

April 26, 1990

DEVELOPMENT DISTRICT PLAN  
FOR  
DEVELOPMENT DISTRICT NO. 1

AND

TAX INCREMENT FINANCING PLAN  
FOR  
TAX INCREMENT FINANCING DISTRICT NO. 1  
DOWNTOWN VICTORIA REDEVELOPMENT

PREPARED FOR:  
CITY OF VICTORIA

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## REDEVELOPMENT PLAN

### I. INTRODUCTION AND LEGAL BASIS

#### A. Statement of Intent

The City of Victoria, Minnesota (the "City") proposes to undertake a Central Business District Redevelopment Program as outlined in the Victoria 1980 Comprehensive Plan. This plan is intended to reverse the deterioration of the downtown area, establish a theme and direction for future commercial development and revitalize the City's retail center. The City has been encouraged to take a leadership role in the implementation of a redevelopment plan as the result of recommendations made by a broad based citizen committee. The Victoria Improvement Committee, with the assistance of Ritter, Suppes, Plantz Architects LTD, prepared a Master Plan Study, dated October 1988. that plan analyzed the existing conditions and presented design concepts. The implementation of the activities (as hereinafter described) shall occur within the project area (see Exhibit A, Development Project Boundary Map). The City proposes to implement a comprehensive downtown redevelopment project which will involve many phases. For Phase I the City has a proposal from Zentrum, Inc., a local development group to construct the following:

- 15,000 square foot restaurant
- 10,000 square foot hotel
- 5,500 square foot general retail

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35,500 square foot total estimated development

*done* Phase I also involves a 16 unit apartment building to be built by Cal Haaskin at an approximate development cost of \$500,000.

The City will assist the private developers by assisting in land acquisition, relocation, demolition, construction of public parking lots and utility relocations to the extent financially feasible. Phase I development will start in the summer of 1990 and continue for approximately two years.

B. Statement of Public Purpose

The City has determined that there exists conditions within the set forth project area which have prevented the redevelopment of the land by private enterprise and have resulted in a stagnant, unproductive, blighted and substandard conditions of land potentially useful and valuable for contributing to the City's public health, safety, and welfare. The City has further determined that in order to promote redevelopment and use of blighted, substandard, or underutilized real property and in order to insure the sound growth, development and financial stability of the City, there is a need for the City to exercise the powers granted in the Redevelopment Act for which private property may be required, public money spent and other such powers exercised.

Specific impediments to redevelopment of the project area include:

- o The lack of efficient public and/or private mechanisms for land acquisition for commercial or residential redevelopment.
- o The existing obsolete buildings that display signs of blight and deterioration.
- o Slumping retail area.

It has been further determined that there is a need for new development within the project area to correct substandard building conditions, provide employment opportunities, improve the tax base, and to improve the general economy of the City and State. It has been found that the project area is potentially more useful and valuable than has been realized under existing development; is less productive because of the lack of public streets and utilities, lack of proper utilization and lack of investment, and is not contributing to the tax base to its full potential. In addition, it is hereby found that there is a need to eliminate unsafe conditions and improve traffic circulation and implement long range planning objectives for a major development area. These public purpose goals are not attainable in the foreseeable future without the intervention of the City in the normal development process.

C. Development District Boundary or Project Area

The boundaries of the Victoria Central Business Redevelopment District are described as shown on the Development District Project Boundary Map, Exhibit A of this Plan.

Exhibit B of this Plan is a list of all the current property owners and property identification numbers for all property within the Victoria Central Business Redevelopment District.

The project area is approximately 14 acres in size. All land included in the project area is within the legal boundaries of the City.

D. Statement of Authority

Minnesota Statutes Chapter 469.124 through 469.134 (Municipal Development District Act) grants municipalities the authority to designate development districts within the boundaries of the municipalities. Within these districts, the municipality may adopt a development program consistent with which the municipality may construct, reconstruct, improve, alter, extend, operate maintain, or promote developments aimed at improving the physical facilities, quality of life and quality of transportation.

The City anticipates the funding for necessary activities and improvements in the Redevelopment District shall be financed in part through tax increment financing (TIF) in accordance with Minnesota Statutes, Section 469.174 through 469.179. The City anticipates that grants, loans and special assessments will also be pursued and utilized to finance the proposed public activities.

II. THE DEVELOPMENT PROGRAM

A. Development Plan Objectives

Downtown development will be directed to take advantage of the following opportunities and accomplish the following objectives:

1. Alpine and German Heritage themes will be implemented in the CBD redevelopment efforts. The proposed site is well suited to take advantage of its strategic position on Highway 5 and Carver Park.

2. Land use within the project area will include civic, commercial-retail, commercial entertainment and high density residential uses upon parcels of land indicated.
3. Increased residential densities at the periphery of the CBD area shall create new local housing opportunities, expanded retail markets in close proximity to the CBD, and provide transitional land use areas between the commercial core and lower density neighborhoods.
4. Commercial redevelopment in the project area will enhance the role of the Victoria Drive as a retailing location.
5. Take advantage of the adjacent Carver Park Reserve by providing pedestrian connections between the park and CBD and establishing recreational and commercial goods and services that will be complemented by their proximity to this recreational facility.
6. Create a functional circulation pattern within the project area for both automobiles and pedestrians. Specific attention must be given to providing accessory elements such as parking area,, storage areas and pedestrian rest areas.
7. Provide logical and organized land use for the project area consistent with the Comprehensive Land Use Plan and the Zoning Ordinance of the City.
8. Encourage the redevelopment of underutilized and substandard property.
9. Enhance the overall economy of the City and surrounding area by retaining current, and providing additional employment opportunities for the residents of the City and surrounding community.
10. Increase the City's tax base.
11. Afford existing businesses in the City the opportunity to expand or relocate within the Project Area.

12. To provide funds for the cost of activities or improvements within the Redevelopment District which are necessary for the orderly and beneficial development of the district.

B. Land Use

1. Current

The project area is primarily comprised of the old downtown. The old downtown is located in this area as are a number of non-retail commercial and industrial activities. There are also a number of activities located on the south side of Highway #5. The "downtown" area is best defined as either side of Victoria Drive and the south side of Steiger Lane to the east of Victoria Drive. The area is primarily retail trade and service in use. the intensity of use is not high; most of the structures are free-standing with open space between structures. This feature is unique since most downtowns developed in the early 20th century used all of the lot with no space between buildings. The structures in this area generally date from the early 1900's. New development has occurred to the east - a new bank was constructed and a school building has been converted to offices while new apartments have been developed to the north. The one-half block area between the bank and the downtown and the area to the west of downtown is a residential use. the land to the east of the bank and school is vacant. When this area is developed, the supply of sizeable tracts for commercial or industrial land will be exhausted.

2. Proposed Land Use

The "downtown area" and the associated land north of Minnesota #5 presents the following needs:

Ultimate conversion to retail, commercial and high density housing.

Definition of a "downtown" retail area.

Development of an infra-structure that will support the long-term development of the area (transportation, public facilities, process for elimination of inappropriate land uses, segregation and location of land uses on a functional basis).

