

Pursuant to due call and notice thereof, a meeting of the North Mankato Port Authority Commission was held in the Council Chambers of the Municipal Building on Monday, June 10, 2017.

President Arnold called the meeting to order at 6:30 p.m. The following were present: Commissioners Freyberg, Steiner, Whitlock, Norland, Arnold, Olenius and Dehen; Executive Vice President Harrenstein, Finance Director McCann, Community Development Director Fischer and City Clerk Van Genderen.

Approval of the Minutes

Commissioner Norland moved, seconded by Commissioner Dehen, to approve the minutes of the Port Authority meeting of June 5, 2017. Vote on the motion: Freyberg, Steiner, Norland, Whitlock, Arnold, Olenius, and Dehen aye; no nays. Motion carried.

Approval of Bills-May-June 2017

Commissioner Norland moved, seconded by Commissioner Dehen, to approve the Bills for May-June 2017. Vote on the motion: Freyberg, Steiner, Norland, Whitlock, Arnold, Olenius, and Dehen aye; no nays. Motion carried.

Financial Report

Finance Director McCann presented the 2017 Port Authority Budget. Finance Director McCann reviewed the Port Authority Funds, the tax levy, TIF Districts, RLF Loans and recent Port Authority Activity. Finance Director McCann reported part of the Port Authority's income is \$75,000 from the Tax Levy and a portion of the TIF administrative fees. President Arnold requested clarification on the TIF administrative fees. Executive Vice President Harrenstein reported administrative fees were anywhere from 3% and could go as high as 10%. Finance Director McCann reviewed the Port Authority expenditures including \$30,344 for the Greater Mankato Growth membership, \$5,000 for City Center Partnership and \$21,794 in professional services in 2016. Finance Director McCann reviewed the Joint Economic Development Fund in which the City partnered with BENCO Electric Co-op in 1990 to begin development of the North Port Industrial Park to acquire and develop the property and created a Revolving Loan Fund for development. Initially, there were 307 acres of which 257 are currently occupied, adding 1,100 jobs for a Taxable Market Value of \$44,431,400. Finance Director McCann reviewed the active TIF Districts, reviewed the Revolving Loan Fund, Port Authority Land Sales and Port Authority Loans. Commissioner Olenius requested clarification on the CDBG Fund and the Revolving Loan Fund. Executive Vice President Harrenstein reported the City of North Mankato began receiving CDBG Funds in 2009 and used those funds for home improvements and handicap accessibility of City property. In 2013 the City began reporting the Revolving Loan Fund (RLF) with the CDBG Funds. The RLF began in 1988 when a Federal Revolving Loan was paid back, and the City kept the interest and began the RLF which has assisted over 20 companies. When the City began reporting the RLF with the CDBG money, the balance began exceeding the maximum balance allowed by cities with a CDBG fund.

The City would need to spend down the account to roughly \$100,000 to meet the CDBG fund requirements. If the City does not spend down the account, the City will no longer be eligible for CDBG funds. The City may decide to no longer receive the CDBG Funds in order to maintain the RLF and fund programs currently funded by the CDBG with the RLF.

New Business

Res. No. 8-17 Initiating Process for Modification of Tax Increment Financing District IDD No. 1-23

Executive Vice President Harrenstein stated the resolution would set a Public Hearing to review a request to modify IDD No. 1-23 which is the D&K Powder Coating TIF. In 2014 a TIF was established for D&K Powder Coating to relocate to the North Port Industrial Park. D&K Powder Coating has made a successful transition and now intends to expand and is requesting to capture the eligible expenses, which would increase the TIF to \$444,000, about \$90,000 more than the original TIF. Staff recommends the TIF Modification to accommodate their expansion. Commissioner Dehen congratulated D&K Powder Coating. Commissioner Freyberg moved, seconded by Commissioner Steiner to adopt Res. No. 8-17 Initiating Process for Modification of Tax Increment Financing District IDD No. 1-23. Vote on the motion: Freyberg, Steiner, Norland, Whitlock, Arnold, Olenius, and Dehen aye; no nays. Motion carried.

Election of Officers

Commissioner Whitlock moved, seconded by Commissioner Steiner to elect Dave Arnold as President, Duane Olenius as Vice President, Mark Dehen as Treasurer; appoint Kevin McCann as Assistant Treasurer, John Harrenstein as Executive Vice President and April Van Genderen as Secretary. Vote on the motion: Freyberg, Steiner, Norland, Whitlock, Arnold, Olenius, and Dehen aye; no nays. Motion carried.

Other Business

None.

Open the Meeting to the Public

Phil Henry, 1300 Noretta Drive, appeared before the Port Authority and stated he did not approve of the proposed TIF Modification.

There being no further business, the meeting was adjourned at 7:04 p.m.

