

**CITY OF PERHAM
OTTER TAIL COUNTY
STATE OF MINNESOTA**

Council member _____ introduced the following resolution and moved its adoption:

RESOLUTION NO. _____

RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 2; AND ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 2-42 THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR.

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

Section 1. Recitals

1.01. The City Council of the City of Perham (the "City") has heretofore established Development District No. 2 and adopted the Development Program therefor. It has been proposed by the City that the City adopt a Modification to the Development Program for Development District No. 2 (the "Development Program Modification") and establish Tax Increment Financing District No. 2-42 (the "District") therein and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Development Program Modification and the TIF Plan are referred to collectively herein as the "Program and Plan"); all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.124 to 469.133 and Sections 469.174 to 469.1794, all inclusive, as amended, (the "Act") all as reflected in the Program and Plan, and presented for the Council's consideration.

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

1.03. The City has performed all actions required by law to be performed prior to the establishment of the District and the adoption and approval of the proposed Program and Plan, including, but not limited to, notification of Otter Tail County and Independent School District No. 549 (Perham-Dent) having taxing jurisdiction over the property to be included in the District, and the holding of a public hearing upon published notice as required by law.

1.04. Certain written reports (the "Reports") relating to the Program and Plan and to the activities contemplated therein have heretofore been prepared by staff and consultants and submitted to the Council and/or made a part of the City files and proceedings on the Program and Plan. The Reports include data, information and/or substantiation constituting or relating to the basis for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies and adopts the Reports, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.05 The City is not modifying the boundaries of Development District No. 2, but is however, modifying the Development Program therefor.

Section 2. Findings for the Adoption and Approval of the Development Program Modification.

2.01. The Council approves the Development Program Modification, and specifically finds that: (a) the land within the Project area would not be available for redevelopment without the financial aid to be sought under this Development Program; (b) the Development Program, as modified, will afford maximum opportunity, consistent with the needs of the City as a whole, for the development of the Project by private enterprise; and (c) that the Development Program, as modified, conforms to the general plan for the development of the City as a whole.

Section 3. Findings for the Establishment of Tax Increment Financing District No. 2-42

3.01. The Council hereby finds that the District is in the public interest and is a “redevelopment district” under Minnesota Statutes, Section 469.174, Subd. 10(a)(1) of the Act.

3.02. The Council further finds that the proposed redevelopment would not occur solely through private investment within the reasonably foreseeable future; and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the Tax Increment Financing Plan; that the Program and Plan conform to the general plan for the development or redevelopment of the City as a whole; and that the Program and Plan will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development or redevelopment of the District by private enterprise.

3.03. The Council further finds, declares and determines that the City made the above findings stated in this Section and has set forth the reasons and supporting facts for each determination in writing, attached hereto as Exhibit A.

Section 4. Public Purpose

4.01. The adoption of the Program and Plan conforms in all respects to the requirements of the Act and will result in increased employment in the City and the State of Minnesota, the renovation of substandard properties, increased tax base of the State and add a high-quality development to the City, and thereby serves a public purpose. For the reasons described in Exhibit A, the City believes these benefits directly derive from the tax increment assistance provided under the TIF Plan. A private developer will receive only the assistance needed to make this development financially feasible. As such, any private benefits received by a developer are incidental and do not outweigh the primary public benefits.

Section 5. Approval and Adoption of the Program and Plan

5.01. The Program and Plan, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted and shall be placed on file in the office of the Economic Development Director.

5.02. The staff of the City, the City’s advisors and legal counsel are authorized and directed to proceed with the implementation of the Program and Plan and to negotiate, draft, prepare and present to this Council for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

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

5.04. The Economic Development Director is further authorized and directed to file a copy of the Program and Plan with the Commissioner of the Minnesota Department of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes 469.175, Subd. 4a.

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

and the following voted against the same:

Dated: October 12, 2020

ATTEST:

Mayor

City Manager

(Seal)

EXHIBIT A

RESOLUTION NO. _____

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan (TIF Plan) for Tax Increment Financing District No. 2-42 (District), as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 2-42 is a redevelopment district as defined in M.S., Section 469.174, Subd. 10(a)(1).*

The District consists of six parcels and vacant right-of-way, with initial plans to redevelop the area for a proposed mixed-use/first-level commercial facility of 9,900-10,166 square feet with 43-52 apartment units above and underground parking below with plans for additional development within the District. Parcels consisting of 70 percent of the area of the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures and more than 50 percent of the buildings in the District, not including outbuildings, are standard to a degree requiring substantial renovation or clearance. (See Appendix D of the TIF Plan.)

