 3 new FTE jobs with an average wage /benefit package of \$12 per hour within two years of the Benefit Date.
6. Submit employment reports, on forms prescribed by the City, by March 1 each year until the employment goals are achieved.
7. Repay any assistance received plus interest to the extent the goals in #3 and #4 are not met.
8. Indemnify the City for the project.

**The City Agrees To:**

1. Establish Economic Development Tax Increment Financing District No. 1-8. Tax increments shall be used to reimburse the City for the full value of the land plus 3.3% interest to the maximum extent possible.
2. Sell 2 acres of developed land to the Company for \$1 free and clear of any special assessments.
3. Provide up to a \$50,000 up front forgivable loan to assist with equipment and other expenses (this is a non-tax increment benefit). The full amount of the loan shall be forgiven if the goals noted above are fully met after five years.

**Estimated Total Benefit:**

TIF Benefit / Land Cost Write Down	\$130,679
Forgivable Loan	\$50,000
Total Benefit:	\$180,679

***DRAFT***

**City of St. Charles, Minnesota  
(Winona County)**

**Modification of Development Program for  
Municipal Development District No. 1**

**&**

**Tax Increment Financing Plan for  
Tax Increment Financing District No. 1-8  
(Active Tool & Die Project)**

To be adopted: June 10, 2014



Minneapolis Office:  
5029 Upton Avenue South  
Minneapolis, MN 55410  
612-920-3320 (phone); 612-605-2375 (fax)  
[www.daviddrown.com](http://www.daviddrown.com)

## Table of Contents

<b>Modified Development Program for Municipal Development District No. 1</b>	
Amended Sections Only.....	2
Introduction .....	2
Section C Property Description .....	2
<b>Tax Increment Financing Plan for Tax Increment Financing District No. 1-8</b>	
Section 1 Definitions.....	3
Section 2 Statement of Need and Public Purpose .....	3
Section 3 Statutory Authorization.....	3
Section 4 Statement of Objectives.....	3
Section 5 Development Activities for which the City has Designated a Developer .....	3
Section 6 Property to be Included in the TIF District.....	4
Section 7 Estimated Sources and Uses of Funds (Public Costs).....	4
Section 8 Estimated Impact on Other Taxing Jurisdictions.....	5
Section 9 Fiscal and economic implications.....	5
Section 10 Property to be acquired in the TIF District / Requirement for Agreements .....	5
Section 11 Estimated Amount of Bonded Indebtedness.....	5
Section 12 Designation of TIF District as an Economic Development District.....	6
Section 13 Original Net Tax Capacity.....	6
Section 14 Original Local Tax Rate .....	6
Section 15 Projected Retained Captured Net Tax Capacity and Tax Increment.....	7
Section 16 Statutory Duration of the TIF District.....	7
Section 17 Use of Tax Increments – Economic Development Districts .....	7
Section 18 Use of Tax Increments – General .....	8
Section 19 “Green Acres” .....	9
Section 20 4-Year Knock-Down Rule.....	9
Section 21 Tax Increment Pooling – 5-year Rule .....	9
Section 22 Excess Tax Increment .....	10
Section 23 Limitation on Administrative Expenses .....	10
Section 24 Prior Planned Improvements.....	10
Section 25 Development Agreements.....	11
Section 26 Business Subsidy Laws.....	11
Section 27 Assessment Agreements .....	12
Section 28 Modifications of the Tax Increment Financing Plan .....	12
Section 29 Administration of the Tax Increment Financing Plan .....	12
Section 30 Financial Reporting and Disclosure Requirements.....	13
Section 31 Findings and Need for Tax Increment Financing .....	14
Exhibits .....	16

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# Modified Development Program for Municipal Development District No. 1

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## Amended Sections Only

### Introduction

The City has been approached by Active Tool & Die, Inc. for tax increment financing assistance to assist with land acquisition costs associated with the construction of a new manufacturing facility. Active Tool & Die, Inc. has indicated, in writing, that the project would not be possible but for tax increment financing assistance. The development site was annexed into the City after the last modification to the Development Program for the previously adopted Municipal Development District No. 1 was approved. Therefore, the City intends to expand the boundaries of Municipal Development District No. 1 to allow for the creation of new Tax Increment Financing District No. 1-8 to assist this project.

This amendment is prepared in conjunction with the proposed creation of Tax Increment Financing District No. 1-8. Sections of the Development Program are amended as follows:

### Section C Property Description

The property within the City that constitutes Municipal Development District No. 1 includes the property contained within the boundaries described below and is illustrated on the map attached as Exhibit 1.

**The boundaries of Municipal Development District No. 1 are hereby modified to be coterminous with the corporate limits of the City of St. Charles, including all recently annexed property including but not limited to the following pieces of land:**

Section 30, Township 106, Range 10 West bounded as follows (approximately 28 acres EXCEPTING the 5.02 acres):

All that portion of the Northeast Quarter of the Southeast Quarter (NE ¼ of SE 1/4) of Section 30, Township 106 North, of Range 10 West of the Fifth Principal Meridian, lying North of the right of way of Interstate 90 as it now exists, EXCEPTING, therefrom, the following described parcel:

Commencing at the Northeast corner of the Northeast Quarter of the Southeast quarter (NE ¼ of SE1/4) of said Section 30; thence South 87 degrees 28' 30" West (Note: All bearings are in relation to the Winona County Coordinate System, 1927 Datum) along the North line of the Northeast Quarter (NE ¼) of said Southeast Quarter (SE ¼) for a distance of 733.09 feet to the point of beginning of the parcel to be described; thence continue South 87 degrees 28' 30" West along said North line for a distance of 583.00 feet to the Northwest corner of the Northeast Quarter (NE ¼) of said Southeast Quarter (SE ¼) thence South 01 degrees 34' 58" East along the West line of the Northeast Quarter (NE ¼) of said Southeast Quarter (SE ¼) for a distance of 375.00 feet; thence North 87 degrees 28' 30" East for a distance of 583.00 feet; thence North 01 degrees 34' 58" West for a distance of 375.00 feet to the point of the beginning. Said parcel contains 5.02 acres, more, or less.

