

CITY OF VICTORIA, MINNESOTA

**MODIFICATION OF DEVELOPMENT PROGRAM FOR
DEVELOPMENT DISTRICT NO. 1**

**ESTABLISHMENT OF TAX INCREMENT FINANCING PLAN FOR
TAX INCREMENT FINANCING (REDEVELOPMENT)
DISTRICT NO. 1-6 (VICTORIA FLATS)**

PUBLIC HEARING: OCTOBER 24, 2016

PLAN APPROVED: OCTOBER 24, 2016 _____

REQUEST FOR CERTIFICATION: _____

DISTRICT CERTIFIED: _____



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ARTICLE I – INTRODUCTION AND DEFINITIONS

SECTION 1.01 INTRODUCTION

The City of Victoria proposes to provide tax increment financing assistance to facilitate redevelopment of an approximate 1.2 acre site to provide for a new approximate 70-85 unit multifamily rental housing facility, with approximately 90 structured parking stalls, 50 surface lot stalls, and 15 on-street parking stalls within the downtown area. This document contains the plan for achieving the objectives of the modified Development Program for Development District No. 1 through the establishment and use of Tax Increment Financing District No. 1-6.

SECTION 1.02 DEFINITIONS

For the purposes of this document, the terms below have the meanings given in this section, unless the context in which they are used indicates a different meaning:

1. “City” means the City of Victoria, Minnesota.
2. “City Council” means the City Council of the City.
3. “County” means Carver County, Minnesota.
4. “Developer” means a party undertaking construction or renovation within the TIF District.
5. “Development District” means Development District No. 1 in the City, created and established and modified pursuant to and in accordance with the Development District Act.
6. “Development District Act” means Minnesota Statutes, Sections 469.124 through 469.133, as amended and supplemented from time to time.
7. “Development Program” means the Development Program for the Development District, as amended and supplemented from time to time.
8. “Project Area” means the geographic area of the Development District.
9. “Project Costs” means the cost of the development activities that will or are expected to occur within the Project Area or TIF District.
10. “School District” means Eastern Carver County Schools (Independent School District No. 112).
11. “State” means the State of Minnesota.
12. “TIF Act” means Minnesota Statutes, Sections 469.174 through 469.1794, both inclusive.
13. “TIF District” means Tax Increment Financing (Redevelopment) District No. 1-6 (Victoria Flats).
14. “TIF Plan” means the tax increment financing plan for the TIF District (this document).

SECTION 1.03 PLAN PREPARATION

This document was prepared for the City by Northland Securities, Inc. Project data was provided by City Staff.

ARTICLE II - MODIFICATION TO DEVELOPMENT PROGRAM

SECTION 2.01 OVERVIEW

The City has heretofore established Municipal Development District No. 1, initially established in April 1990 and amended on May 1, 1997 (as amended, the "Development District") and adopted a development program therefor (the "Development Program") pursuant to the Minnesota Municipal Development District Act, Minnesota Statutes, Sections 469.124 through 469.134, and established Tax Increment Financing District Nos. 1-2, 1-3, 1-4, and 1-5 within the Development District pursuant to the TIF Act.

Various amendments have been adopted respecting the Development Program, the Tax Increment Financing Districts and Tax Increment Financing Plans, including the establishment of additional Tax Increment Districts within the Development District.

The City has determined that it is necessary to further amend the Development Program to establish Tax Increment Financing District No. 1-6 within the Development District.

Except as herein or previously modified, all other provisions of the Development Program for the Municipal Development District No. 1 shall remain unchanged and in full force and effect.

SECTION 2.02 BOUNDARIES OF DEVELOPMENT DISTRICT

The boundaries of the Development District are contiguous with the boundaries of the City depicted in Exhibit VI, as approved by the modification to the Development District adopted on February 8, 2016 (Resolution No. 16-11).

ARTICLE III - TAX INCREMENT FINANCING PLAN

SECTION 3.01 STATUTORY AUTHORITY

The TIF District and this TIF Plan are established under the authority of the TIF Act (Minnesota Statutes 2015).