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

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:

This finding is supported by the fact that the redevelopment proposed in the TIF Plan meets the City's objectives for redevelopment. Due to the high cost of redevelopment on the parcels currently occupied by a substandard building, the incompatible land uses at close proximity, and the cost of financing the proposed improvements, this project is feasible only through assistance, in part, from tax increment financing. The developer was asked for and provided a letter as justification that the developer would not have gone forward without tax increment assistance.

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 market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the TIF Plan:

This finding is justified on the grounds that the cost of site and public improvements and utilities add to the total redevelopment cost. Historically, construction costs, site and public improvements costs in this area have made redevelopment infeasible without tax increment assistance. The City reasonably determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

Therefore, the City concludes as follows:

- a. The City's estimate of the amount by which the market value of the entire District will increase without the use of tax increment financing is \$0.

- b. If the proposed development occurs, the total increase in market value will be \$5,774,959.
 - c. The present value of tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be \$1,633,473.
 - d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$4,141,486 (the amount in clause b less the amount in clause c) without tax increment assistance.
3. *Finding that the TIF Plan for the District conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The City Council reviewed the TIF Plan and found that the TIF Plan conforms to the general development plan of the City.

4. *Finding that the TIF Plan for the District will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 2 by private enterprise.*

The project to be assisted by the District will result in increased employment in the City and the State of Minnesota, the renovation of substandard properties, increased tax base of the State and add a high-quality development to the City.

Through the implementation of the TIF Plan, the City will increase the availability of safe and decent life-cycle housing in the City.



MODIFICATION TO THE DEVELOPMENT PROGRAM

Development District No. 2

- AND -

TAX INCREMENT FINANCING PLAN

Establishment of Tax Increment Financing District No. 2-42
(a redevelopment district)

City of Perham, Otter Tail County, Minnesota

Public Hearing: October 12, 2020

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Modification to the Development Program for Development District No. 2

Foreword

The following text represents a Modification to the Development Program for Development District No. 2. This modification represents a continuation of the goals and objectives set forth in the Development Program for Development District No. 2. Generally, the substantive changes include the establishment of Tax Increment Financing District No. 2-42.

For further information, a review of the Development Program for Development District No. 2, is recommended. It is available from the Economic Development Director at the City of Perham. Other relevant information is contained in the Tax Increment Financing Plans for the Tax Increment Financing Districts located within Development District No. 2.

Tax Increment Financing Plan for Tax Increment Financing District No. 2-42

Foreword

The City of Perham (the "City"), staff and consultants have prepared the following information to expedite the Establishment of Tax Increment Financing District No. 2-42 (the "District"), a redevelopment tax increment financing district, located in Development District No. 2.

Statutory Authority

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the City has certain statutory powers pursuant to *Minnesota Statutes ("M.S.")*, Sections 469.124 - 469.133, inclusive, as amended, and *M.S.*, Sections 469.174 to 469.1794, inclusive, as amended (the "Tax Increment Financing Act" or "TIF Act"), to assist in financing public costs related to this project.

This section contains the Tax Increment Financing Plan (the "TIF Plan") for the District. Other relevant information is contained in the Modification to the Development Program for Development District No. 2.

Statement of Objectives

The District currently consists of six parcels of land and adjacent and internal rights-of-way. The District is initially being created to facilitate a proposed mixed-use/first-level commercial facility of 9,900-10,166 square feet with 43-52 apartment units above and underground parking below with plans for additional development within the District in the City. The City has entered into a preliminary agreement with EPIC Companies at the time of preparation of this TIF Plan. The City plans to enter into a final agreement with the developer as development is anticipated to begin in 2021. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 2.

The activities contemplated in the Modification to the Development Program and the TIF Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of Development District No. 2 and the District.

Development Program Overview

Pursuant to the Development Program and authorizing state statutes, the City is authorized to undertake the following activities in the District:

1. Property to be Acquired - Selected property located within the District may be acquired by the City and is further described in this TIF Plan.
2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S.*, Chapter 117 and other relevant state and federal laws.

3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. The City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.

Description of Property in the District and Property to be Acquired

The District encompasses all property and adjacent rights-of-way and abutting roadways identified by the parcels listed below.

Parcel number	Address	Owner
77000990053000	230 E Main St	Karsten
77000990054000	210 E Main St	Bongards
77000990054001	121 SE 2nd Ave	Taqueria
77000140000010	Mosquito Hgts	Foltz
77000150018000	300 W Main St	Lening
77000150019000	318 W Main St	Lake Country

Note: Parcel 77000150019000 is currently located in Tax Increment Financing District No. 2-36 and will be removed prior to certification of the District.

Please also see the map in Appendix A for further information on the location of the District.