President

Secretary



City of North Mankato, MN

Port Authority Claims

By Fund

Payment Dates 07/11/2017 - 08/07/2017

Vendor Part Number	Vendor Name	Payment Date	(None)	(None)	Amount
Fund: 228 - PORT AUTHORITY					
	NICOLLET COUNTY RECORDER,	07/12/2017			46
	BOLTON & MENK, INC.	07/26/2017			407.5
	BOLTON & MENK, INC.	07/26/2017			869.5
	BOLTON & MENK, INC.	07/26/2017			5770.5
	ABDO, EICK & MEYERS, LLP	07/24/2017			2225
	GRAYBAR	07/24/2017			223.78
	I & S GROUP, INC.	07/24/2017			2300
	CEMSTONE PRODUCTS COMP	08/07/2017			17.38
	G AND H READY MIX, LLC	08/07/2017			530
	G AND H READY MIX, LLC	08/07/2017			972
	G AND H READY MIX, LLC	08/07/2017			674.5
	GISLASON & HUNTER LLP	08/07/2017			412.8
	I & S GROUP, INC.	08/07/2017			2202.5
	VIKING ELECTRIC SUPPLY, INC.	08/07/2017			22.01
Fund 228 - PORT AUTHORITY Total:					16673.47
Fund: 240 - JOINT ECONOMIC DEVELOPMENT					
	BOLTON & MENK, INC.	07/12/2017			440
	BOLTON & MENK, INC.	07/26/2017			9149.5
	BOLTON & MENK, INC.	07/26/2017			4889
	BOLTON & MENK, INC.	07/26/2017			320
Fund 240 - JOINT ECONOMIC DEVELOPMENT Total:					14798.5
Fund: 254 - TIF DIST 17 NATIONAL DENTEX					
	HOWARD DRIVE LLC	07/24/2017			7008.01
Fund 254 - TIF DIST 17 NATIONAL DENTEX Total:					7008.01
Fund: 256 - TIF DIST 18 LJP ENTERPRISES					
	LJP ENTERPRISES, INC	07/24/2017			38142.35
Fund 256 - TIF DIST 18 LJP ENTERPRISES Total:					38142.35
Fund: 257 - TIF DIST 20 ZIEGLER CATERPILLAR					
	ZIEGLER, INC.	07/26/2017			37111.9
Fund 257 - TIF DIST 20 ZIEGLER CATERPILLAR Total:					37111.9
Fund: 259 - TIF DIST 22 LINDSAY					
	LINDSAY WINDOW & DOOR, LL	07/24/2017			8419.06
Fund 259 - TIF DIST 22 LINDSAY Total:					8419.06
Fund: 260 - TIF DIST 21 ALLSTATE PETERBUILDT					
	ALLSTATE PETERBILT LLC	07/24/2017			13344.12
Fund 260 - TIF DIST 21 ALLSTATE PETERBUILDT Total:					13344.12
Fund: 261 - TIF DIST 23 D & K POWDERCOATING					
	D & K POWDER COATING	07/24/2017			16311.54
Fund 261 - TIF DIST 23 D & K POWDERCOATING Total:					16311.54
Fund: 371 - PORT AUTH TAX GO TIF REV BONDS 2011B					
	WELLS FARGO CORPORATE TRI	07/24/2017			9520
Fund 371 - PORT AUTH TAX GO TIF REV BONDS 2011B Total:					9520
Grand Total:					161328.95

Authorization Signatures

Port Authority

The above claims list for 8-7-17 is approved by:

MARK DEHEN - COMMISSIONER

JAMES WHITLOCK - COMMISSIONER

DIANE NORLAND - COMMISSIONER

WILLIAM STEINER - COMMISSIONER

ROBERT FREYBERG - COMMISSIONER

DUANE OLENIUS - COMMISSIONER

DAVID ARNOLD - COMMISSIONER

NOTICE OF PUBLIC HEARING

**NORTH MANKATO PORT AUTHORITY COMMISSION
COUNTY OF NICOLLET
STATE OF MINNESOTA**

NOTICE IS HEREBY GIVEN that the North Mankato Port Authority Commission will hold a public hearing on Monday, August 7, 2017, at a meeting of the Commission beginning at approximately 6:30 PM, at the North Mankato Municipal Building, 1001 Belgrade Avenue, North Mankato, Minnesota, relating to the proposal of the Commission to modify the Tax Increment Financing Plan for Tax Increment Financing District IDD No. 1-23 within Industrial Development District No. 1, and to adopt the Tax Increment Financing Plan relating thereto pursuant to Minnesota Statutes, Sections 469.174 to 469.179. A copy of the documentation proposed to be considered at the hearing will be on file and available for public inspection at the office of the City Administrator at the Municipal Building.

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

/s/April Van Genderen

April Van Genderen

Secretary

North Mankato Port Authority Commission

**NORTH MANKATO PORT AUTHORITY COMMISSION
COUNTY OF NICOLLET
STATE OF MINNESOTA**

RESOLUTION NO. 9-17

**RESOLUTION MODIFYING TAX
INCREMENT FINANCING DISTRICT IDD 1-23 PLAN**

BE IT RESOLVED by the North Mankato Port Authority Commission (the “Commission”) as follows:

Section 1. Recitals.