Section 30, Township 106, Range 10 West bounded as follows:

That part of the Northwest Quarter of the Southeast Quarter (NW ¼ of SE ¼) of Section 30, Township 106 North, Range 10 West, Winona County, Minnesota, lying Northerly of the Northerly right of way of Interstate Highway I-90 and Easterly of the Easterly right of way line of Minnesota Trunk Highway No. 74. Approximately 4.6 acres

**The City reserves the right to adjust the boundaries of the Development District in the future.**

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# Tax Increment Financing Plan for Tax Increment Financing District No. 1-8

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## **Section 1     Definitions**

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

"City" means the City of St. Charles, Minnesota.

"City Council" means the City Council of the City of St. Charles, Minnesota.

"County" means Winona County, Minnesota.

"County Board" means the County Board of Winona County.

"Developer" means Active Tool & Die, Inc., their successors and assigns, and any other Developer within the boundaries of the Tax Increment Financing District No. 1-8.

"Development District" means Development District No. 1 in the City.

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

"Project" means initially sale of land to allow for the construction of a new 12,000 square foot manufacturing facility, and additional eligible facilities constructed in the future within Tax Increment Financing District No. 1-8.

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

"School District" means the School District No. 858.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1799, both inclusive.

"TIF District" means Economic Development Tax Increment Financing District No. 1-8.

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

## **Section 2     Statement of Need and Public Purpose**

See the Development Program for Development District No. 1 which is on file at the City Administrator's office at City Hall in St. Charles.

## **Section 3     Statutory Authorization**

The City is empowered under the provisions of the TIF Act to establish a tax increment financing district.

## **Section 4     Statement of Objectives**

The objectives of this tax increment financing plan are consistent with the objectives outlined in the Development Program.

## **Section 5     Development Activities for which the City has Designated a Developer**

The initial Developer for the TIF District is Active Tool & Die, Inc. Active Tool & Die, Inc. was founded in 1997 as a manufacturer of high quality precision tools and machined parts. The company has experienced steady growth since that time and is looking to expand into a new facility it would construct in the Chattanooga Innovation Park which was developed by the City in 2011 along Interstate 90. The company intends to purchase two acres from the City for this purpose. The company has indicated to the City that the cost of land

acquisition, relocation and construction is cost prohibitive. They have indicated in writing that without the use of tax increment financing to write down land costs the Project could not proceed.

The City has various contacts with additional potential Developers within the TIF District. Therefore, the City intends to utilize tax increment financing to reduce land costs for Active Tool & Die, Inc. and other Developers that may require assistance within TIF District No. 1-8.

**Section 6 Property to be Included in the TIF District**

The boundaries for TIF District No. 1-8 fully include two existing tax parcels:

29.026.0030  
29.026.0040\*

*\* The initial Developer is only purchasing the south two acres of this parcel. The City intends to split this parcel and fully expects new parcel numbers to be assigned.*

The boundaries of the TIF District shall include all street rights-of-way and utility or drainage easements located upon or adjacent to the parcels noted above. Refer to Exhibit 1 for the exact boundaries of the TIF District.

**Section 7 Estimated Sources and Uses of Funds (Public Costs)**

The estimated costs of the proposed development in the TIF District which are eligible for reimbursement with tax increments of the TIF District and the projected sources of revenue available to fund these costs are summarized below.

**Estimated Project/Financing Costs to be paid or financed with increment:**

<u>Project / Capital Costs:</u>	
Land Acquisition	335,500
Site Improvement/Prep	0
Utilities	0
Other Public Improvements	0
Construction of Affordable Housing	0
Small City Authorized Costs	0
	<u>\$335,500</u>
 <u>Finance Costs:</u>	
Bond & Note Interest Expense	<u>\$72,715</u>
 <u>Administrative Costs</u>	
Administration funded with TIF	<u>\$45,357</u>
 <b>Total Uses of Funds</b>	 <b>\$453,572</b>

**Estimated Tax Increment Revenues**

Tax Increments	453,572
Investment Interest	0
Sales/Lease Proceeds	0
Market Value Homestead Credit	<u>0</u>
 <b>Total Sources of Funds</b>	 <b>\$453,572</b>
 <b>Estimated Amount of Bonds</b>	 <b>\$380,857</b>

The City reserves the right to adjust the amount of Capital and Administrative line items listed above or to incorporate additional eligible items, so long as the total Capital and Administrative costs are not increased (\$380,857). Adjusting financing costs, principal or interest, will require a public hearing and formal TIF Plan modification process pursuant to Minnesota Statutes Section 469.175 Subd. 4. The City also reserves the right to fund any of the identified costs with any other legally available revenues, but anticipates that such costs will be primarily financed with tax increments. Therefore, the total estimated costs to be financed with tax increments, including capital costs, administrative costs and financing costs (interest) is \$453,572.