The Victoria Comprehensive Plan establishes a development plan (see Exhibit C) for the old downtown area. This downtown development plan will be directed to take advantage of the following opportunities and accomplish the following objectives:

- Take advantage of the traffic on the LRT/Trail System on the abandoned rail right-of-way.
- Take advantage of the adjacent Carver Park Reserve by providing recreation related goods and services.
- Provide neighborhood level shopping facilities - groceries, drugs, hardware, general goods and services.
- Enhance the role of the main street (Victoria Drive) as a service and small business oriented activity center.

#### Development Plan:

The Development Plan addressed three time frames: short term (0-10 years), mid-term (5-15 years), and long term (10+ years). The time frames are overlapping due to the lead time needed for purchase, financing, planning, development and growth of demand.

#### Short Term:

- Gain access to the Carver Park Trail system with trail spur leading to the downtown or the abandoned trail right-of-way at a minimum.
- Establish a pedestrian way from the Victoria Point area to the downtown.
- Adopt a "theme" or development criteria for the downtown.
- Promote the establishment of recreation/entertainment oriented business in the downtown.

Mid-Term:

- Redevelop area to the east of the downtown as a neighborhood shopping center.
- Establish parking on the land south of the rail right-of-way.
- Close the south end of Quamclit as part of the redevelopment of the area.
- Concentrate City and related functions in the City owned structures in the downtown.

Long-Term:

- Redevelopment of both sides of Quamoclit Street to commercial use.
- Develop parking and/or recreational service in the area north of the rail right-of-way and Minnesota #5.

C. Development Activities

The City proposes to seek and assist redevelopment within the project area. The procedural requirements fulfilled by this Plan for the possible use of tax increment financing furthers the City's commitment to the redevelopment within the project area. The project feasibility is strengthened by enabling the use of a major financial tool.

The City's role at this time is that of a facilitator and promotional until requests for assistance have been made. Specific development activities will be fully described in subsequent Tax Increment Financing Plans.

The City will assist the private developers by assisting in land acquisition, relocation, demolition, construction of public parking lots and utility relocations to the extent financially feasible. Phase I development will start in the summer of 1990 and continue for approximately two years.

The City will consider the use of tax increment financing, special assessments, grants and other possible funding sources in the future.



D. Development Contracts

Subject to all required public notices and hearings, the property in the project area will be developed pursuant to a Development Contract under which, among other things, the Developer will be required to build an industrial or commercial facility of at least a minimum cost and having a specified minimum Assessor's Market Value; to complete the work by a specified date pursuant to and in accordance with all other applicable governmental regulations; and to demonstrate its financial capability for so doing. No property will be acquired by the City within the project area prior to the City and Developer entering into a Development Contract.

The Developer will also be required to enter into an Assessment Agreement pursuant to Minnesota Statutes, Section 273.76, whereby it will agree to the minimum Assessor's Market Value of the land and the building to be built thereon when completed, and will agree not to take any action to challenge or otherwise cause said Assessor's Market Value to be reduced at any time while the bonds issued to finance the project remain outstanding. The Developer may be required to provide a guarantee of the tax increments.

E. Development Standards

The City will consider, among other things, the following factors when evaluating development proposals for projects within the project area seeking public assistance and support:

1. Degree to which development objectives are provided for or enhanced.
2. Consistency with this Plan and the Comprehensive Plan.
3. Ability of proposed tax increment projects to generate enough annual tax increment to retire the bonded debt created by the project.
4. Developer's ability to perform both from a standpoint of financial ability to perform and the necessary experience and expertise to complete the proposed development.

Developers should review the City's Tax Increment Financing Policy Statement for a complete description of the Tax Increment Development Standards.



F. Environmental Controls

It is presently anticipated that the proposed development in the project area will not present major environmental problems. All municipal actions, public improvements, and private development will be carried out in a manner that will comply with applicable environmental standards. The environmental controls to be applied within the area are contained within the codes and ordinances of the City.

The Minnesota Code of Agency Rules (6 MCAR 3.021-3.056) defines Minnesota's environmental policy. The threshold factor for industrial/commercial projects on third and fourth class cities is 500,000 square feet (gross floor area). Projects above this threshold would require an Environmental Impact Statement.

An Environmental Assessment Worksheet is required for industrial/commercial projects above 200,000 square feet (gross floor area).

There is no property located within the project area that is on either the National Register of Historic Places or eligible for such designation.

G. Relocation

The Redevelopment Plan does identify the displacement of existing residences or businesses by the implementation of the Plan. The City accepts the responsibility of providing certain specified relocation benefits pursuant to Minnesota Statutes, Sections 117.50 through 117.56, for all persons and businesses which may be displaced.

H. Operation of Public Improvements

All public improvements constructed under the provisions of this District shall be operated by the City in the same manner as all publicly owned streets and utilities.

I. Administration and Maintenance of Development Districts

Maintenance and operation of the public improvements in the Redevelopment District will be the responsibility of the City Administrator or such person as the City Council may designate as Redevelopment District Administrator, and will be accomplished pursuant to the provisions of Section 472A.10 of the Development

District Act. Each year the Administrator shall submit to the City Council the maintenance and operation budget for the following year. The powers of the Administrator shall be exercised at the direction of the City Council and no action taken by the Administrator pursuant to these powers shall be effective without authorization by the City Council.

The City does not anticipate the need to create an advisory board to advise the City Council on the planning, construction, and implementation of the activities and improvements outlined in the Redevelopment Plan.

J. Open Space to be Created

This Redevelopment Plan does not provide for any open space to be created. Any space so created at a later date will be in accordance with the development controls of the City.

K. Plan Modifications

Modifications or revisions of this Plan which change the permitted uses, modify the project boundary set forth, revise or modify the Developer's contract with respect to any part of the project require approval of such modifications by the City, upon notice and other public hearing as required for the adoption of this Plan.

TAX INCREMENT FINANCING PLAN  
FOR  
TAX INCREMENT FINANCING DISTRICT #1

I. INTRODUCTION

The City of Victoria proposes to capture the increase in tax capacity valuation and the resulting increase in real property taxes on improvements within the following described Tax Increment District No. 1 as authorized in Sections 469.174 to 469.179 (the TIF Act).

A. Development District Establishment

The Victoria City Council adopted a development district plan entitled "Development District Plan for Development District No. 1" and established a Municipal Development District pursuant to Minnesota Statutes 469.124 to 469.134 (Municipal Development District Act) concurrently with the adoption of this Tax Increment Financing Plan.

The proposed Tax Increment District No. 1 is coterminous with the Development District established for the Development District No. 1. The Development District Plan objectives are in part being met by the activities proposed in this plan.

B. Project Description

The City is proposing to initiate and assist a comprehensive Centra Business District renewal project. The existing downtown suffers from physical, function and economic obsolescence. The City now has the opportunity to reverse the turn towards further obsolescence by assisting private developers to redevelop portions of the Central Business District and adjacent multi-family housing area.

The City has received development proposals from two development groups. The Zentrum, Inc. group has proposed a mixed use development. The proposal calls for a 15,000 square foot ethnic restaurant, a 10,000 square foot hotel and 5,500 square feet of retail space. The approximate development cost would be 2.476 million dollars. Development would begin the Fall of 1990 and be complete in 1992.

Mr. Cal Haaskin has proposed to develop two, eight unit residential apartment units at an approximate development cost of \$500,000. The proposed development will begin the summer of 1990 and be complete the same year.

The City's role will be to write down the development cost by assisting in the site assembly and site preparation cost, as well as making certain public improvements as described below.