1.01. It has been proposed that the Commission modify the Tax Increment Financing Plan for Tax Increment Financing District IDD No. 1-23 within Industrial Development District No. 1, and adopt the proposed Tax Increment Financing Plan with respect thereto (the “Plan”), as set forth in the Tax Increment Financing Plan, dated August 21, 2017 and presented to and in accordance with Minnesota Statutes, Sections 469.001 to 469.068 and 469.174 to 469.179.

1.02. The Commission has investigated the facts relating to the Plan and has caused the Plan to be prepared.

1.03. The Commission has performed all actions required by law to be performed prior to the modification and approval of the Plan, including the holding of a public hearing thereon following published notice as required by law. The Commission has also requested that the North Mankato City Council hold a public hearing on the Plan.

Section 2. Findings for the Adoption and Approval of the Plan.

2.01. The Commission hereby finds that Tax Increment Financing District IDD No. 1-23 is in the public interest and is an economic development district, as defined in Minnesota Statutes, Section 469.174, Subdivision 12, because it will result in increased employment and the preservation and enhancement of the tax base of the City.

2.02. The Commission further finds that the proposed developments would not occur solely through private investment within the reasonably foreseeable future, and therefore, the use of tax increment financing is deemed necessary; that the Plan conforms to the general plan for the development or redevelopment of the City as a whole; and that the Plan will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development of the Industrial Development District No. 1 and of Tax Increment Financing District IDD No. 1-23 by private enterprise.

2.03. The Commission further finds that the Plan is intended and, in the judgment of the Commission, will promote the public purposes and accomplish the objectives specified in the Tax Increment Financing Plan and the Development Plan for Industrial Development District No. 1.

Section 3. Approval and Adoption of the Plan.

3.01. The Plan, as presented to the Commission on this date, is hereby modified and adopted, provided that the foregoing approval of the Plan is conditioned upon approval thereof by the City Council following its public hearing thereon.

Section 4. Approval of the Amendment to Contract for Private Development.

4.01. Subject to approval of the Plan, as presented to the Commission on this date, and conditioned upon approval thereof by the City Council following its public hearing thereon, the Authority hereby approves the Amendment to the Contract for Private Development as presented to the Authority on the date hereof.

4.02 The Authority authorizes its president and Executive Vice President to execute the Amendment to the Contract for Private Development on behalf of the Authority

Adopted by the North Mankato Port Authority Commission this 7th day of August 2017.

President

Secretary

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

and the following voted against the same: _____
_____.

[VIA EMAIL]

To: North Mankato Port Authority
From: Ed Tschida
Re: Proposal to Modify Tax Increment Financing District IDD No. 1-23 (D&K Powder Coating Expansion Project)
Date: July 27, 2017

PRIOR APPROVED ACTIONS

Tax Increment Financing District IDD No. 1-23 (the “TIF District”) was created and a Tax Increment Financing Plan (“the TIF Plan”) was approved by the North Mankato Port Authority Commission (the “Port Authority”) and city of North Mankato (the “City”) pursuant to Minnesota statutes, sections 469.174 through 469.1794, as amended, on September 15, 2014. Following approval of the TIF Plan, the Port Authority executed a Contract for Private Development on September 15, 2014, which provided pay-as-you-go, tax increment assistance to D&K Powder Coating LLC (“D&K”).

CURRENT PROPOSAL TO MODIFY TAX INCREMENT FINANCING DISTRICT NO. IDD 1-23

Currently D&K occupies a 25,380-ft.² manufacturing facility on Lot 1, Block 1, Northport No. 18 (2240 Howard Dr. W.). D&K is exploring a 20,000-ft.² expansion to accommodate continued growth. D&K is requesting tax increment financing assistance to finance eligible project costs.

The Port Authority and City may modify the District in different circumstances. In this instance, the modification is required, because total estimated tax increment expenditures would increase beyond the amount approved in the original plan. Approval of the modification increases D&K’s tax increment reimbursement from \$385,852 to \$474,601. Modification of the TIF plan does not increase the term of the TIF District. The original TIF reimbursement schedule, which provided reimbursement beginning in 2017 and continuing through 2025, remains in place.

D&K PROJECT PERFORMANCE

The following table compares several data points regarding the D&K project, which compare information presented in the original TIF plan, actual performance to date, and estimate of performance for the entire project following the plant expansion.

COMPARISON OF PROJECT GOALS VERSUS ACTUAL PERFORMANCE			
	09/14/2014 TIF Plan Estimates	07/15/2017 Actual Performance	08/21/2017 Modified TIF Plan Estimates
Project Size	25,200-ft. ²	25,380-ft. ²	45,380-ft. ²
Taxable Value	\$2,104,071	\$1,671,100	\$2,848,400
Property Tax Total	\$73,661	\$60,034	\$96,614
Tax Increment	\$45,129	\$34,991	\$63,913
Annual TIF Benefit	\$42,872	\$33,241	\$60,717
Number of Jobs	10	25	35
Wages	\$27,060 annual or \$13/hr.	\$36,000 or \$18/hr.	\$38,000 or \$19/hr.