The City may acquire any parcel within the District including interior and adjacent street rights of way. Any properties identified for acquisition will be acquired by the City only in order to accomplish one or more of the following: storm sewer improvements; provide land for needed public streets, utilities and facilities; carry out land acquisition, site improvements, clearance and/or development to accomplish the uses and objectives set forth in this TIF Plan. The City may acquire property by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs.

Classification of the District

The City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, finds that the District, to be established, is a redevelopment district pursuant to *M.S., Section 469.174, Subd. 10(a)(1)*.

- The District is a redevelopment district consisting of six parcels.
- An inventory shows that parcels consisting of more than 70 percent of the area in the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures.
- An inspection of the buildings located within the District finds that more than 50 percent of the buildings, not including outbuildings, are structurally substandard as defined in the TIF Act. (See Appendix D).

Pursuant to *M.S., Section 469.176, Subd. 7*, the District does not contain any parcel or part of a parcel that qualified under the provisions of *M.S., Sections 273.111, 273.112, or 273.114* or *Chapter 473H* for taxes payable in any of the five calendar years before the filing of the request for certification of the District.

Duration and First Year of Tax Increment of the District

Pursuant to *M.S., Section 469.175, Subd. 1(a)(5)(v)*, and *Section 469.176, Subd. 1*, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 26 years after receipt of the first increment by the City (a total of 26 years of tax increment). Pursuant to *M.S. Section 469.175 Subd. 1(b)*, the City elects to receive the first tax increment in 2023, which is no later than four years following the year of approval of the District.

Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2048, or when the TIF Plan is satisfied. The City reserves the right to decertify the District prior to the legally required date.

Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity Value/Increment and Notification of Prior Planned Improvements

Pursuant to *M.S., Section 469.174, Subd. 7* and *M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2020 for taxes payable 2021.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2022) the amount by which the original value has increased or decreased as a result of:

1. Change in tax exempt status of property;
2. Reduction or enlargement of the geographic boundaries of the district;
3. Change due to adjustments, negotiated or court-ordered abatements;
4. Change in the use of the property and classification;
5. Change in state law governing class rates; or
6. Change in previously issued building permits.

In any year in which the current Net Tax Capacity (NTC) value of the District declines below the ONTC, no value will be captured, and no tax increment will be payable to the City.

The original local tax rate for the District will be the local tax rate for taxes payable 2021, assuming the request for certification is made before June 30, 2021. The ONTC and the Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4* and *M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 2, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. The City requests 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2023. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Tax Capacity		
Project estimated Tax Capacity upon completion	141,566	
Original estimated Net Tax Capacity	<u>\$11,619</u>	
Estimated Captured Tax Capacity	\$129,947	
Original Local Tax Rate	<u>113.4410%</u>	Pay 2020
Estimated Annual Tax Increment	\$147,413	
Percent Retained by the City	100%	

Note: Tax capacity includes a 1.5% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in year 25. The tax capacity of the District in year one is estimated to be \$33,253.

Pursuant to *M.S., Section 469.177, Subd. 4*, the City shall, after a due and diligent search, accompany its request for certification to the County Auditor or its notice of the District enlargement pursuant to *M.S., Section 469.175, Subd. 4*, with a listing of all properties within the District or area of enlargement for which building permits have been issued during the eighteen (18) months immediately preceding approval of the TIF Plan by the municipality pursuant to *M.S., Section 469.175, Subd. 3*. The County Auditor shall increase the original net tax capacity of the District by the net tax capacity of improvements for which a building permit was issued.

The City is reviewing the area to be included in the District to determine if any building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.

Sources of Revenue/Bonds to be Issued

The total estimated tax increment revenues for the District are shown in the table below:

SOURCES	
Tax Increment	\$3,017,709
Interest	301,771
TOTAL	\$3,319,480

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The City reserves the right to incur bonds or other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by pay-as-you-go notes and interfund loans. Any refunding amounts will be deemed a budgeted cost without a formal TIF Plan Modification. This provision does not obligate the City to incur debt. The City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

The City may issue bonds (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of \$2,185,760. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

Uses of Funds

Currently under consideration for the District is a proposal to facilitate a proposed mixed-use/first-level commercial facility of 9,900-10,166 square feet with 43-52 apartment units above and underground parking below with plans for additional development within the District. The City has determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described.

The City has studied the feasibility of the development or redevelopment of property in and around the District. To facilitate the establishment and development or redevelopment of the District, this TIF Plan authorizes the use of tax increment financing to pay for the cost of certain eligible expenses. The estimate of public costs and uses of funds associated with the District is outlined in the following table.