C. Development Program

1. Private Activities

a. Zentrum, Inc.

Zentrum proposes to develop the following:

15,000 square foot ethnic restaurant  
10,000 square foot hotel  
5,500 square foot retail

b. Cal Haaskin

Mr. Haaskin has proposed to construct two, eight unit residential apartment units.

c. Others

The City is seeking additional development of the following:

25,000-30,000 square foot retail space  
15,000-20,000 square foot office space  
75-100 residential apartments or  
condominiums

2. City Activities

To the extent financially feasible, the City will assist in the following:

a. Land Acquisition

See Exhibit F for the acquisition list of properties that the City of Victoria would assist a private developer to acquire.

b. Relocation

The City will comply with Minnesota Statutes 117.51 that requires compliance with the Uniform Relocation Act in the displacement of anyone displaced by public action.

c. Demolition

The City will demolish those buildings upon that property acquired by the City. Asbestos containment and removal regulations will be adhered to.

d. Site Preparation

Engineering fill requirements will be made where necessary to create a buildable parcel. Soil correction may be necessary in some instances. Contaminated sites will be dealt with in accordance with the Minnesota Pollution Control Agency requirements.

e. Public Parking

The City will construct public parking areas to facilitate the proposed new development.

f. Pedestrian Environment

The City will seek to create a safe and inviting pedestrian environment. Pedestrian walkways will tie in with the Hennepin County Park Reserve trail system. Streetscape improvements and street lighting are an integral part of this program.

g. Utility Relocation and Replacement

Those utilities currently inadequate, physically obsolete or restrict the private development by their location will be upgraded and relocated as necessary.

h. Street Improvements

The relocation of utilities and need to upgrade certain streets within the District may require streets to be reconstructed or resurfaced.

## II. STATEMENT OF OBJECTIVE

The actions set forth in this TIF Plan seek to achieve the beneficial program objectives identified in the Development Program.

Specific Objectives sought to be accomplished by this TIF Plan are:

- A. Removal of blighted or substandard property.
- B. Increase investment in the TIF District creating additional tax base and community employment opportunities.
- C. Provide additional goods and services to persons within the trade area.

## III. TAX INCREMENT FINANCING DISTRICT NO. 1

The Tax Increment Financing District No. 1 (TIF District) is comprised of part of 40 tax parcels.

The TIF District No. 1 is within the Development District No. 1. Exhibit A, Development District Boundary Map identifies the TIF District No. 1 is coterminous with the Development District No. 1.

See Exhibit B Development District No. 1 and TIF District No. 1 Property Identification List for a complete list of the parcels that comprise Tax Increment Financing District No. 1. Property owners of record are identified of the respective properties.

## IV. STATUTORY AUTHORITY AND DISTRICT ELIGIBILITY AS A REDEVELOPMENT DISTRICT

### A. Redevelopment District

The District is a "redevelopment District" pursuant to Minnesota Statutes, Chapter 469.174, Subdivision 10 (1). That section of the Act defines a redevelopment district as any project in which the Authority finds by resolution that 70 percent of the parcels in the district are occupied by buildings, streets, utilities or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

The Tax Increment Financing District complies with the above requirements based upon the following:

Requirement: 70 parcels in district are occupied by buildings....

Finding: 40 parcels exist with TIF District No. 1  
36 parcels have buildings on them  
90% of the parcels are occupied by buildings

Requirement: 50% of the buildings, not outbuildings, are structurally substandard...

Finding: 36 buildings present  
27 buildings were determined by the local Building Official to be substandard  
75% of buildings are substandard

See Exhibit D for a Building Condition Map and Exhibit E, Qualification as Redevelopment District, for an identification of the parcels deemed to meet the structurally substandard to a degree requiring substantial renovation or clearance requirement.

#### B. Economic Necessity

The proposed development would not be economically feasible without participation of the City through the use of tax increment financing. The City and Developer explored other funding sources, none of which were of sufficient magnitude to support the public costs nor available within the required time period. The Developer has notified the City that it would not be economically feasible for the Developer to pay market value for the property and site improvement including relocation, demolition and utility relocation costs. Therefore, in the opinion of the City, the proposed private development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore, the City elects to use tax increment financing pursuant to the TIF Act to finance part of the project cost.

#### C. Conformance with General Plan

##### 1. Zoning Regulations

The TIF District is zoned commercial and multi-family residential. The proposed reuses are permitted uses within their respective zones.

2. Comprehensive Plan

The Victoria Planning Commission at their 4/23/90 meeting found that the proposed land uses are consistent with the Victoria Comprehensive Plan.

See page 5, Section B, Land Uses, of the "Development District Plan" for an explanation of the relationship between the proposed development and direction provided by the City's Comprehensive Plan.

V. FINANCING PLAN

A. Estimated Public Development Cost

The following costs detail the City's expenses with regards to their participation in the Zentrum, Inc. and Cal Haaskin projects:

1. Phase I Budget

Acquisition	375,000✓	
Relocation	75,000✓	
Demolition	50,000✓	
Soil Correction	40,000	
Public Parking and Street Improvements	267,000✓	<i>- Engineering: 450,000 - Surveys:</i>
Apartment Building		
Land Write Down	10,000	
Utility Relocation	200,000	
Capitalized Interest		
8% 2 1/2 yr.	280,000✓	
Bond Discount @ 2%	28,000✓	
Administration	25,000✓	
Fiscal, Legal, Planning	50,000✓	
<hr/>		
TOTAL PHASE I PROJECT COST	\$1,400,000	

The following costs detail the City's expenses with regard to their participation in the completion of the development plan.



2. Phase II Budget

Acquisition	400,000
Relocation	100,000
Demolition	29,400
Public Improvements	500,000
Capitalized Interest	296,000
Bond Discount	29,600
Administration	50,000
Legal, Fiscal, Planning	75,000

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TOTAL PHASE II PROJECT COST	\$1,480,000
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TOTAL PROJECT COST	\$2,880,000
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The items of cost and the costs thereof shown above are estimated to be necessary based upon the qualified appraisers, consultants, legal and cost information now available. It is anticipated that the items of cost and the costs thereof shown in each category above may decrease or increase, but that the total project cost will not exceed the amount shown above.

The total administrative expense is defined in Minnesota Statutes Section 469.176, Subd. 3 of the TIF Act and is estimated to be \$25,000, which amount does not exceed 10% of the total tax increment expenditures.

B. Source of Revenue and Tax Increment Calculation

1. Tax Increment Calculation

a. Zentrum, Inc.

\$2,475,000	Increased Estimated	
	Market Value	
100,000	@ 3.1 Tax Capacity	
	Ratio =	3,100
2,375,000	@ 5.6 Tax Capacity	
	Ratio =	125,235
		<hr/>
	Tax Capacity	128,335
	Tax Capacity	
	Rate	1.07394
		<hr/>
	Annual Tax	
	Increment	\$137,824

b. Cal Hasskin Apartments

\$500,000	Increased Estimated	
	Market Value	
500,000	@ 3.6% Tax Capacity Ratio	
18,000	Tax Capacity	
1.07394	Tax Capacity Rate	
\$ 19,331	Annual Tax Increment	

c. Others

25,000	sq.ft. Retail @ \$1.75	
	per sq.ft. tax =	44,000
15,000	sq.ft. Office @ \$2.00	
	per sq.ft. tax =	30,000
75	apartments @ 1,200 pr	
	unit tax increment	90,000
		<hr/>
	Total Annual Tax	
	Increment	\$174,000
TOTAL ANNUAL TAX INCREMENT		\$331,155

C. Tax Increment Bonds - Source of Revenue

1. Type of Bonds: Issure

The public development cost of the project will be financed by the issuance of general obligation Tax Increment Bonds (the "Bonds"). The Bonds will be issued by the City. The Bonds will be issued under authority of Minnesota Statutes, Section 469.174 to 469.179 of the TIF Act.