OBSERVATION AND RECOMMENDATION

Observation: The development proposal meets Port Authority and City goals for financial assistance, and is compatible with community plans and City ordinances. The TIF Plan modification is within the parameters of community development guidelines and TIF statutes.

Recommendation: Provided the Port Authority concurs with the above observations, it should adopt the resolution approving the TIF Plan modifications and forward its recommendation to the City Council for review at its public hearing on the matter.

ATTACHMENTS

- TIF Plan
- Port Authority Resolution
- Amendment to Contract for Private Development

AMENDMENT TO CONTRACT FOR PRIVATE DEVELOPMENT

Agreement, made this ____ day of _____, 2017, between the North Mankato Port Authority Commission (the "Authority") and D & K Powder Coating LLC (the "Developer").

RECITALS

Whereas, on September 15, 2014 the Authority and city of North Mankato approved Tax Increment Financing Plan for Tax Increment Financing District IDD No. 1-23 (the "TIF District") pursuant to Minnesota Statutes, Sections 469.174 through 469.1794, as amended; and

Whereas, the Authority and the Developer entered into a Contract for Private Development dated September 15, 2014 (the "Agreement") and the Authority executed a Tax Increment Revenue Note of September 17, 2014 ("Note") in favor of the Developer; and

Whereas, on August 7, 2017 the Authority approved modifications to the TIF District, which authorized an increase in (i) the estimated cost of the project to be financed with tax increment from the TIF district and (ii) the maximum amount of tax increment financing assistance; and

Whereas, the Authority and the Developer desire to amend the Agreement and Note as set forth herein.

NOW, THEREFORE, IT IS AGREED:

1. Wherever \$385,852 appears either the Agreement or the Note, it shall be replaced with \$490,265.

2. Section 3.6. (a) (1) of the Agreement is modified as follows, "The subsidy provided to the Developer shall be in the maximum of ~~\$685,852~~ **\$790,265** and consists of (i) TIF Assistance in the amount of ~~\$385,852~~ **\$490,265** and (ii) the Authority Loan in the amount of \$300,000. The subsidy will be applied to the reimbursement of Public Development Costs for the Development Property, as described in Section 3.3 hereof."

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

**NORTH MANKATO PORT AUTHORITY
COMMISSION**

By _____
Its President

By _____
Its Executive Vice President

STATE OF MINNESOTA)
) SS.
COUNTY OF NICOLLET)

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

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF NICOLLET)

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

Notary Public

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

D & K POWDER COATING LLC

By _____

Its _____

STATE OF MINNESOTA)
) SS.
COUNTY OF NICOLLET)

The foregoing instrument was acknowledged before me this _____ day of _____, 2017, by _____, the _____ of D & K POWDER COATING LLC, a Minnesota limited liability company, on behalf of the Developer.