### **Section 8 Estimated Impact on Other Taxing Jurisdictions**

Exhibit 4 shows the estimated impact on other taxing jurisdictions if the projected Retained Captured Net Tax Capacity of the TIF District were hypothetically available to the other jurisdictions. The City believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

### **Section 9 Fiscal and economic implications**

M.S. Section 469.175 Subdivision 2(b) requires a specific description of the fiscal and economic implications of the proposed TIF District. Please refer to Exhibit 4 for an estimate of the captured tax increments by jurisdiction. The probable impact of the TIF District on City-provided services such as police and fire protection, public infrastructure, and the impact of any general obligation tax increment bonds attributable to the TIF District upon the City's ability to issue other debt for general fund purposes are minimal. This statement is made on the following findings:

*It is the opinion of the City that the existing sanitary wastewater and water systems of the City have adequate capacity to serve the project, and are ultimately paid for through utility rates which this new development will pay. In terms of fire and police protection, it is the City's opinion that there will be no significant increase in police calls or the need for additional fire protection personnel for the City. Additionally, it is the opinion of the City that police and fire protection services can be provided to the TIF District with no identifiable budget impacts or the direct need for any additional capital equipment.*

*Since the development is taking place in an already developed area of the City, no impact is expected in terms of snow removal and/or road maintenance costs. The factors supporting this finding include the nature of the project, the relatively short duration of this TIF District, its projected tenants, and its location in the City.*

*The City intends to assist the Project utilizing internal funding mechanisms to reduce land costs for both the initial and future Developers. This type of debt instrument does not apply to the City's legal debt limit nor does it carry the City's General Obligation pledge. As such, this TIF District will not have an adverse impact on the City's current bond credit rating or capacity to borrow for future projects.*

### **Section 10 Property to be acquired in the TIF District / Requirement for Agreements**

The City does not intend to acquire any parcels directly with tax increments. In fact, the City already owns all property proposed to be included in the TIF District which is being marketed for sale to potential manufacturers and other eligible users. The City only intends to use tax increments to lower land acquisition costs for Developers in the TIF District using internal funding mechanisms (i.e. interfund loans).

### **Section 11 Estimated Amount of Bonded Indebtedness**

The Authority reserves the right to fund all Project costs permitted by law using internal funding, general obligation bonds, pay-as-you-go financing or any other financing mechanism authorized by law. The maximum amount of bonds to be funded with tax increment revenue from TIF District No. 1-8 is \$380,857.

Internal Loans, including a negative balance in the TIF fund, must be authorized by resolution of the entity advancing the loan before money is transferred, advanced or spent. The resolution must include the terms and conditions for repayment of the loan to include, at a minimum, the principal amount of the loan, the interest rate and the maximum term. The interest rate to be charged on internal loans shall not exceed the greater of the rates specified under Minnesota Statutes 270C.40 or 549.09 as of the date this Plan is approved, which is currently 4%.

## **Section 12 Designation of TIF District as an Economic Development District**

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

1. it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality;
2. it will result in increased employment in the state; or
3. it will result in preservation and enhancement of the tax base of the state.

The TIF District qualifies as an economic development district in that the proposed development described in this TIF Plan (see Sections 5 and 17) and will increase both tax base and employment opportunities within the City. Without establishment of the TIF District, the proposed development would not occur within the City. This finding is supported by a letter submitted by Active Tool & Die, Inc. stating that but for the use of tax increment financing the Project could not proceed.

## **Section 13 Original Net Tax Capacity**

The County Auditor will certify the Original Net Tax Capacity of the TIF District, which will be the total Net Tax Capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The City intends to file the request for certification after July 1, 2014. As such, the Original Tax Capacity will be the net tax capacity as of January 2, 2014 (assessed value for taxes payable 2015) and is unknown at this time. The assessed values for taxes payable 2014 are included for estimation purposes only.

The Market Value of all property within the TIF District as of January 2, 2013 for taxes payable in 2014 is estimated at \$446,400. At this value, the Original Net Tax Capacity of the TIF District would be \$7,428 (see Exhibit 2).

Each year the County Auditor will certify the amount that the Original Net Tax Capacity has increased or decreased as a result of:

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

## **Section 14 Original Local Tax Rate**

The County Auditor shall also certify the Original Local Tax Rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the Original Net Tax Capacity.

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

As noted in Section 13, the City intends to file the TIF District for certification after July 1, 2014; therefore, the Original Local Tax Rate will be the rate that applies for taxes payable in 2015, which is unknown at this time. The rates associated with taxes payable 2014 are included for estimation purposes only:

<u>Taxing Jurisdiction</u>	<u>2013/2014 Local Tax Rate</u>
City of St. Charles	40.640%
Winona County	38.425%
School District 858*	13.485%
Other	<u>2.060%</u>
<b>Total</b>	<b>94.610%</b>

The projected original local tax rate does not include the State of Minnesota property tax rate on commercial, industrial and seasonal recreation property, which is estimated to be 52.523% for 2014. The state property tax is *not* captured as tax increment.

*\* Minnesota Statutes Section 469.177 Subd. 1a was amended in 2013 redefining what portion of the local school district tax capacity rate will be used in calculating tax increments. Specifically, this amendment now excludes that portion of the school rate attributable to the general education levy under Section 126C.13. The rate shown is an estimate of the applicable rate.*

**Section 15 Projected Retained Captured Net Tax Capacity and Tax Increment**

Each year the County Auditor will determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the Original Net Tax Capacity, the difference shall be known as the Captured Net Tax Capacity of the TIF District. It is the City's intention to retain 100% of the Captured Net Tax Capacity of the TIF District.

Exhibits 3a and 3b estimate the total amount of retained net captured tax capacity, gross tax increments, adjustments, and the net tax increment revenues which will be available annually and cumulatively over the life of the TIF District.

**Section 16 Statutory Duration of the TIF District**

Economic development districts may remain in existence for eight years from the date of receipt of the first tax increment. This produces nine (9) annual collections of tax increments. Modifications of this plan (see Section 28) may not extend these limitations unless the City elects under certain circumstances to extend the duration of TIF District in order to recover eligible pollution cleanup costs incurred by the City (see M.S. Section 469.176, Subd. 1g for details).