2. Estimated Amount of Bonds

The principal amount of the Bonds is presently expected to be \$2,880,000 (\$1,400,000 Phase I) which is computed as follows:

Capital and Administrative Costs	2,246,400
Capitalized Interest	576,000
Bond Discount	57,600

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ESTIMATED AMOUNT OF BONDS \$2,880,000

The "Capital Proceeds" of the project, comprising the proceeds of sale of the property in the project area to the Developer are expected to be nominal.

3. Payment of Bonds

The principal of and interest on the Bonds to be issued by the City to finance the Public Development Cost of the project will be payable primarily from the tax increments to be received by the City with respect to the District. In addition, such principal and interest will be paid from certain proceeds of the Bonds (Capitalized Interest) and interest earnings thereon; and, to the extent necessary, from certain moneys required to be provided by the Developer of the property in the District pursuant to the Development Contract. The table below demonstrates the computation of the annual tax increment available for eligible project expenses on a "pay as you go" basis:

4. Security for Bonds

The Bonds will be general obligations of the City to which its full faith and credit and unlimited taxing powers will be pledged. The Bonds and the

interest coming due will be payable primarily from tax increments to be derived primarily from the Project by the City. All tax increments will be pledged and appropriated to the payment of the Bonds and interest thereon due.

5. Bond Issue Details

It is estimated that the Bond proceeds and the interest earned thereon will be expended, the Bonds will mature and bear interest, and the Bonds will be paid on the dates and in the amounts shown in Exhibit I, however, the right is reserved to adjust the amounts, maturities, and other terms of the Bonds in order to insure that the entire principal of the interest on the Bonds will be paid when due from tax increments derived from the project.

D. Original Tax Capacity

The most recent tax capacity value of all the property in the District, which amount is expected to be certified by the Carver County Auditor as the original tax capacity value is \$70,297.

See Exhibit B, Property List for identification of individual parcels, property owners and tax capacity values.

E. Captured Tax Capacity Value

It is estimated that the "Captured Tax Capacity Value" of all taxable property in the Project, upon completion of the development of the TIF District No. 1 in accordance with this Plan, will be \$308,335.

Total Estimated Tax Capacity Value	
at Completion	\$378,632
- Frozen Base	70,297

Estimated Captured Tax Capacity	
Value	\$308,335

Captured Tax Capacity by Project:

Zentrum, Inc.	\$128,335
Haaskin	\$ 18,000
Others	<u>\$162,000</u>
	\$308,335

F. Excess Tax Increments

The tax increments received from the District in any year not needed to pay project expenses of the City, shall be used first to reduce any ad valorem property tax levied pursuant to and in accordance with Minnesota Statutes, Section 475.61, Subd. 3.

The City shall then use excess tax increments, if any, in the following manner:

1. Provide funds for additional development projects efforts within Development District No. 1.
2. Discharge the pledge of tax increments.
3. Return the excess amount to the County Auditor who shall distribute the excess amount to the municipality, county and school district in which the tax increment financing district is located, in direct proportion to their respective tax capacity rates.

G. Duration of the District

It is estimated that the District will remain in existence until December 31, 2015, or until the City's obligation to pay the project expenses has been discharged in accordance with the resolution authorizing the issuance of the debt.

In no event will the TIF District exist more than 25 years from the creation of the Redevelopment District, which is expected to be in 1990. It is estimated that the tax increment financing district, including any modifications or changes, will terminate December 31, 2015

H. Election as to Increment

The City finds it necessary to receive 100% of the captured Tax Capacity Value, to produce sufficient tax increments to fund project expenses in least amount of time.

I. Fiscal Disparities

The City elects the method of tax increment computation set forth in Section 469.177, Subd. 3, clause a. The contribution ratio of the municipality is not applied to commercial-industrial property inside a tax increment district, but the contribution these properties would otherwise make would be spread on commercial-industrial properties outside the district. Therefore, the total amount of captured tax capacity is available for tax increment debt retirement.

J. Estimated Impact on Other Tax Jurisdictions

The taxing jurisdiction within which the District is located will continue to receive taxes as if no new development were to occur with the current tax capacity valuation neither increasing nor decreasing. The City will receive all taxes derived from the increased tax capacity valuation above the adjusted base. This precludes the jurisdictions from receiving tax increases due to the Project, inflation, other than base inflation, or other development of the taxable property in the District. As the Exhibit H indicated, this property comprises a very small portion of the tax capacity value of these jurisdictions.

The tax capacity value of the taxable property within the District will be frozen at its original tax capacity value through 2015. At that point, the taxing jurisdictions will begin to receive taxes on the full tax capacity value of the property. The amount each jurisdiction will receive annually during the duration of the District will vary with changes in the tax capacity rate. Exhibit H further describes the impact the proposed project will have on the taxing jurisdictions.

## VI. TAX INCREMENT FINANCING REQUIREMENTS

### A. Limitation on Administrative Expenses

In accordance with Minnesota Statutes, Section 469.174, Subd. 14 and Minnesota Statutes, Section 469.176, Subd. 3, administrative expenses means all expenditures of an Authority other than amounts paid for the purchase of land or amounts paid to contractors and engineering services, directly connected with the physical development of the real property in the district, relocation benefits paid to or services provided for persons residing or business located in the district or amounts used to pay interest on, fund a reserve for, or sell at a discount bonds issued pursuant to Section 469.178. Administrative expenses include amounts paid for services provided by bond counsel, fiscal consultants, and planning for economic development consultants. No tax increment shall be used to pay any administrative expenses for a project which exceeds ten percent of the total tax increment expenditures authorized by the tax increment financing plan or the total tax increment expenditures for the project, whichever is less.

### B. Project Administration and Maintenance of Tax Increment Account

Administration of the tax increment financing economic development district will be handled by the Office of the City Clerk Administrator.

The tax increment received as a result of increases in the tax capacity value of the tax increment financing district will be maintained in a special account separate from all other municipal accounts and expended only upon sanctioned municipal activities identified in the financing plan.

### C. Limitation on Duration of Tax Increment Financing Districts

Pursuant to Minnesota Statutes Section 469.176, Subd. 1, "no tax increment shall be paid to an authority three years from the date of certification by the County Auditor unless within the three year period (1) bonds have been issued pursuant to Section 469.178 or in aid of a project pursuant to any other law, except revenue bonds issued pursuant to Chapter 474, prior to the effective date of the Act; or 2) the City has acquired property within the district; or (3) the City has constructed or caused to be constructed public improvements within the district..." The City may therefore issue bonds, or acquire property, or construct or cause public improvements to be constructed by 1993 or the office of the County Auditor may dissolve the tax increment financing district.