USES	
Land/Building Acquisition	\$ 500,000
Site Improvements/Preparation	1,200,000
Affordable Housing	-
Utilities	150,000
Other Qualifying Improvements	33,989
Administrative Costs (up to 10%)	301,771
PROJECT COSTS TOTAL	\$ 2,185,760
Interest	1,133,720
PROJECT AND INTEREST COSTS TOTAL	\$ 3,319,480

The total project cost, including financing costs (interest) listed in the table above, does not exceed the total projected tax increments for the District as shown in the Sources of Revenue section.

Estimated costs associated with the District are subject to change among categories without a modification to this TIF Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory requirements. Pursuant to *M.S., Section 469.1763, Subd. 2*, no more than 25 percent of the tax increment paid by property within the District will be spent on activities related to development or redevelopment outside of the District but within the boundaries of Development District No. 2, (including administrative costs, which are considered to be spent outside of the District) subject to the limitations as described in this TIF Plan.

Estimated Impact on Other Taxing Jurisdictions

The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the TIF Plan would occur without the creation of the District. However, the City has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is \$0. The estimated fiscal impact of the District would be as follows if the "but for" test was not met:

Impact on Tax Base			
Entity	2019/Pay 2020 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
Otter Tail County	101,254,012	129,947	0.1283%
City of Perham	3,057,108	129,947	4.2506%
ISD No. 549 (Perham-Dent)	22,545,254	129,947	0.5764%

Impact on Tax Rates				
Entity	Pay 2020 Extension Rate	Percent of Total	CTC	Potential Taxes
Otter Tail County	41.1750%	36.30%	129,947	\$ 53,506
City of Perham	49.4460%	43.59%	129,947	64,253
ISD No. 549 (Perham-Dent)	17.3600%	15.30%	129,947	22,559
Other	5.4600%	4.81%	129,947	7,095
	113.4410%	100.00%		\$ 147,413

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Pay 2020 rate. The total net capacity for the entities listed above are based on Pay 2020 figures. The District will be certified under the Pay 2021 rates, which were unavailable at the time this TIF Plan was prepared.

Pursuant to *M.S. Section 469.175 Subd. 2(b)*:

- (1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is \$3,017,709;
- (2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is expected. With any addition of new residents or businesses, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The probable impact of the District on fire protection is not expected to be significant. Typically new buildings generate few calls, if any, and are of superior construction. The existing buildings, which will be eliminated by the new development, have public safety concerns that include several unprotected old buildings with issues such as access, hydrant locations, and converted structures. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The impact of the District on public infrastructure is expected to be minimal. The development is not expected to significantly impact any traffic movements in the area. The current infrastructure for sanitary sewer, storm sewer and water will be able to handle the additional volume generated from the proposed development. Based on the development plans, there are no additional costs associated with street maintenance, sweeping, plowing, lighting and sidewalks. As only one parcel is not connected to City water and sewer, the development in the District is expected to contribute an estimated \$150 in sanitary sewer (SAC) and \$50 in water (WAC) connection fees.

The probable impact of any District general obligation tax increment bonds on the ability to issue debt for general fund purposes is expected to be minimal. It is not anticipated that there will be any general obligation debt issued in relation to this project, therefore there will be no impact on the City's ability to issue future debt or on the City's debt limit.

- (3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is \$461,803;
- (4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is \$1,095,320;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S. Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

No requests for additional information from the county or school district regarding the proposed development for the District have been received.

Supporting Documentation

Pursuant to *M.S. Section 469.175, Subd. 1 (a), clause 7* the TIF Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S. Section 469.175, Subd. 3, clause (b)(2)* and the findings are required in the resolution approving the District.