The City intends to request certification of this TIF District after July 1<sup>st</sup>, 2014. As such, the City expects 2016 to be the first year to collect tax increment revenues.. The City expects this TIF District to remain in existence the maximum duration allowed by law. Therefore, the expected date of required decertification is stated as December 31<sup>st</sup>, 2024.

**Section 17 Use of Tax Increments – Economic Development Districts**

Pursuant to Minnesota Statutes Section 469.176 Subd. 4, tax increments from an economic development district typically must be used solely to provide improvements, loans, subsidies, grants, interest rate subsidies, or other assistance in which at least 85% of the square footage of the facilities to be constructed are used for any of the following purposes:

1. manufacturing, production, or processing of tangible personal property;
2. warehousing, storage and distribution of tangible personal property, excluding retail sales;
3. research and development related to the activities listed in (1) or (2) above;
4. telemarketing if that activity is the exclusive use of the property;
5. tourism facilities as defined in M.S. Section 469.174, Subdivision 22; or
6. space necessary for and related to the activities listed in (1) through (5) above.

*This TIF District satisfies the requirements for an Economic Development TIF District. See Section 5.*

### **Section 18 Use of Tax Increments – General**

Each year County Treasurer shall deduct an estimated 0.36% of the annual tax increment generated by the TIF District and pay such amount to the state general fund. Such amounts will be appropriated to the state auditor for the cost of financial reporting and auditing of tax increment financing information throughout the state. Exhibit 3 shows the projected deduction for this purpose over the anticipated life of the TIF District.

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

1. Pay for the estimated public costs of the TIF District (including administrative expenses, see Section 7) and City administrative costs associated with the TIF District (see Section 29);
2. pay principal and interest on tax increment bonds, notes or other financial obligations issued to finance the public costs of the TIF District;
3. accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the public costs of the TIF District;
4. pay all or a portion of the County road costs as may be required by the County Board under M.S. Section 469.175, Subdivision 1a; or
5. return excess tax increments to the County Auditor for redistribution to the City, County and School District in proportion to their local tax capacity rates.

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

Tax increment may not be used to finance the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the State or Federal government. Further, tax increments may not be used to finance: a commons area used as a public park; facilities used for social or recreational purposes (whether public or private); or publicly-owned facilities used for conference purposes; provided that tax increment may be used for a privately owned conference facility, and for parking structures whether public or privately owned and whether or not they are ancillary to one of the otherwise prohibited uses described above.

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

would otherwise be paid for by the developer or beneficiary.

### **Section 19 "Green Acres"**

The TIF District may not include parcels that qualified as "green acres" in any of the five (5) years preceding the request for certification, unless 85% of development in the district is restricted to Qualified Facilities which pay at least 90% of employee's wages equal to or greater than 160% of the federal minimum wage.

None of the parcels located within the TIF District was enrolled in the Green Acres program (see M.S. 273.111) within the prior five years of the anticipated certification request date.

### **Section 20 4-Year Knock-Down Rule**

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

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

### **Section 21 Tax Increment Pooling – 5-year Rule**

At least 80% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District. No more than 20% of the tax increments may be spent on costs outside of the TIF District, but within the boundaries of the Project Area. All administrative expenses are considered to have been spent outside of the TIF District. Tax increments are considered to have been spent within the TIF District if such amounts are:

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

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

The City does not anticipate the need to pool tax increment revenues between this TIF District and other existing or future TIF Districts within Development District No. 1.

## **Section 22 Excess Tax Increment**

On December 31st of each year, the City must determine the amount of excess increments for the TIF District. See M.S. Section 469.176 subdivision 2 for a complete definition. Excess increments may only be used to:

1. prepay any outstanding tax increment Bonds;
2. discharge the pledge of tax increments on any outstanding Bonds.
3. pay amounts into an escrow account dedicated to the payment of any outstanding Bonds; or
4. return excess tax increments to the County Auditor for redistribution to the City, County and School District in proportion to their local tax capacity rates. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

Allocation of excess increments must be completed by September 30<sup>th</sup> in the year following the year in which excess increments were generated.

## **Section 23 Limitation on Administrative Expenses**

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

1. amounts paid for the purchase of land;
2. amounts paid for materials and services, including architectural and engineering services directly connected with the proposed development within the TIF District;
3. relocation benefits paid to, or services provided for, persons or businesses located within the TIF District; or
4. amounts used to pay interest on, fund a reserve for, or sell at a discount, tax increment bonds.
5. amounts used to make payments on other financial obligations used to finance costs outlined above.

Administrative expenses include amounts paid for services provided by bond counsel, fiscal consultants, planning or economic development consultants, and actual costs incurred by the City in administering the TIF District. For TIF Districts with certification request dates after July 31, 2001 tax increments may be used to pay administrative expenses of the TIF District up to the lesser of (a) 10% of the total tax increment expenditures authorized by the TIF plan or (b) 10% of the total tax increments received by the TIF District. However, tax increments used to pay County expenses pursuant to M.S. Section 469.176 Subd. 3(d) are not subject to these percentage limits.

The City intends to retain the full 10% of tax increment collected allowed by law to pay its expenses related to administering the TIF District. See Exhibit 3b.

## **Section 24 Prior Planned Improvements**

The City shall accompany its request for certification to the County Auditor with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the Original Net Tax Capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

The City has issued no building permits for properties within the TIF District during the past 18 months.

## **Section 25 Development Agreements**

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

The City does not intend to acquire any land within the TIF District utilizing tax increments. See Section 10.