D. Limitation on Qualification of Property Tax  
Increment District Not Subject to Improvement

Pursuant to Minnesota Statutes, Section 469.176, Subd. 6, "if, after four years from the date of certification of the original gross tax capacity value of the tax increment financing district..., no demolition, rehabilitation or renovation of parcel or other site properties including improvement of a street adjacent to a property but not installation of utility service including sewer or water systems, has been commenced on a parcel located within the tax increment financing district by the Authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from the parcel and the gross tax capacity value of that parcel shall be excluded from the original gross tax capacity value of the tax increment financing district. If the City or the owner of the parcel subsequently commences demolition, rehabilitation or renovation or other site preparation on that parcel including improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the Authority shall certify to the County Auditor in the annual disclosure report that the activity has commenced. The County Auditor shall certify the tax capacity value thereof as most recently certified by the Commissioner of Revenue and add it to the original gross tax capacity value of the tax increment financing district.

E. Limitation on the Use of Tax Increment

All revenues derived from tax increment shall be used in accordance with the tax increment financing plan. The revenues shall be used to finance or otherwise pay public redevelopment costs pursuant to Minnesota Statutes, Sections 469.124 to 469.134. These revenues shall not be used to circumvent existing levy limit law. No revenues derived from tax increment shall be used for 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. This provision shall not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure, a common area used as a public park or a facility used for social, recreational or conference purposes and not primarily for conducting the business of the municipality.



F. County Costs

1. Tax increments may be used to pay for the county's actual administrative expenses under Sections 469.174 to 469.179. The County may require payment of those expenses by February 15 of the year after the year in which the expenses are incurred. The amount of these payments is not required to be set forth in the tax increment financing plan for the project. To obtain payment for actual administrative costs, the County Auditor must submit to the authority a record of costs incurred by the County Auditor related to administration of the authority's tax increment financing districts.
2. Tax increments may be used to pay county road costs as provided in Section 469.175, Subdivision 1(a).

G. Annual Disclosure Requirements

Pursuant to Minnesota Statutes, Section 469.175, Subd. 6, an Authority must file an annual disclosure report for all tax increment financing districts. The report shall be filed with the School Board, County Board and the State Auditor's Office. The report shall include the following information:

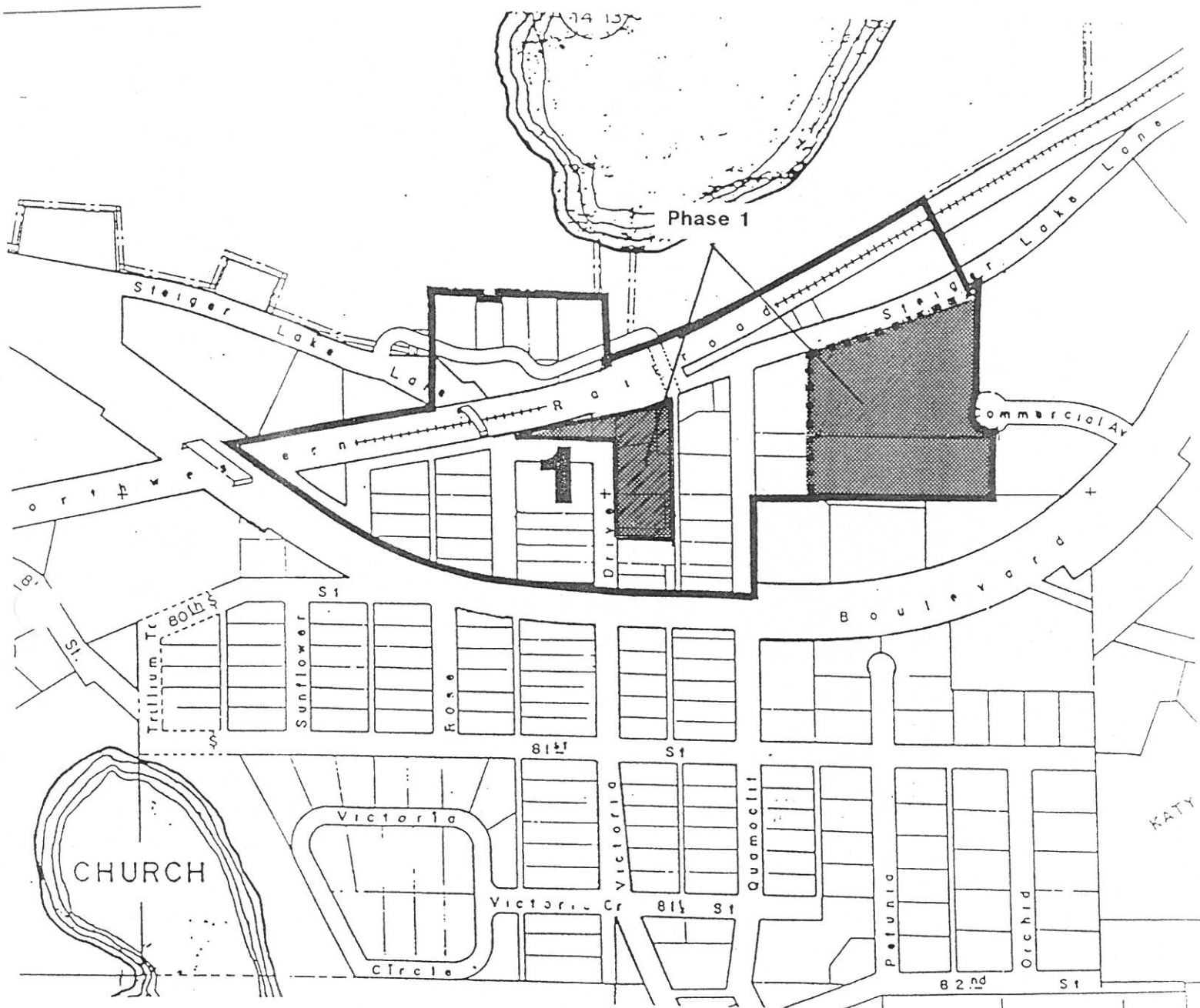
1. The original tax capacity value of the district;
2. The captured tax capacity value of the district, including the amount of any captured tax capacity value shared with other taxing districts;
3. The outstanding principal amount of bonds issued or other loans incurred to finance project costs in the district;
4. For the reporting period and for the duration of the district, the amount budgeted under the tax increment financing plan, and the actual amount expended for, at least, the following categories:
  - a. Acquisition of land and buildings through condemnation or purchase;
  - b. Site improvements or preparation costs;
  - c. Installation of public utilities or other public improvements;
  - d. Administrative costs, including the allocated cost of the authority;

5. For properties sold to developers, the total cost of the property to the Authority and the price paid by the Developer;
6. The amount of tax exempt obligations, other than those reported under clause (3), that were issued on behalf of private entities for facilities located in the district.

The annual disclosure report is designed to be a two-way medium of information dissemination for both the office of the County Auditor and the City. Should the Auditor want additional activities, such information should be requested prior to submission of the annual disclosure report by the City. Similarly, the City Council may utilize the annual disclosure report as a means for requesting information from the office of the County Auditor.