Notary Public



**TAX INCREMENT
FINANCING
DISTRICT IDD NO. 1-23
(D & K Powder Coating
LLC Project)**

**NORTH MANKATO,
MINNESOTA**

**Adopted
September 15, 2014**

**Modified
August 21, 2017**

**Business Finance and
Economic Development
Specialists**

**TAX INCREMENT FINANCING DISTRICT IDD NO. 1-23
(D & K Powder Coating LLC Project)**

CITY OF NORTH MANKATO, MINNESOTA

**ADOPTED SEPTEMBER 15, 2014
MODIFIED AUGUST 21, 2017**

PREPARED BY

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

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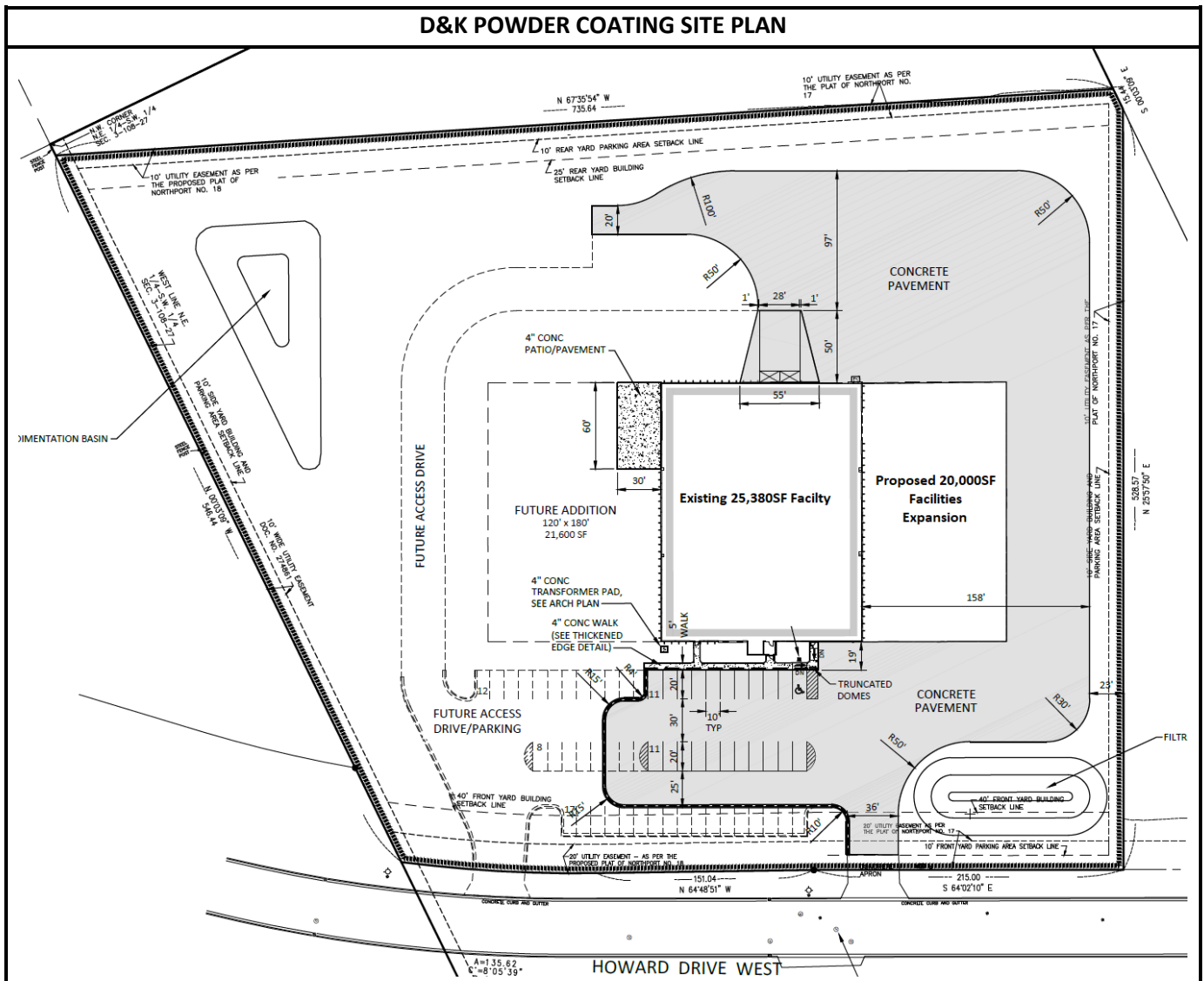
INTRODUCTION

PRIOR APPROVED ACTIONS

Tax Increment Financing District IDD No. 1-23 (the "TIF District") was created and a Tax Increment Financing Plan ("the TIF Plan") was approved by the North Mankato Port Authority Commission (the "Port Authority") and city of North Mankato (the "City") pursuant to Minnesota statutes, sections 469.174 through 469.1794, as amended, on September 15, 2014.

CURRENT PROPOSAL TO MODIFY TAX INCREMENT FINANCING DISTRICT NO. IDD 1-23

Currently D&K Powder Coating (D&K) occupies a 25,380-ft.² manufacturing facility on Lot 1, Block 1, Northport No. 18 (2240 Howard Dr. W.). D&K is exploring a 20,000-ft.² expansion to accommodate continued growth. Below is the site plan showing the existing and proposed facilities.