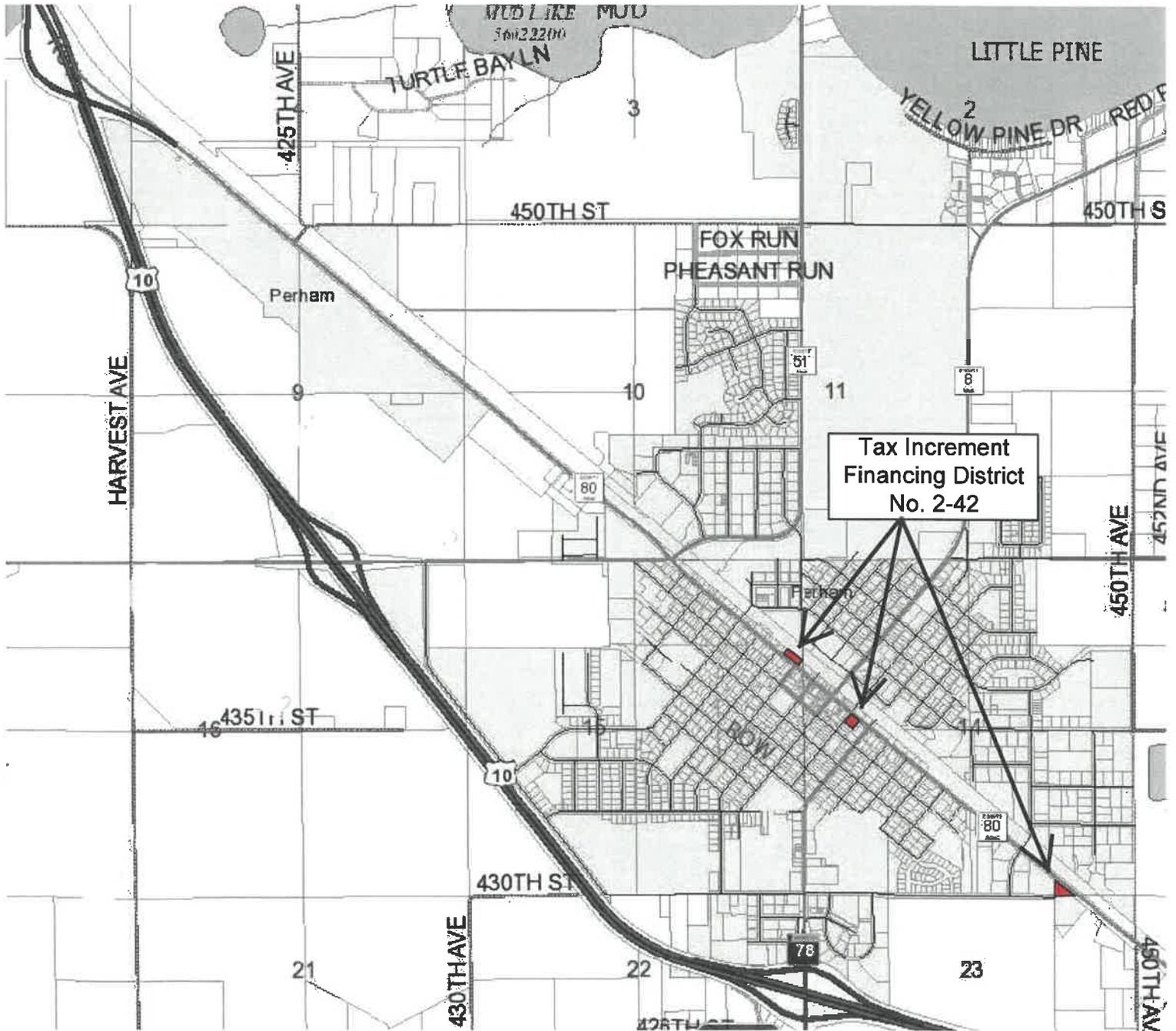
- (i) In making said determination, reliance has been placed upon (1) written representation made by the developer to such effects; and (2) City staff awareness of the feasibility of developing the project site within the District, which is further outlined in the city council resolution approving the establishment of the TIF District and Appendix C.
- (ii) A comparative analysis of estimated market value both with and without establishment of the TIF District and the use of tax increments has been performed. Such analysis is included with the cashflow in Appendix B and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the TIF District and the use of tax increments.

Administration of the District

Administration of the District will be handled by the Economic Development Director.

Appendix A: Map of Development District No. 2 and the TIF District

City of Perham
Otter Tail County, MN
Development District No. 2
TIF District No. 2-42



The boundaries of Development District No. 2 are coterminous with the city limits of the City of Perham.

Appendix B: Estimated Cash Flow for the District



Downtown Redevelopment Project - TIF Estimates w/Inflation
 City of Perham, Minnesota

Potential 1st Level Commercial of 9,900-10,166 SF with 43-52 Apartments above Underground Parking Mixed-Use Redevelopment Project

ASSUMPTIONS AND RATES

DistrictType:	Redevelopment
District Name/Number:	2-42
County District #:	TBD
First Year Construction or Inflation on Value	2021
Existing District - Specify No. Years Remaining	
Inflation Rate - Every Year:	1.50%
Interest Rate:	4.25%
Present Value Date:	1-Aug-21
First Period Ending	1-Feb-22
Tax Year District was Certified:	Pay 2020
Cashflow Assumes First Tax Increment For Development:	2023
Years of Tax Increment	26
Assumes Last Year of Tax Increment	2048
Fiscal Disparities Election (Outside (A), Inside (B), or NA)	NA
Incremental or Total Fiscal Disparities	
Fiscal Disparities Contribution Ratio	0.0000%
Fiscal Disparities Metro-Wide Tax Rate	0.0000%
Maximum/Frozen Local Tax Rate:	113.441% Pay 2020
Current Local Tax Rate: (Use lesser of Current or Max.)	113.441% Pay 2020
State-wide Tax Rate (Comm./Ind. only used for total taxes)	38.846% Pay 2020
Market Value Tax Rate (Used for total taxes)	0.133% Pay 2020