H. Modifications of the Tax Increment Financing District

In accordance with Minnesota Statutes, Section 469.175, Subd. 4, any reduction or enlargement of the geographic area of the Project or tax increment financing district, increase in amount of bonded indebtedness to be incurred, including a determination or capitalized interest on debt of that determination as not part of the original plan, or to increase or decrease the amount of interest on the debt to be capitalized, increase in the portion of the captured tax capacity value to be retained by the City, increase in total estimated tax increment expenditures or designation of additional property to be acquired by the City shall be approved upon the notice and after the discussion, public hearing and findings required for approval of the original plan. The geographic area of a tax increment financing district may be reduced, but shall not be enlarged after five years following the date of certification of the original gross tax capacity value by the County Auditor. The tax increment financing economic development district may therefore be expanded until 1995.



Development District #1

Tax Financing District # 1

Boundary Map

## EXHIBIT B

 PROPERTY LIST  
 DEVELOPMENT DISTRICT #1  
 TAX INCREMENT DISTRICT #1

<u>Name</u>	<u>PID</u>	<u>Bldg. Present</u>	<u>Net Tax Capacity</u>
Steiger Lake Inn (Bjorklund)	65-0133400	Y	2,419
Lloyd Braunworth	65-0134900	N	41
	65-0134100	Y	607
C.H. Carpenter	65-0134600	Y	678
	65-0134800	Y	3,006
	65-0750050	Y	7,166
David Dungey	65-0750280	Y	2,224
Gregg Geske	65-0750040	Y	591
*Bob Hullsiek Creamery	65-0133600	Y	1,815
	65-0133500	Y	749
Gerald Johnson	65-0750230	Y	472
John Johnson	65-0750030	Y	570
Kirsch Distributing	65-0750260	Y	2,221
Leuthner Well/ Maurine Leuthers	65-0750310	Y	916
	65-0750330	Y	579
	65-0750320	Y	1,746
	65-0750360	Y	1,140
MN Victoria Oil Co.	65-0134500	Y	1,482
Lorraine Natermann	65-0141700	Y	776
Orville Nouska	65-0133300	Y	814
*Old Town Saloon (James Cox)	65-0750070	Y	2,320
Ralph Plocher	65-0141800	Y	535
Wilfred Plocher	65-0750270	Y	1,874
Pogreba Distributing (Dahlmeier)	65-0133900	Y	3,003
*Williams Schmieg Liquor Store	65-0750060	Y	1,056

<u>Name</u>	<u>PID</u>	<u>Bldg. Present</u>	<u>Net Tax Capacity</u>
Schmittty's Tavern (Karen Lindall)	65-0133800	Y	1,729
*S.I.D.C.O. (Sidwell)	65-0750180	Y	1,921
Sunrise Cafe (Webster)	65-0750240	Y	1,109
Leo Schneider	65-0750290	Y	1,178
Theisen Series I	65-0750200	Y	4,299
Katherine Vanderlinde	65-0750340	Y	587
Victoria Auto Body	65-0133700	Y	1,871
James Vinkemeier	65-0750020	Y	659
Sylvester Vogel	65-0750350	N	25
Eugene Wartman	65-0750010	Y	680
Russell Zipf	65-0141600	Y	566
City of Victoria	65-0750190	Y	
Cal Haaskin	65-4920010	Y	16,873
Hennepin County	65-0140700	N	
Park Reserve	65-0134300	N	