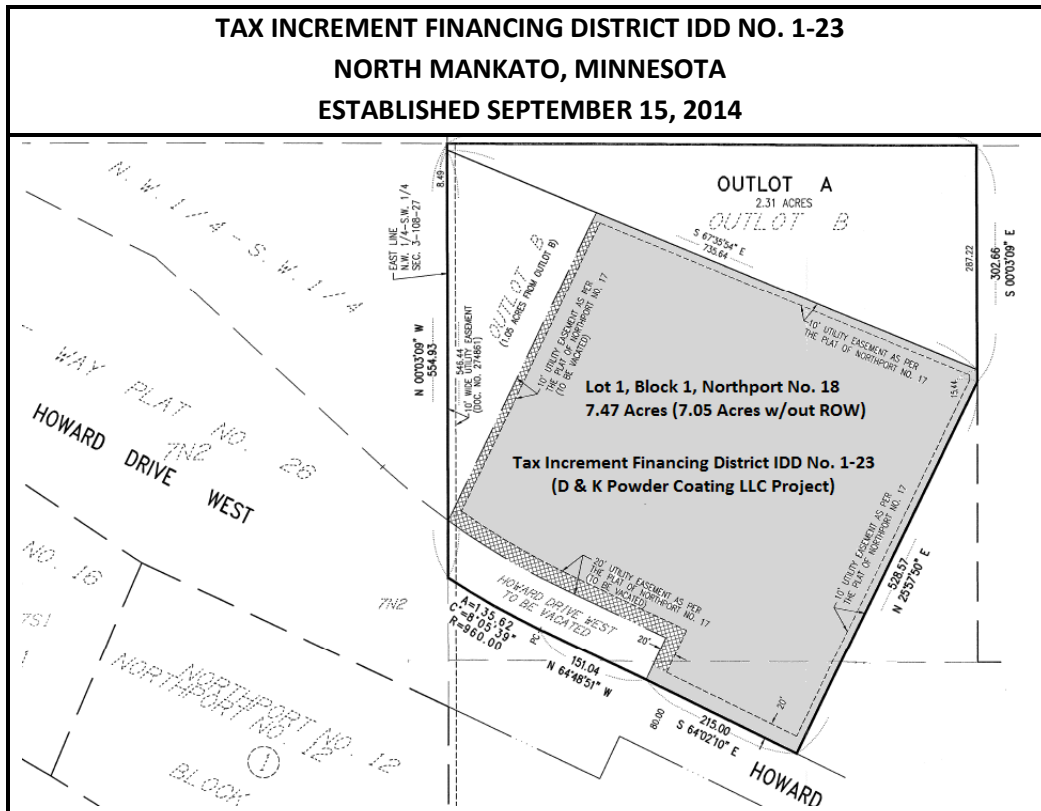
D&K PROJECT PERFORMANCE

The following table compares several data points regarding the D&K project, which compare information presented in the original TIF plan, actual performance to date, and estimate of performance for the entire project following the plant expansion.

COMPARISON OF PROJECT GOALS VERSUS ACTUAL PERFORMANCE			
	09/14/2014 TIF Plan Estimates	07/15/2017 Actual Performance	08/21/2017 Modified TIF Plan Estimates
Project Size	25,200-ft. ²	25,380-ft. ²	45,380-ft. ²
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Number of Jobs	10	25	35
Wages	\$27,060 annual or \$13/hr.	\$36,000 or \$18/hr.	\$38,000 or \$19/hr.

LOCATION

Tax Increment Financing District IDD No. 1-23 is located, on company-owned property described as Lot 1, Block 1 Northport No. 18 (2240 Howard Dr. W.), North Mankato, Minnesota and is shown on the map below.



TAX INCREMENT FINANCING PLAN

INCORPORATION OF PREVIOUS PLANS

The Port Authority and City created the TIF District and approved the TIF Plan pursuant to Minnesota statutes, sections 469.174 through 469.1794, as amended, on September 15, 2014. The current modification constitutes the first amendment of the TIF Plan. All provisions of the TIF Plan adopted on September 15, 2014 are hereby incorporated by reference except to the extent that Minnesota statutes, sections 469.174 to 469.179, inclusive and amended, requires changes and except to the extent that any such provision is explicitly contrary to a provision of this modification. The Port Authority and City hereby adopt and incorporate the September 15, 2014 TIF Plan, except as so modified, by this reference.

PROPERTY CONDITIONS AND DESCRIPTION OF DEVELOPMENT PROPOSAL

D&K Powder Coating proposes to construct an approximate 20,000-ft.² expansion of its manufacturing facility located on Lot 1, Block 1 Northport No. 18 (2240 Howard Dr. W.). D&K is requesting the City and Port Authority approve tax increment financing assistance to finance land acquisition. The estimated taxable value of the expansion is \$1,083,600. D&K proposes to increase its existing employment from 25 to 35 full-time positions creating 10 new jobs.

FINDINGS

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

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

SUPPORTING FACTS. Tax Increment Financing District IDD No. 1-23 is an "Economic Development District" as defined in Minnesota Statutes, section 469.174, subdivision 12. As originally established on September 15, 2014, the TIF District qualified as an "Economic Development District" pursuant to the above statute because project activities will result in increased employment and preservation and enhancement of the tax base of the state. This finding is reconfirmed because the proposed D&K expansion project will increase the tax base and create additional jobs.

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

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

(ii) the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by this TIF Plan.

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

Furthermore, the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by this TIF Plan. A comparative analysis, of estimated market values both with and without District modification and the use of tax increments, has been performed as described above. If all development proposed to be assisted with tax increment were to occur in the TIF District, it is estimated that the new construction market value would increase by \$1,083,600 and the total market value upon completion of the plant expansion would be \$2,848,400. The estimated present value of tax increments from the plant expansion in the TIF District is \$ 145,957. It is the City's finding that no development with a market value of greater than \$1,031,343 would occur without tax increment assistance within the remaining duration of the TIF District (refer to Table 1 on page 7. This finding is based upon evidence from general past experience that industry is hampered in its efforts to secure sufficient conventional bank financing, and that in order to move forward, funding sources in the form of subordinated financing must be secured. The City Council believes this project qualifies for a public/private financing package and the use of tax increment financing and is prepared to commit this resource to it.

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

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

A. The TIF Plan area is designated M-2 Heavy Industrial in the zoning ordinance. TIF Plan activities and subsequent development are intended to encourage and result in industrial development for this area.

B. The general plan for the community supports the creation of additional job opportunities within the municipality, particularly increased opportunities for moderate income residents, the unemployed and under-employed.