Tax Rates		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First \$150,000		1.50%
Over \$150,000		2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		
First \$162,000		0.75%
Over \$162,000		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		
First \$500,000		1.00%
Over \$500,000		1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First \$500,000		1.00%
Over \$500,000		1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	77000990053000	Karsten	230 E Main St	35,400	29,189	67,589	100%	67,589	Pay 2020	C/I Pref.	1,014	C/I Pref.	1,014	1
2	77000990054000	Bongards	210 E Main St	52,480	143,218	195,698	100%	195,698	Pay 2020	C/I Pref.	3,164	C/I Pref.	3,164	1
3	77000990054001	Taqueria	121 SE 2nd Ave	29,376	138,691	168,067	100%	168,067	Pay 2020	C/I Pref.	2,611	Rental	2,101	2
4	77000140000010	Foltz	Mosquito Hgts	20,405	0	20,405	100%	20,405	Pay 2020	C/I Pref.	306	Rental	255	3
5.1	77000150018000	Lening	300 W Main St	55,080	120,870	175,950	100%	175,950	Pay 2020	C/I Pref.	2,769	C/I Pref.	2,769	3
5.2	77000150018000	Lening	300 W Main St	6,075	31,942	38,017	100%	38,017	Pay 2020	Hmstd. Res.	380	C/I Pref.	570	3
6	77000150019000	Lake Country	318 W Main St	40,500	75,945	116,445	100%	116,445	Pay 2020	C/I Pref.	1,747	C/I Pref.	1,747	3
				242,841	333,825	582,666		782,141			11,991		11,416	

Note:

1. Base values are for taxes payable in 2020 upon review of County website on August 24, 2020.



Downtown Redevelopment Project - TIF Estimates w/Inflation

City of Perham, Minnesota

Potential 1st Level Commercial of 9,900-10,166 SF with 43-52 Apartments above Underground Parking Mixed-Use Redevelopment Project

PROJECT INFORMATION (Project Tax Capacity)															
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2021	Percentage Completed 2022	Percentage Completed 2023	Percentage Completed 2024	First Year Full Taxes Payable		
1	Retail	111	111	10,166	1,128,100	C/I Pref.	21,772	2	65%	100%	100%	100%	2024		
2	Apartments	72,712	72,712	52	3,781,000	Rental	47,263	909	65%	100%	100%	100%	2024		
3	Commercial	55	55	10,000	550,000	C/I Pref.	10,250	1			100%	100%	2025		
4	Retail	100	100	5,000	500,000	C/I Pref.	9,250	2			100%	100%	2025		
5	Retail	100	100	6,000	600,000	C/I Pref.	11,250	2			100%	100%	2026		
TOTAL					6,557,100		99,785								
Subtotal Residential					52		47,263								
Subtotal Commercial/Ind.					31,166		52,522								

Note:
1. Market values are based upon estimates from County Assessor.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Retail	21,772	0	21,772	24,898	0	7,875	1,497	34,070	3.35
Apartments	47,263	0	47,263	53,615	0	0	5,027	58,642	1,127.73
Commercial	10,250	0	10,250	11,628	0	3,399	731	15,758	1.58
Retail	9,250	0	9,250	10,493	0	3,011	665	14,169	2.83
Retail	11,250	0	11,250	12,762	0	3,787	798	17,347	2.89
TOTAL	99,785	0	99,785	113,197	0	18,072	8,718	139,965	

Note:
1. Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law and other factors which cannot be predicted.
2. If tax increment is received in 2021, then the district will be one year shorter.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	139,888
less State-wide Taxes	(18,072)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(8,718)
less Base Value Taxes	(13,181)
Annual Gross TIF	100,017

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est	782,141
New Market Value - Est.	6,557,100
Difference	5,774,959
Present Value of Tax Increment	1,606,342
Difference	4,168,617
Value likely to occur without Tax increment is less than:	4,168,617



Downtown Redevelopment Project - TIF Estimates w/Inflation
City of Perham, Minnesota

Potential 1st Level Commercial of 9,900-10,166 SF with 43-52 Apartments above Underground Parking Mixed-Use Redevelopment Project