## **Section 26 Business Subsidy Laws**

Minnesota Statutes 116J.994 requires a City or Authority providing financial assistance of between \$25,000-150,000 or a business subsidy worth \$150,000 or more to complete an approval process as described below. Housing projects and many redevelopment projects are exempt from the requirements.

For financial assistance of \$25,000-149,999:

1. Adopt criteria for awarding business subsidies following a public hearing.
2. Complete the Financial Assistance Report annually for two years

For a business subsidy of \$150,000 or more, the Authority must complete the following:

1. Adopt criteria for awarding business subsidies following a public hearing.
2. Conduct a public hearing on the subsidy, after providing at least 10 days published notice in the local newspaper.
3. Enter into a subsidy agreement which must include the following information and requirements:
  - a. A description of the subsidy.
  - b. A statement of the public purpose and goals of the subsidy.
  - c. Wage and job creation goals (or job retention goals, if job loss is imminent and demonstrable) to be achieved within 2 years of receiving the subsidy;
  - d. A description of the recipient's financial obligation if the goals are not met. The recipient must pay back the assistance with interest if goals are not met, although pro-ratio to reflect partial fulfillment of goals is permitted.
  - e. A statement of why the subsidy is needed.
  - f. A commitment from the recipient to continue operations at the site for at least 5 years;
  - g. The name and address of the parent company of the recipient;
  - h. A list of all other financial assistance to the project; and
  - i. A requirement for the recipient to provide the Authority and the Department of Employment and Economic Development with annual information regarding goals for two years after receiving the subsidy or until the goals are achieved. The reports must be filed by March 1 for the prior year.

The amount of assistance contemplated in this plan is expected to exceed \$150,000 for Active Tool & Die, Inc.. As such, the City shall hold a Business Subsidy Public Hearing pursuant to the Business Subsidy Act.

### **Section 27 Assessment Agreements**

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

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

### **Section 28 Modifications of the Tax Increment Financing Plan**

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

1. the only modification is elimination of parcels from the Project Area or the TIF District; and
2. the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's Original Net Tax Capacity, or the City agrees that the TIF District's Original Net Tax Capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

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

### **Section 29 Administration of the Tax Increment Financing Plan**

After adoption of the TIF Plan, the City shall submit a copy of such plan to the State Auditor's Office. The City shall also request that the County Auditor certify the Original Net Tax Capacity and Net Tax Capacity Rate of the TIF District. To assist the County Auditor in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements. The City shall also send the County Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District, and shall request that the County Assessor review and certify this assessment agreement as reasonable.

The County shall distribute to the City the amount of tax increment as it becomes available. The amount of tax increment in any year represents the applicable property taxes generated by the Retained Captured Net Tax Capacity of the TIF District. The amount of tax increment may change due to development anticipated by the TIF Plan, other development, inflation of property values, or changes in property classification rates or formulas.

In administering and implementing the TIF Plan, the following actions should occur on an annual basis:

1. Prior to July 1, the City shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to insure that the new value will be recorded in a timely manner.
2. If the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine

local tax rates in subsequent years.

Each year the County Auditor shall certify the amount of the Original Net Tax Capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:

1. the value of property that changes from tax-exempt to taxable shall be added to the Original Net Tax Capacity of the TIF District. The reverse shall also apply;
2. the Original Net Tax Capacity may be modified by any approved enlargement or reduction of the TIF District;
3. if laws governing the classification of real property cause changes to the percentage of Estimated Market Value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the Original Net Tax Capacity and the Retained Captured Net Tax Capacity of the TIF District.

The County Auditor shall notify the City of all changes made to the Original Net Tax Capacity of the TIF District.

### **Section 30 Financial Reporting and Disclosure Requirements**

The City is responsible for information and financial reporting on the activities of the TIF District. These responsibilities include:

1. Prepare and Publish an Annual Statement. No later than August 1 of each year, the City must prepare and publish an annual statement which includes at least the following information:
  - (a) tax increment received and expended in that year
  - (b) Original Net Tax Capacity
  - (c) captured Net Tax Capacity
  - (d) amount of outstanding bonded indebtedness
  - (e) increments paid to other government bodies
  - (f) administrative costs
  - (g) increments paid directly or indirectly outside of the district
  - (h) if a fiscal disparities contribution is computed under section 469.177, Subd. 3(a), the increase in property tax imposed on other properties in the municipality as a result of the fiscal disparities contribution in the manner prescribed by the commissioner of revenue.

A copy of the annual statement must also be provided to the State Auditor, county board and county auditor, school board, and the municipality.

2. Prepare an Annual Report. (469.175 Subds. 5 and 6) The State Auditor enforces the provisions of the TIF Act and has full responsibility for financial and compliance auditing of the City's use of tax increment financing. The State Auditor's office provides detailed tax increment reporting forms for use in complying with annual reporting requirements. On or before August 1 of each year, the City and/or the City must prepare a status and financial report for the TIF District and submit it to the state auditor, the county board, the county auditor, the school board, and the governing body of the municipality, if the municipality is not also the City.
3. Prepare a Minnesota Business Assistance Form. (116J.994) By April 1, the Authority must submit a report to the Department of Employment and Economic Development:
  - a. "Financial Assistance" Report for assistance greater than \$25,000 but less than \$150,000.
  - b. A "JOBZ Business Subsidy Form" or "Non-JOBZ Business Subsidy" for assistance of \$150,000 or

greater to report on wage and job goals and progress made in achieving them. A reporting form is provided by the Department, and must be submitted for each business which has received TIF assistance.