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

SUPPORTING FACTS. The City Council and the Port Authority, in approving and subsequently modifying

Industrial Development District No. 1, have prepared a blueprint for development and job creation. The Industrial Development District plan encourages cooperation with private enterprise. Industrial Development District plan information along with other City plans, policies and ordinances was used to prepare this TIF Plan. Based upon the objective of cooperation and guidance from approved plans, policies and ordinances, the Port Authority and City Council have determined Project costs, which will be paid for by tax increment revenues. As the Financial Plan contained on pages 5 through 10 of this TIF Plan indicates, the Port Authority and City Council intend to concentrate the use of tax increment revenue on those improvements, which would not reasonably be expected to occur solely through private action. Private enterprise will be responsible for the vast majority of the expenses and activities normally associated with land development.

TAX INCREMENT FINANCING DISTRICT DEVELOPMENT ACTIVITIES

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

1. The Port Authority will use tax increments, generated by development in the TIF District, to reimburse D&K Powder Coating LLC for all or a portion of the land acquisition. The reimbursement of tax increment will occur via an amendment of the contract for private development between the City and D&K Powder Coating LLC.

2. D&K Powder Coating LLC will commence construction of the facilities expansion, in the TIF District, in 2017-2018.

The above activities and improvements are within the boundaries of Tax Increment Financing District IDD No. 1-23. For the purposes of budgeting in this TIF Plan, the facilities expansion will occur in 2017-2018.

The above activities are, at the time of preparation of this TIF Plan, the only activities proposed for the Development District because of the modification of the TIF District. The City and D&K Powder Coating LLC will modify their contract for private development to permit an increase in bonded indebtedness resulting from additional costs incurred with the facilities expansion.

METHOD OF FINANCE

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

FINANCIAL PLAN

ESTIMATE OF PUBLIC COST

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

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

	September 15, 2014 TIF Plan Budget	New Estimates
A. Tax increment	\$406,160	\$516,069
TOTAL SOURCE OF FUNDS	\$406,160	\$516,069

2. Estimated Project/Financing Costs. Activities within the Project area will consist of land acquisition and administration. The estimated cost for undertaking these activities is:

	September 15, 2014 TIF Plan Budget	New Estimates
A. Land Acquisition	\$385,852	\$490,265
C. Administration	20,308	25,803
TOTAL USES OF FUNDS	\$406,160	\$516,069

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

FINANCING ASSUMPTIONS

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

1. Table 1 provides an estimate of the increment that would be generated because of the plant expansion. This increment when combined with the increment currently being generated in the TIF District is available to reimburse D&K for land acquisition in an amount up to \$490,265.
2. The D&K plant expansion is anticipated to occur in 2017-2018, with completion on or before December 31, 2018. The estimated budget included in this TIF Plan amendment assumes 2017 completion of the plant expansion. Under this assumption, additional increment would be available beginning in 2019.
3. D&K believes it will obtain approval of financing for the plant expansion in 2017.
4. The tax increment estimate is based upon the 2014 local tax rate of 126.054%, which is the original local tax rate certified by Nicollet County for the TIF District.

TABLE 1: TAX INCREMENT CALCULATIONS

Certified Local Tax Rate for TIF District = 126.054% (North Mankato, Payable 2014)

Property Classification: Industrial

D&K Facility Expansion Is Estimated to Be Complete before December 31, 2017

Estimated Completion Market Value Following Completion of Facility Expansion: \$2,848,400

YEAR TAXES PAYABLE	BASE TAX CAPACITY	PROJECT'S TAX CAPACITY	CAPTURED TAX CAPACITY	PROJECT'S ANNUAL TIF	LESS OSA FEE OF 0.360%	ADJUSTED TAX INCREMENT	LESS ADMIN. OF 5.00%	NET ANNUAL TIF
2015	32,672	0	0	0	0	0	0	
2016	32,672	0	0	0	0	0	0	0
2017	32,672	0	0	0	0	0	0	0
2018	32,672	0	0	0	0	0	0	0
2019	32,672	56,218	23,546	29,681	107	29,574	1,479	28,095
2020	32,672	56,218	23,546	29,681	107	29,574	1,479	28,095
2021	32,672	56,218	23,546	29,681	107	29,574	1,479	28,095
2022	32,672	56,218	23,546	29,681	107	29,574	1,479	28,095
2023	32,672	56,218	23,546	29,681	107	29,574	1,479	28,095
2024	32,672	56,218	23,546	29,681	107	29,574	1,479	28,095
2025	32,672	56,218	23,546	29,681	107	29,574	1,479	28,095
TOTALS				\$207,765	\$748	\$207,017	\$10,351	\$196,666
Present Value of Net Annual TIF Discounted at 5.0% equals								\$138,160

5. Annual tax increments, as shown in Table 1, in 2019 through 2025 generated because of modification of the TIF District will be the source of funds used to finance the Project area activities. Pursuant to Minnesota Statutes, section 469.176, subdivision 1b.(3), the Port Authority is basing the TIF District duration on the requirements for statutory decertification of a tax increment financing district, which permits increment to be paid to the City for eight years after receipt of the first increment for an economic development district. Actual receipt of the TIF District's first increment was in 2017, which allows the TIF District to continue through 2025.