TAX INCREMENT CASH FLOW															
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Other at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
															02/01/22
															08/01/22
100%	44,872	(11,619)	-	33,253	113.441%	37,723	18,861	(68)	(1,879)	(1,879)	15,035	13,822	0.5	2023	08/01/23
							18,861	(68)	(1,879)	(1,879)	15,035	27,356	1	2023	02/01/24
100%	69,035	(11,619)	-	57,415	113.441%	65,132	32,566	(117)	(3,245)	(3,245)	25,959	50,239	1.5	2024	08/01/24
							32,566	(117)	(3,245)	(3,245)	25,959	72,645	2	2024	02/01/25
100%	80,320	(11,619)	-	68,701	113.441%	77,935	38,967	(140)	(3,883)	(3,883)	31,062	98,897	2.5	2025	08/01/25
							38,967	(140)	(3,883)	(3,883)	31,062	124,603	3	2025	02/01/26
100%	102,025	(11,619)	-	90,406	113.441%	102,557	51,279	(185)	(5,109)	(5,109)	40,875	157,727	3.5	2026	08/01/26
							51,279	(185)	(5,109)	(5,109)	40,875	190,181	4	2026	02/01/27
100%	103,555	(11,619)	-	91,936	113.441%	104,293	52,147	(188)	(5,196)	(5,196)	41,567	222,459	4.5	2027	08/01/27
							52,147	(188)	(5,196)	(5,196)	41,567	254,084	5	2027	02/01/28
100%	105,109	(11,619)	-	93,489	113.441%	106,055	53,028	(191)	(5,284)	(5,284)	42,269	285,574	5.5	2028	08/01/28
							53,028	(191)	(5,284)	(5,284)	42,269	316,409	6	2028	02/01/29
100%	106,685	(11,619)	-	95,066	113.441%	107,844	53,922	(194)	(5,373)	(5,373)	42,982	347,112	6.5	2029	08/01/29
							53,922	(194)	(5,373)	(5,373)	42,982	377,175	7	2029	02/01/30
100%	108,285	(11,619)	-	96,666	113.441%	109,659	54,830	(197)	(5,463)	(5,463)	43,706	407,109	7.5	2030	08/01/30
							54,830	(197)	(5,463)	(5,463)	43,706	436,420	8	2030	02/01/31
100%	109,910	(11,619)	-	98,291	113.441%	111,502	55,751	(201)	(5,555)	(5,555)	44,440	465,803	8.5	2031	08/01/31
							55,751	(201)	(5,555)	(5,555)	44,440	494,179	9	2031	02/01/32
100%	111,558	(11,619)	-	99,939	113.441%	113,372	56,686	(204)	(5,648)	(5,648)	45,186	522,630	9.5	2032	08/01/32
							56,686	(204)	(5,648)	(5,648)	45,186	550,489	10	2032	02/01/33
100%	113,232	(11,619)	-	101,613	113.441%	115,270	57,635	(207)	(5,743)	(5,743)	45,942	578,225	10.5	2033	08/01/33
							57,635	(207)	(5,743)	(5,743)	45,942	605,383	11	2033	02/01/34
100%	114,930	(11,619)	-	103,311	113.441%	117,197	58,599	(211)	(5,839)	(5,839)	46,710	632,422	11.5	2034	08/01/34
							58,599	(211)	(5,839)	(5,839)	46,710	658,897	12	2034	02/01/35
100%	116,654	(11,619)	-	105,035	113.441%	119,153	59,576	(214)	(5,936)	(5,936)	47,490	665,254	12.5	2035	08/01/35
							59,576	(214)	(5,936)	(5,936)	47,490	711,963	13	2035	02/01/36
100%	118,404	(11,619)	-	106,785	113.441%	121,138	60,569	(218)	(6,035)	(6,035)	48,281	736,756	13.5	2036	08/01/36
							60,569	(218)	(6,035)	(6,035)	48,281	761,914	14	2036	02/01/37
100%	120,180	(11,619)	-	108,561	113.441%	123,152	61,576	(222)	(6,135)	(6,135)	49,084	786,958	14.5	2037	08/01/37
							61,576	(222)	(6,135)	(6,135)	49,084	811,482	15	2037	02/01/38
100%	121,983	(11,619)	-	110,364	113.441%	125,197	62,599	(225)	(6,237)	(6,237)	49,899	835,899	15.5	2038	08/01/38
							62,599	(225)	(6,237)	(6,237)	49,899	859,797	16	2038	02/01/39
100%	123,812	(11,619)	-	112,193	113.441%	127,273	63,637	(229)	(6,341)	(6,341)	50,726	863,592	16.5	2039	08/01/39
							63,637	(229)	(6,341)	(6,341)	50,726	906,891	17	2039	02/01/40
100%	125,670	(11,619)	-	114,050	113.441%	129,380	64,690	(233)	(6,446)	(6,446)	51,566	930,083	17.5	2040	08/01/40
							64,690	(233)	(6,446)	(6,446)	51,566	952,793	18	2040	02/01/41
100%	127,555	(11,619)	-	115,935	113.441%	131,518	65,759	(237)	(6,552)	(6,552)	52,418	975,398	18.5	2041	08/01/41
							65,759	(237)	(6,552)	(6,552)	52,418	997,532	19	2041	02/01/42
100%	129,468	(11,619)	-	117,849	113.441%	133,689	66,844	(241)	(6,660)	(6,660)	53,283	1,019,563	19.5	2042	08/01/42
							66,844	(241)	(6,660)	(6,660)	53,283	1,041,136	20	2042	02/01/43
100%	131,410	(11,619)	-	119,791	113.441%	135,892	67,946	(245)	(6,770)	(6,770)	54,161	1,062,608	20.5	2043	08/01/43
							67,946	(245)	(6,770)	(6,770)	54,161	1,083,534	21	2043	02/01/44
100%	133,381	(11,619)	-	121,762	113.441%	138,128	69,064	(249)	(6,882)	(6,882)	55,052	1,104,560	21.5	2044	08/01/44
							69,064	(249)	(6,882)	(6,882)	55,052	1,125,052	22	2044	02/01/45
100%	135,382	(11,619)	-	123,763	113.441%	140,398	70,199	(253)	(6,995)	(6,995)	55,957	1,145,446	22.5	2045	08/01/45
							70,199	(253)	(6,995)	(6,995)	55,957	1,165,416	23	2045	02/01/46
100%	137,413	(11,619)	-	125,793	113.441%	142,701	71,351	(257)	(7,109)	(7,109)	56,875	1,185,282	23.5	2046	08/01/46
							71,351	(257)	(7,109)	(7,109)	56,875	1,204,754	24	2046	02/01/47
100%	139,474	(11,619)	-	127,855	113.441%	145,040	72,520	(261)	(7,226)	(7,226)	57,807	1,224,123	24.5	2047	08/01/47
							72,520	(261)	(7,226)	(7,226)	57,807	1,243,089	25	2047	02/01/48
100%	141,566	(11,619)	-	129,947	113.441%	147,413	73,706	(265)	(7,344)	(7,344)	58,753	1,261,965	25.5	2048	08/01/48
							73,706	(265)	(7,344)	(7,344)	58,753	1,280,448	26	2048	02/01/49
Total							3,028,612	(10,903)	(301,771)	(301,771)	2,414,167				
Present Value From 08/01/2021							1,806,342	(5,783)	(160,056)	(160,056)	1,280,448				
Present Value Rate															
															4.25%