### **Section 31 Findings and Need for Tax Increment Financing**

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

1. The TIF District qualifies as an economic development district;

*The TIF District qualifies as an economic development district in that the proposed development described in this TIF Plan (see Section 5) meets all of the criteria listed in Sections 12, 17 and 18 above.*

2. The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and the increased market value of the site that could reasonably be expected to occur without the use of tax increment would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan;

*The above finding is based on a letter submitted by the Developer stating that without the use of tax increment financing the Project could not proceed.*

*The City has further determined that no other development is expected to occur that would create a greater market value than that proposed, adjusting for the tax increment assistance. Any other development of the TIF District would have to create a market value increase of more than \$2,027,222 in order to exceed the value increase expected under the current proposal, after subtracting the present value of the tax increment for 9 years (See Market Value Analysis, Exhibit 5). Due to the amount of time the site in question has sat in its current condition the City has no reason to expect any significant development to occur without tax increment assistance. Therefore, the City reasonably believes that the expected increase in market value at this site without TIF assistance is limited to appreciation in existing real estate value, estimated to be approximately \$98,208 over the life of the TIF District.*

To summarize the basis for the City's findings, the City makes the following determinations:

- a) *The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is \$98,208 (for the reasons described above).*
  - b) *If the proposed development to be assisted with tax increment occurs in the TIF District, the total increase in market value would be approximately \$2,400,000. The increase in market value would be due primarily to new construction within the TIF District. (See Exhibit 3b)*
  - c) *The present value of tax increments from the TIF District for the maximum duration of the district permitted by the TIF Plan is estimated to \$372,778 (See Exhibit 5)*
  - d) *Even if some development other than the proposed development were to occur, the City Council finds that no alternative would occur that would produce a market value increase greater than \$2,027,222 (the amount in clause b less the amount in clause c) without tax increment assistance.*
3. The TIF Plan conforms to the general plan for development or redevelopment of the City as a whole.

*The reasons and facts supporting this finding are that the development proposal is consistent with*

*the City's zoning ordinances and comprehensive plans for the area, and serves to promote the City's development objectives. This is further supported by a resolution adopted by the City Planning Commission, recommending approval of the modification of the Development Program for Municipal Development District No. 1 and the establishment of Tax Increment Financing District No. 1-8 located therein.*

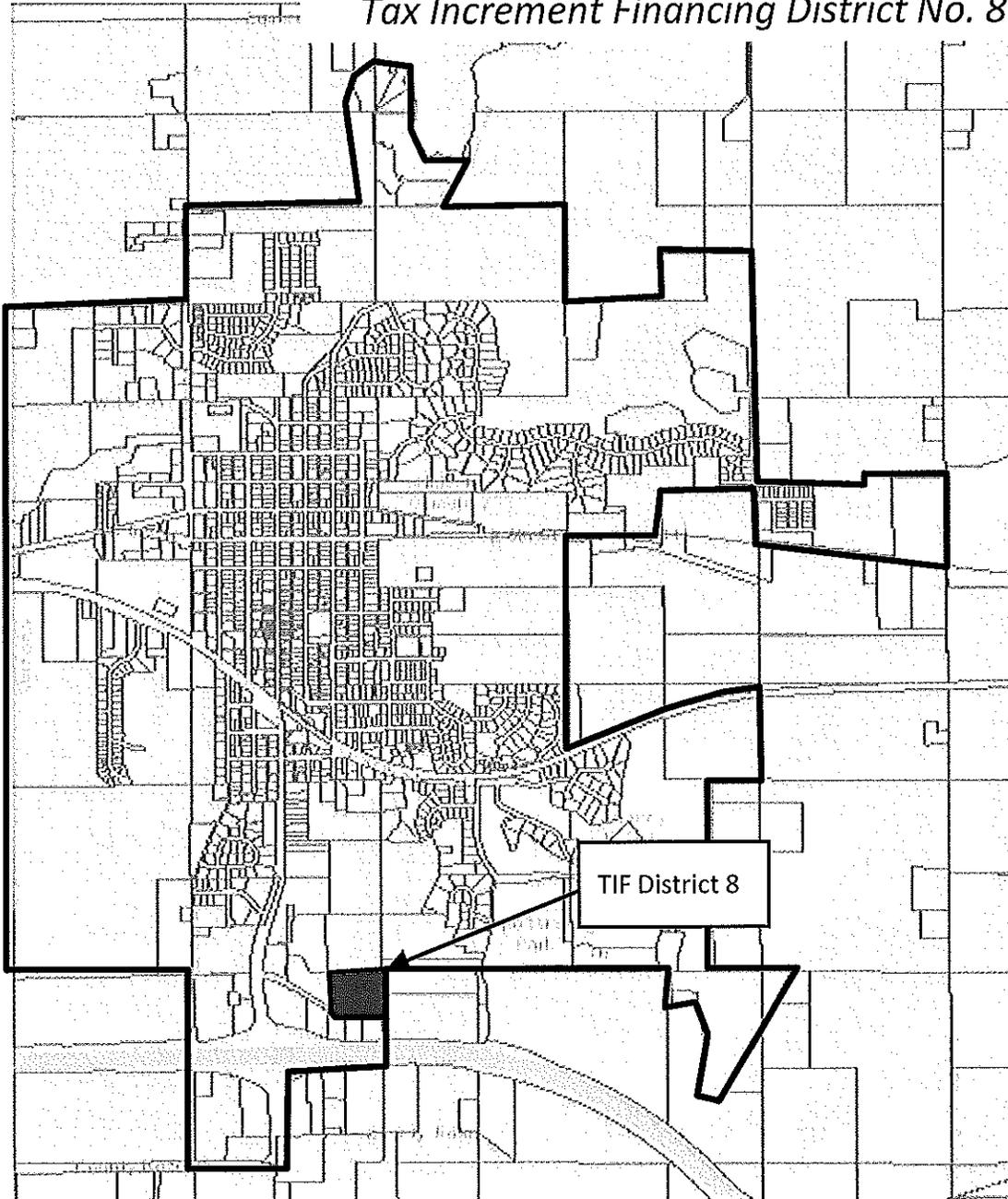
4. The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of the Project Area by private enterprise.