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

7. The Port Authority may use internal funds or bond proceeds in addition to annual tax increments to service Project costs. "Project costs" means all expenditures of the Port Authority or reimbursement of eligible developer costs for the purchase of land or amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the TIF District, including interest thereon. Project costs also include all administrative expenses as defined in Minnesota Statutes, section 469.174, Subdivision 14. Based upon projected tax increment revenue from the TIF District, the Port Authority would be able to finance Project costs of approximately \$516,069 including administrative expenses. This amount is adequate to fund the costs within as identified in the amended budget. The City received its first increment in 2017. The City expects increment receipts to continue through 2025 unless it chooses to discontinue/decertify the TIF District at an earlier date.

Based upon the assumptions in this TIF Plan the duration of the TIF District would be December 31, 2025.

SOURCES OF REVENUE

The proposed source of revenue of \$516,069 of increment receipts from the TIF District will finance public costs associated with the Project Area and District. The tax increment revenues will be generated because of the taxation of the land and improvements in the TIF District. Tax increment financing refers to a funding technique that uses increases in net tax capacity and the property taxes attributed to new development to finance, or assist in the financing of public development costs.

The tax increments generated in the TIF District are from the D&K Powder Coating LLC project. The City may issue tax increment bonds or use the annual receipt of tax increment to reimburse itself or the developer for eligible Project costs.

BONDED INDEBTEDNESS

Upon approval of this TIF Plan, the City will amend the contract for private development with D&K Powder Coating LLC, which provides pay-as-you-go tax increment financing assistance to finance the eligible costs of this TIF District, from \$385,852 to \$490,265.

TIF BUSINESS SUBSIDY

Pursuant to Minnesota Statutes 116J.993, subdivision 3 the financial assistance offered pursuant to this TIF Plan must comply with the provisions of the Business Subsidy law. In order to satisfy the provisions of the Minnesota Statutes 116J.993 to 116J.985 (The Business Subsidies Act) D&K Powder Coating LLC's business subsidy shall not exceed \$490,265, which is the amount of the public and private costs that the City anticipates to finance by issuance of bonds to be repaid by tax increments. The business subsidy is needed because project construction is not sufficiently feasible for D&K Powder Coating LLC to undertake without the business subsidy. The TIF District is an economic development tax increment financing district and the public purpose of the business subsidy is to develop property in order to maintain the tax base of the City. The City has determined that the purpose of the business subsidy (tax increment assistance) to be in aid of D&K Powder Coating LLC's plans to develop property that increases the tax base of the City.

IMPACT OF THE USE OF TAX INCREMENT ON TAXING JURISDICTIONS

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

Table 2, on page 9 shows the impact of TIF Plan amendment on the tax capacity of the affected taxing

jurisdictions assuming (1) none of the increment would be available, and (2) the increment would be available to the tax jurisdictions.

**TABLE 2
NORTH MANKATO, MINNESOTA
TAX INCREMENT FINANCING DISTRICT IDD NO. 1-23**

	WITHOUT PROJECT		
	Estimated 2017 Tax Capacity	Estimated Ad Valorem Taxes Generated	TIF District Certified Tax Rate
City	11,255,834	\$6,141,858	54.5660%
County	37,895,643	\$19,717,482	52.0310%
School District	11,306,460	\$2,139,634	18.9240%
HRA	37,895,643	\$71,244	0.1880%
RDC 9	37,895,643	\$133,393	0.3520%
TOTALS			126.061%

	WITH PROJECT							
	Estimated 2017 Tax Capacity	Projected Captured Tax Capacity	Projected Tax Capacity	Estimated Ad Valorem Taxes Generated	Adjusted Local Tax Rate	Tax Rate Impact	Projected Captured Tax Capacity	Projected Increment Income
City	11,255,834	23,546	11,279,380	\$6,141,858	54.452%	0.114%	23,546	\$12,848
County	37,895,643	23,546	37,919,189	\$19,717,482	51.999%	0.032%	23,546	\$12,251
School District	11,306,460	23,546	11,330,006	\$2,139,634	18.885%	0.039%	23,546	\$4,456
HRA	37,895,643	23,546	37,919,189	\$71,244	0.188%	0.000%	23,546	\$44
RDC 9	37,895,643	23,546	37,919,189	\$133,393	0.352%	0.000%	23,546	\$83
TOTALS					125.875%	0.186%		\$29,682

Statement 1: The current tax capacity times the local tax rate produces current taxes generated. If the captured tax capacity were available to each taxing jurisdiction, the result would be a lower or adjusted local tax rate to produce the same amount of taxes. Thus, with the addition of captured value of 23,546 the overall local tax rate would be reduced by .186% to a level of 125. 875%. The captured tax capacity times the original local tax rate of 126.061% would generate \$29,682 in increment income, which represents the loss of new tax revenues if the development had occurred without inclusion in a tax increment district.

Statement 2: If no captured tax capacity is available to each of the taxing jurisdictions without creation of the TIF District, there is no impact on the taxes heretofore levied and therefore no impact on local tax rates. The captured tax capacity at the original local tax rate would generate \$29,682 in increment income annually.