\*Phase I

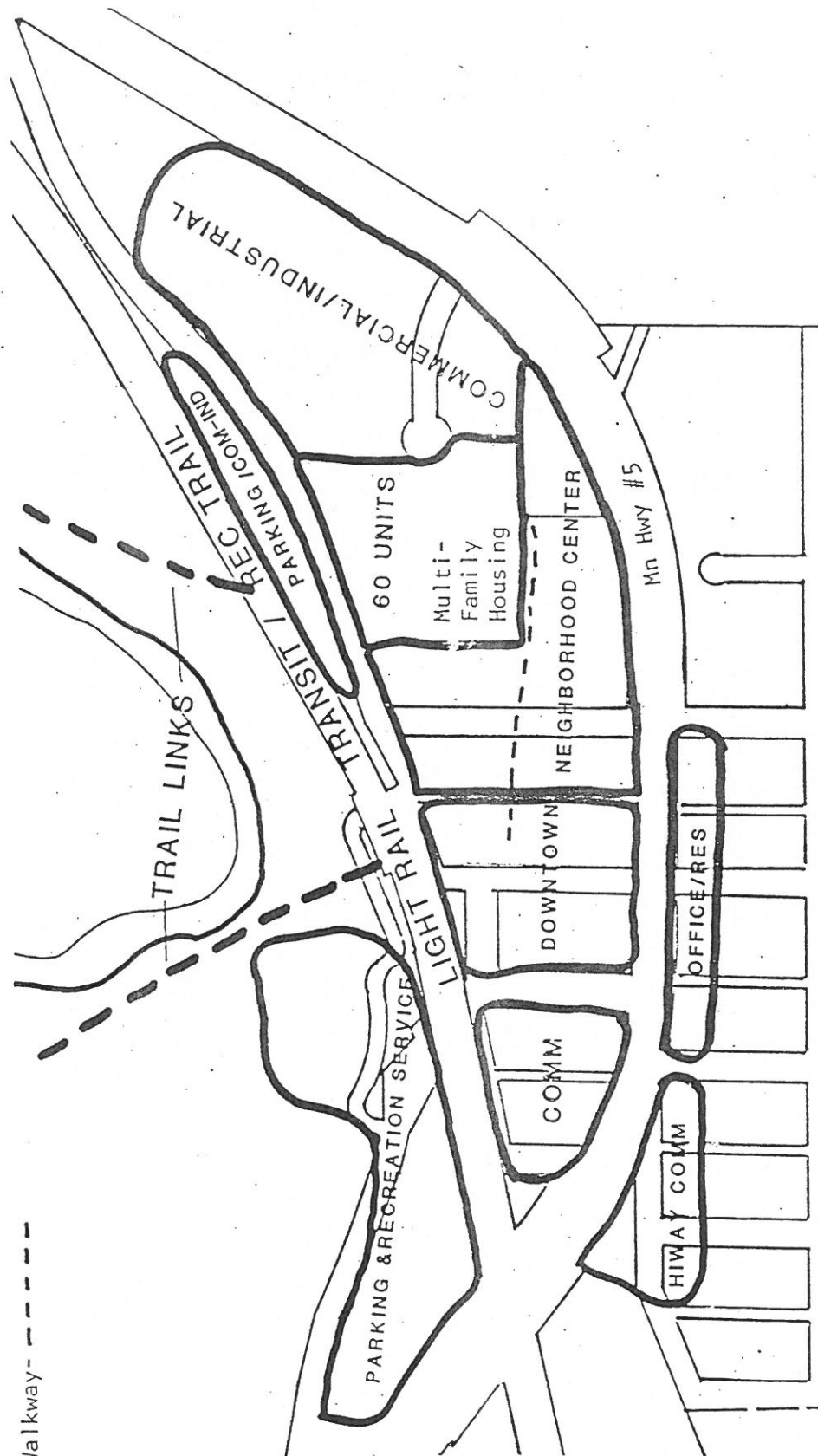
Figure 14 DOWNTOWN CONCEPT PLAN

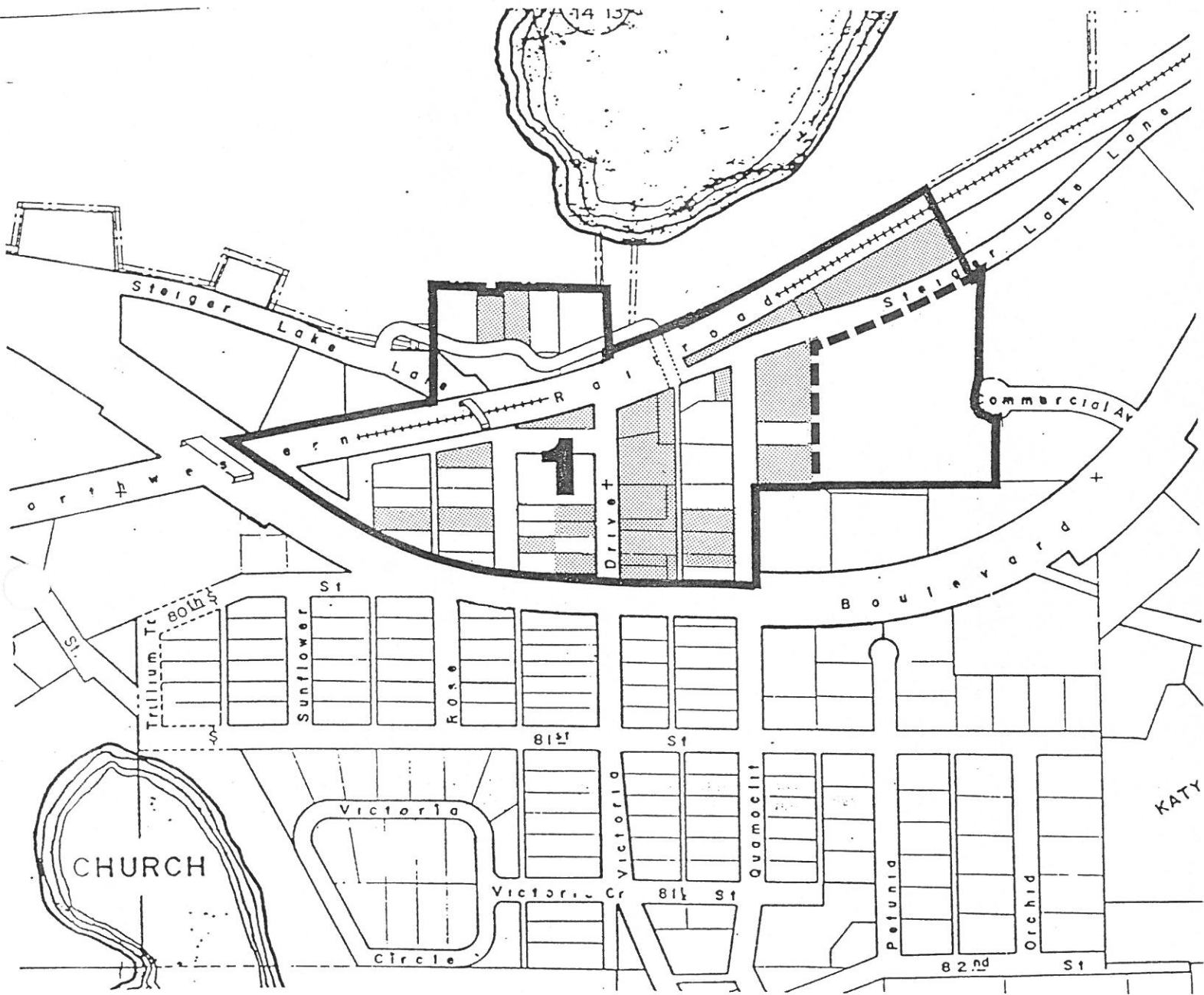
Downtown-Will remain an area of small shops, stores, & recreation establishments. City buildings will be utilized more intensively, new activities based on recreation service will be encouraged. Building adjacent to rail ROW is particularly adaptable to recreation services. General level of activity will become more intense & people oriented.

Neighborhood Center-To be redeveloped as a shopping area providing convenience goods-groceries, hardware, drug/general store. Development should occur in a single or connected structure. Quamoclit St. closed at Hwy 5 and used as internal access to the site.

Hiway Commercial-Gas & service stations, other directly highway related businesses

Pedestrian Walkway- - - - -





**Development District #1**

 Substandard Properties

**Tax Financing District # 1**

**Building Conditions**

**EXHIBIT D**

## EXHIBIT E

QUALIFICATION AS REDEVELOPMENT DISTRICT  
 BUILDING CONDITION LIST  
 DEVELOPMENT DISTRICT #1  
 TAX INCREMENT DISTRICT #1

<u>Name</u>	<u>PID</u>	<u>Bldg. Present</u>	<u>Bldg. Condition</u>
Victoria House (Bjorklund)	65-0133400	Y	OK
Lloyd Braunworth	65-0134900	N	NA
	65-0134100	Y	S
C.H. Carpenter	65-0134600	Y	S
	65-0134800	Y	S
	65-0750050	Y	S
David Dungey	65-0750280	Y	OK
Gregg Geske	65-0750040	Y	OK
*Bob Hullsiek Creamery	65-0133600	Y	S
	65-0133500	Y	S
Gerald Johnson	65-0750230	Y	OK
John Johnson	65-0750030	Y	S
Kirsch Distributing	65-0750260	Y	S
Leuthner Well/ Maurie Leuther	65-0750310	Y	S
	65-0750330	Y	OK
	65-0750320	Y	S
	65-0750360	Y	S
MN Victoria Oil Co.	65-0134500	Y	S
Lorraine Notermann	65-0141700	Y	OK
Orville Nouska	65-0133300	Y	OK
*Old Town Saloon (Tim Cox)	65-0750070	Y	S
Ralph Plocher	65-0141800	Y	S
Wilfred Plocher	65-0750270	Y	S
Pogreba Distributing (Dahlmeier)	65-0133900	Y	OK
*William Schmieg Liquor Store	65-0750060	Y	S



<u>Name</u>	<u>PID</u>	<u>Bldg. Present</u>	<u>Bldg. Condition</u>
Schmitty's Tavern (Karen Lindall)	65-0133800	Y	S
*S.I.D.C.O. (Sidwell)	65-0750180	Y	S
Sunrise Cafe (Webster)	65-0750240	Y	S
Leo Schneider	65-0750290	Y	S
Theisen Series I	65-0750200	Y	OK
Katherine Vanderlinde	65-0750340	Y	OK
Victoria Auto Body	65-0133700	Y	S
James Vinkemeier	65-0750020	Y	S
Sylvester Vogel	65-0750350	N	NA
Eugene Wartman	65-0750010	Y	S
Russell Zipf	65-0141600	Y	S
City of Victoria	65-0750190	Y	OK
Cal Haaskin	65-4920010	Y	OK
Hennepin County	65-0140700	N	NA
Park Reserve	65-0134300	N	NA