*The reasons and facts supporting this finding are that the assistance provided in this TIF Plan will assist in the construction of manufacturing facilities.*

# Exhibits

Map of Tax Increment Financing District and Project Area .....	Exhibit 1
Parcels and Valuations.....	Exhibit 2
Tax Increment Projections.....	Exhibits 3a & 3b
Statement of Fiscal and Economic Impacts.....	Exhibit 4
Market Value Analysis.....	Exhibit 5

*City of St. Charles, Minnesota*  
*Tax Increment Financing District No. 8*



The boundaries of Municipal Development District No. 1 are being modified to be coterminous with the City Limits.

**City of St. Charles, Minnesota  
 Economic Development Tax Increment Financing District No. 1-8  
 Parcel Summary -- Areas, Values & Conditions**

**Active Tool & Die Project**

Property Owner	Parcel ID Nos.	Market Value Building	Market Value Land	TOTAL MARKET VALUE	Estimated Original Tax Capacity
City of St. Charles	29.026.0030	\$0	\$222,500	\$222,500	\$3,700
City of St. Charles	29.026.0040*	\$0	\$223,900	\$223,900	\$3,728
<b>TOTALS</b>		<b>\$ -</b>	<b>\$ 446,400</b>	<b>\$ 446,400</b>	<b>\$ 7,428</b>

**NOTE:** Original Market Values and Tax Capacity figures are based upon taxes payable 2014. These figures are subject to change as the City intends to request certification AFTER July 1, 2014. Therefore actual numbers will be based on assessed values for taxes payable 2015 which are unknown at this time.

\* The Developer for the Project will only be utilizing the south two acres of this parcel, which will be split. New parcel numbers are expected to be assigned.

**City of St. Charles, Minnesota  
Economic Development Tax Increment Financing District No. 1-8**

**Tax Increment Projections (Active Tool & Die, Inc. Only)**

**Valuations & Projected Increases**

Original Values*	Market Value	Tax Capacity
Projected New Value	\$ 446,400	\$ 7,428
Captured Values	\$ 1,246,400	\$ 24,178
	\$ 800,000	\$ 16,750

**Tax Rate Assumptions:**

	2013/2014
City of St. Charles	Rate* 40.640%
County of Winona	38.425%
ISD No. 858**	13.485%
Other	2.060%
	<u>94.610%</u>

**Projected Tax Increment**      2.0% MV Inflation

Payable Year	Original Tax Capacity	Projected Tax Capacity	Net Captured Tax Capacity	Less Fiscal Disparities	Retained Net Captured Tax Capacity	Projected Tax Rate*	Less State Auditor's Deduction	Gross Tax Increment	Adjustments		TOTAL NET REVENUES
									0.00% Admin. Retainage		
2014	7,428	7,428	-	-	-	94.610%	-	-	-	-	-
2015	7,428	7,428	-	-	-	94.610%	-	-	-	-	-
2016	7,428	24,178	16,750	-	16,750	94.610%	(57)	15,790	-	-	15,790
2017	7,428	24,662	17,234	-	17,234	94.610%	(59)	16,246	-	-	16,246
2018	7,428	25,155	17,727	-	17,727	94.610%	(60)	16,711	-	-	16,711
2019	7,428	25,658	18,230	-	18,230	94.610%	(62)	17,185	-	-	17,185
2020	7,428	26,171	18,743	-	18,743	94.610%	(64)	17,669	-	-	17,669
2021	7,428	26,694	19,266	-	19,266	94.610%	(66)	18,162	-	-	18,162
2022	7,428	27,228	19,800	-	19,800	94.610%	(67)	18,666	-	-	18,666
2023	7,428	27,773	20,345	-	20,345	94.610%	(69)	19,179	-	-	19,179
2024	7,428	28,328	20,900	-	20,900	94.610%	(71)	19,703	-	-	19,703
								<u>159,311</u>			<u>159,311</u>

NET PRESENT VALUE @ 3.3% >>

130,789

**NOTES:**

\* Original Values and Local Tax Rate are based upon Taxes Payable Year 2013/2014 and are subject to change as request for certification will take place AFTER July 1, 2014. The actual Original Local Tax Capacity Rate will be based upon rates associated with taxes payable 2015 which are unknown at this time.

\*\* Due to changes of Minnesota Statutes Section 469.177 Subd. 1a, that portion of the school tax rate attributable to the general education levy is no longer included in determining the Original Local Tax Capacity Rate for TIF Districts with certification request dates after April 15, 2013.

**City of St. Charles, Minnesota  
Economic Development Tax Increment Financing District No. 1-8**

Active Tool & Die Project

**Tax Increment Projections (FULL DEVELOPMENT)**

**Valuations & Projected Increases**

	Market Value	Tax Capacity
Original Values*	\$ 446,400	\$ 7,428
Projected New Value	\$ 2,846,400	\$ 56,178
Captured Values	\$ 2,400,000	\$ 48,750

**Tax Rate Assumptions:**

	2013/2014 Rate*
City of St. Charles	40.640%
County of Winona	38.425%
ISD No. 858**	13.485%
Other	2.060%
	94.610%