Appendix C: Findings Including But/For Qualifications

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan (TIF Plan) for Tax Increment Financing District No. 2-42 (the "District"), as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 2-42 is a redevelopment district as defined in M.S., Section 469.174, Subd. 10.*

The District consists of six parcels and vacant right-of-way, with initial plans to redevelop the area for a proposed mixed-use/first-level commercial facility of 9,900-10,166 square feet with 43-52 apartment units above and underground parking below with plans for additional development within the District. Parcels consisting of 70 percent of the area of the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures and more than 50 percent of the buildings in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. (See Appendix D of the TIF Plan.)

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 2-42 permitted by the TIF Plan.*

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: This finding is supported by the fact that the redevelopment proposed in the TIF Plan meets the City's objectives for redevelopment. Due to the high cost of redevelopment on the parcels currently occupied by a substandard building, the incompatible land uses at close proximity, and the cost of financing the proposed improvements, this project is feasible only through assistance, in part, from tax increment financing. The developer was asked for and provided a letter as justification that the developer would not have gone forward without tax increment assistance.

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 market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the TIF Plan: This finding is justified on the grounds that the cost of site and public improvements and utilities add to the total redevelopment cost. Historically, construction costs, site and public improvements costs in this area have made redevelopment infeasible without tax increment assistance. The City reasonably determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

Therefore, the City concludes as follows:

- a. The City's estimate of the amount by which the market value of the entire District will increase without the use of tax increment financing is \$0.

- b. If the proposed development occurs, the total increase in market value will be \$5,774,959.
- c. The present value of tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be \$1,633,473.
- d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$4,141,486 (the amount in clause b less the amount in clause c) without tax increment assistance.

3. *Finding that the TIF Plan for the District conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The City Council reviewed the TIF Plan and found that the TIF Plan conforms to the general development plan of the City.

4. *Finding that the TIF Plan for Tax Increment Financing District No. 2-42 will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 2 by private enterprise.*

The project to be assisted by the District will result in increased employment in the City and the State of Minnesota, the renovation of substandard properties, increased tax base of the State and add a high-quality development to the City.

Through the implementation of the TIF Plan, the City will increase the availability of safe and decent life-cycle housing in the City.

Appendix D: Redevelopment Qualifications for the District

To be added to prior to the public hearing