S = Substandard

Test #1 70% parcels

16,873

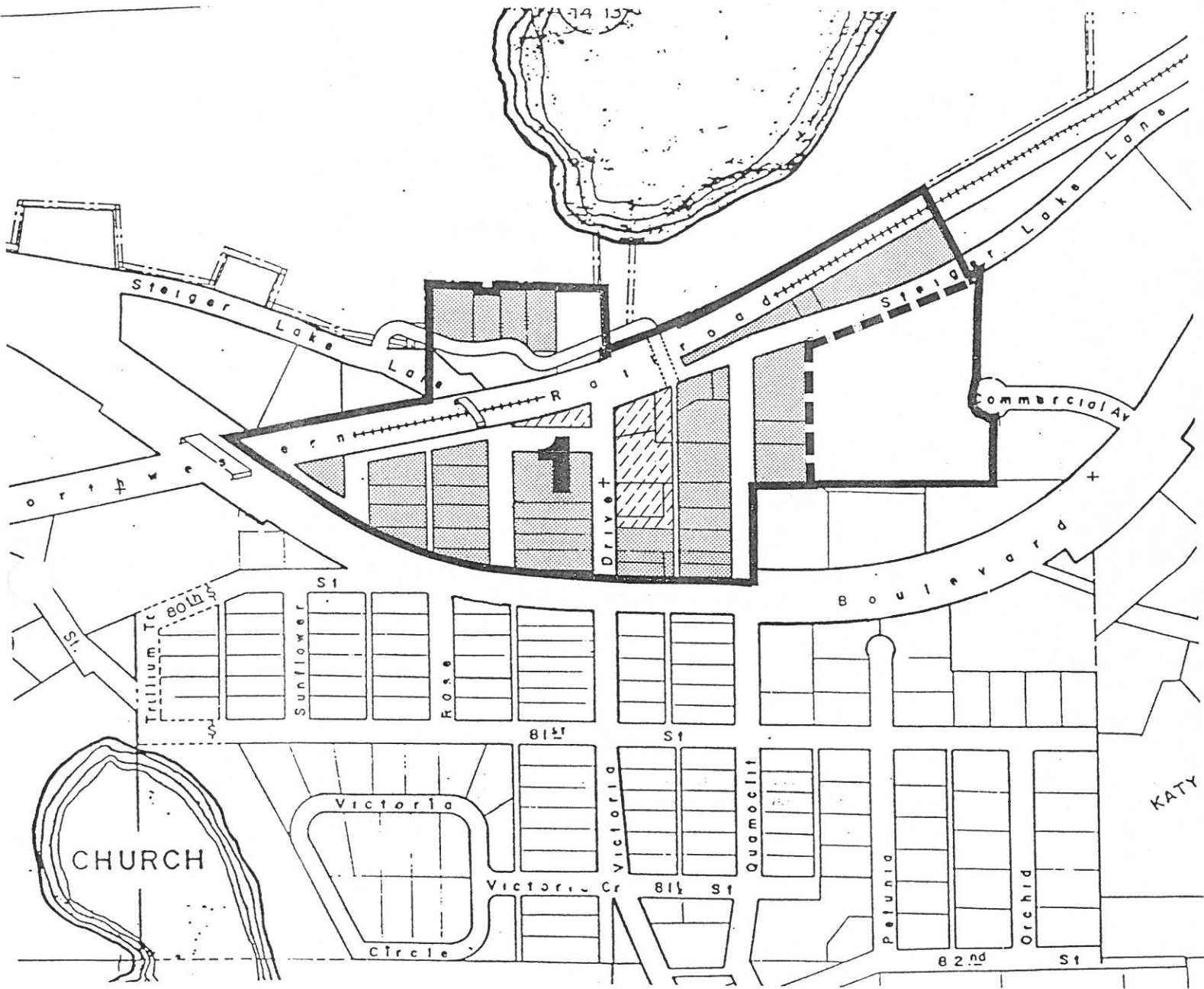
\*Phase I


EXHIBIT F  
ACQUISITION LIST

<u>Name</u>	<u>PID</u>	<u>Bldg. Present</u>	<u>Net Tax Capacity</u>
Steiger Lake Inn (Bjorklund)	65-0133400	Y	2,419
Lloyd Braunworth	65-0134900	N	41
	65-0134100	Y	607
C.H. Carpenter	65-0134600	Y	678
	65-0134800	Y	3,006
	65-0750050	Y	7,166
David Dungey	65-0750280	Y	2,224
Gregg Geske	65-0750040	Y	591
*Bob Hullsiek Creamery	65-0133600	Y	1,815
	65-0133500	Y	749
Gerald Johnson	65-0750230	Y	472
John Johnson	65-0750030	Y	570
Kirsch Distributing	65-0750260	Y	2,221
Leuthner Well/ Maurine Leuthers	65-0750310	Y	916
	65-0750330	Y	579
	65-0750320	Y	1,746
	65-0750360	Y	1,140
MN Victoria Oil Co.	65-0134500	Y	1,482
Lorraine Natermann	65-0141700	Y	776
Orville Nouska	65-0133300	Y	814
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Ralph Plocher	65-0141800	Y	535
Wilfred Plocher	65-0750270	Y	1,874
Pogreba Distributing (Dahlmeier)	65-0133900	Y	3,003
*Williams Schmieg Liquor Store	65-0750060	Y	1,056

<u>Name</u>	<u>PID</u>	<u>Bldg. Present</u>	<u>Net Tax Capacity</u>
Schmittty's Tavern (Karen Lindall)	65-0133800	Y	1,729
*S.I.D.C.O. (Sidwell)	65-0750180	Y	1,921
Sunrise Cafe (Webster)	65-0750240	Y	1,109
Leo Schneider	65-0750290	Y	1,178
Theisen Series I	65-0750200	Y	4,299
Katherine Vanderlinde	65-0750340	Y	587
Victoria Auto Body	65-0133700 ✓	Y	1,871
James Vinkemeier	65-0750020	Y	659
Sylvester Vogel	65-0750350	N	25
Eugene Wartman	65-0750010	Y	680
Russell Zipf	65-0141600	Y	566
City of Victoria	65-0750190	Y	

\*Phase I



-  Phase 1 Acquisition
-  Phase 2 Acquisition

**Development District #1**

**Tax Financing District # 1 and 2**

**Acquisition Map**

**EXHIBIT G**

EXHIB. H

IMPACT ON TAXING JURISDICTION  
DEVELOPMENT IN THE TAX INCREMENT FINANCING DISTRICT NO.  
BY  
VICTORIA DOWNTOWN REDEVELOPMENT

JURISDICTION	BEFORE			AFTER		% OF INCREASED TOTAL AVAILABLE FOR NORMAL GROWTH
	1989-90 TOTAL TAX CAPACITY VALUATION	BASE T.C. VALUATION	% OF TOTAL	TAX CAPACITY VALUATION	% OF TOTAL	
City of Victoria	1,161,991	70,297	3.25	146,335	6.34	93.66
School Dist. #112	17,150,456	70,297	.41	146,335	0.85	99.15
Carver County	31,195,069	70,297	.23	146,335	0.47	99.53

TAX CAPACITY RATE IMPACT  
ANNUAL TAX INCREMENT

JURISDICTION	TAX CAPACITY RATE	% OF TOTAL	DISTRIBUTION TAX INCREMENT TO INDIVIDUAL JURISDICTION	TAX CAPACITY IMPACT OF TIF*
City of Victoria	24.828	23.12	36,334	1.680
School District #112	48.497	46.16	70,971	.414
Carver	32.864	30.60	48,089	.154
Misc.	1.205	1.12	1,760	---
TOTAL	107.394	100.00	157,155	2.248

\*Assumes development would have occurred without the assistance being sought.

Increase Valuation Determination

Before	70,297
After	216,632
Increase	146,335
% Increase	208%