**Projected Tax Increment**      2.0% MV Inflation

Payable Year	Original Tax Capacity	Projected Tax Capacity	Net Captured Tax Capacity	Retained Tax Capacity	Projected Tax Rate*	Less State Auditor's Deduction	Gross Tax Increment	Adjustments	TOTAL NET REVENUES
2014	7,428	7,428	-	-	94.610%	-	-	10.00% Admin. Retainage	-
2015	7,428	7,428	-	-	94.610%	-	-	-	-
2016	7,428	56,178	48,750	48,750	94.610%	(166)	45,956	4,596	41,361
2017	7,428	57,302	49,874	49,874	94.610%	(170)	47,016	4,702	42,314
2018	7,428	58,448	51,020	51,020	94.610%	(174)	48,096	4,810	43,286
2019	7,428	59,617	52,189	52,189	94.610%	(178)	49,198	4,920	44,278
2020	7,428	60,809	53,381	53,381	94.610%	(182)	50,322	5,032	45,290
2021	7,428	62,025	54,597	54,597	94.610%	(186)	51,468	5,147	46,322
2022	7,428	63,266	55,838	55,838	94.610%	(190)	52,638	5,264	47,374
2023	7,428	64,531	57,103	57,103	94.610%	(194)	53,831	5,383	48,448
2024	7,428	65,821	58,393	58,393	94.610%	(199)	55,047	5,505	49,543
							<b>453,572</b>	<b>45,357</b>	<b>408,215</b>

NET PRESENT VALUE @ 3.3% >>

335,500

**NOTES:**

\* Original Values and Local Tax Rate are based upon Taxes Payable Year 2013/2014 and are subject to change as request for certification will take place AFTER July 1, 2014. The actual Original Local Tax Capacity Rate will be based upon rates associated with taxes payable 2015 which are unknown at this time.

\*\* Due to changes of Minnesota Statutes Section 469.177 Subd. 1a, that portion of the school tax rate attributable to the general education levy is no longer included in determining the Original Local Tax Capacity Rate for TIF Districts with certification request dates after April 15, 2013.

STATEMENT OF FISCAL AND ECONOMIC IMPACTS OF PROPOSED TIF DISTRICT

Taxing Jurisdiction	Without TIF District			With TIF District			Hypothetical Decrease in Tax Rate
	2014 Taxable Net Tax Capacity <sup>(1)</sup>	2014 Local Tax Rate	2014 Taxable Net Tax Capacity <sup>(1)</sup>	Projected PV Captured Net Tax Capacity	Hypothetical Tax Generated By TIF	New Taxable Net Tax Capacity	
City of St. Charles, Minnesota	2,044,447	40.640%	2,044,447	48,750	19,812	2,093,197	0.946%
Winona County, Minnesota	40,846,855	38.425%	40,846,855	48,750	18,732	40,895,605	0.046%
ISD No. 858	5,782,481	17.450%	5,782,481	48,750	8,507	5,831,231	0.146%
Other <sup>(2)</sup>	-	-	-	-	-	-	0.00%
<b>Totals</b>			<b>\$6,515%</b>		<b>47,051</b>		<b>95.377%</b>

**Statement #1:** If all of the projected captured net tax capacity of the project were hypothetically immediately available to each taxing jurisdiction if TIF were not used, the tax capacities of each jurisdiction would be increased by the amounts shown above, and the local tax rates of each jurisdiction would be decreased by the amounts shown.

**Statement #2:** As the projected captured tax capacity of the project would not be available without the use of TIF, the tax capacities and tax rates of each jurisdiction will not be affected.

**Statement #3:** The estimated amount of tax increment (gross increment less State Auditor's deduction) generated over the life of the TIF District is estimated to be \$453,572.

**Statement #4:** A description of the probable impact of the TIF District on City services as a result of the creation of this TIF District would include the following: The City will be collecting an estimated \$194,833 in city property tax revenue from the proposed project area and applying it to project related expenses rather than general services such as police, fire, and other services not paid by user fees.

**Statement #5:** The estimated amount of increment attributed to the school districts' tax levies and captured as a result of the creation of this TIF District is \$64,649 for School District 858.

**Statement #6:** The estimated amount of increment attributed to the county tax levy and captured as a result of the creation of this TIF district is \$184,214. The estimated amount attributed to "Other" is \$9,876.

**Statement #7:** The final Original Net Tax Capacity and Local Tax Rate of the TIF District will be based upon data for taxes payable 2015 as the Authority intends to request certification of the TIF District after July 1, 2014.

<sup>(1)</sup> Taxable net tax capacity = total net tax capacity less value captured in TIF Districts and powerline value.

<sup>(2)</sup> The impacts upon other taxing jurisdictions not included since they represent a small percentage of the total tax rate.

**City of St. Charles, Minnesota**  
**Economic Development Tax Increment Financing District No. 1-8**  
**Active Tool & Die Project**

**Market Value Analysis**

Increased Market Value of Site	\$	2,400,000
Less Present Value of TIF Revenues	\$	<u>372,778</u>
	\$	2,027,222
Estimated Increased Site Value w/out TIF*	\$	<u>98,208</u>
Net Value Increase	\$	1,929,014

**Present Value of Tax Increments**

Calculation Date: 12/31/2014  
Present Value Factor: 3.30%

#	Year	Tax Increment	Present Value
0	2014	-	-
1	2015	-	-
2	2016	45,956	43,067
3	2017	47,016	42,652
4	2018	48,096	42,238
5	2019	49,198	41,826
6	2020	50,322	41,415
7	2021	51,468	41,005
8	2022	52,638	40,597
9	2023	53,831	40,191
10	2024	55,047	39,786
		<u>453,572</u>	<u>372,778</u>

\* Without the use of Tax Increment Financing no development is expected to occur on the site. Therefore, the Estimated Site Value without TIF is expected to be restricted to MV inflation only of approximately 2% per year.