SECTION 3.02 PLANNED DEVELOPMENT

3.02.1 Project Description

The City desires to promote development of property within the boundaries of the TIF District and the Development District. A Developer is proposing the development of an approximate 70-85 unit multifamily rental housing facility, with approximately 90 structured parking stalls, 50 surface lot stalls, and 15 on-street parking stalls within the downtown area.

3.02.2 City Plans and Development Program

In addition to achieving the objectives of the Development Program, the proposed development is consistent with and works to achieve the development objectives of the City. The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City as a whole.

The reasons and facts supporting this finding are that the City Council has reviewed the Development Program and found that the TIF Plan is consistent with the goals of the Comprehensive Plan and zoning ordinances and serves to promote the City's development objectives for the City.

3.02.3 Land Acquisition

The City may acquire and sell any and all parcels within the TIF District.

3.02.4 Development Activities

As of the date of approval of this TIF Plan, there are no development activities proposed in this TIF Plan that are subject to contracts.

3.02.5 Need for Tax Increment Financing

The reasons and facts supporting this finding are that this is a residential and commercial area of the City that includes parcels that have been found to have been occupied by blighted buildings and under-utilized areas which are a detriment to redevelopment by the private sector. Such conditions render properties within the TIF District unsuitable for redevelopment due to the excessive costs involved with redevelopment. It is only through a coordinated and comprehensive redevelopment effort using tax increment revenues to fund certain of these excessive development expenses and provide necessary improvements to public infrastructure serving the commercial area will private redevelopment occur. In the opinion of the City, the proposed development would not reasonably be expected to occur solely through private investment within the 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 TIF District permitted by the TIF Plan.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above and is shown in Exhibit I. This analysis indicates that the increase in estimated market value of the proposed development (less the present value of the projected tax increments for the maximum

duration permitted by the TIF Plan) exceeds the estimated market value of the site prior to the establishment of the TIF District.

SECTION 3.03 TAX INCREMENT FINANCING DISTRICT

3.03.1 Designation

This TIF District is designated Tax Increment Financing (Redevelopment) District No. 1-6 (Victoria Flats).

3.03.2 Boundaries of TIF District

The boundaries of the TIF District are depicted in Exhibit VIII and includes the following property, as legally described below, and the adjacent roads and right-of-way:

Legal Description for TIF District #6 – Victoria Flats

Those parts of Government Lot 1, Section 13, Township 116, Range 24, Carver County, Minnesota, described as follows:

Commencing at a point 242 feet North and 412 feet East of the southwest corner of Lot 1, Section 13 Township 116, Range 24; thence North a distance of 100 feet to a point on the South limit of road; thence North 67 degrees 55 minutes East a distance of 8' feet along said road limit to a point; thence South a distance of 130.5 feet to a point; thence West at right angles a distance of 75 feet to the place of beginning.

AND

Commencing at the Southwest corner of Government Lot 1, Section 13, Township 116, Range 24; thence East 412 feet; thence North 342 feet; thence North 67 degrees 55 minutes East a distance of 8' feet to point and place of beginning of within described tract; thence South a distance of 130.5 feet to the Southeast corner of the tract described in Book 50 of Deeds, page 4; thence West on the South side of said tract 75 feet; thence South on the East line of Lake Street Village of Victoria 78 feet; thence East 145 feet; thence North parallel with the East line of Lake Street aforesaid 214 feet more or less to Trunk Highway No. 5; thence South 67 degrees 55 minutes West or Southwesterly along Trunk Highway No. 5 to the place of beginning.

Except: That part of Government Lot 1, Section 13 Township 116, Range 24, Carver County, Minnesota, described as follows: Commencing at the Southwest corner of said Government Lot 1; thence easterly along the South line of said Government Lot 1 a distance of 412.00 feet to the East line of Lake Street as dedicated in the plat of Victoria, according to the recorded plat thereof; thence Northerly along said East line of Lake Street a distance of 162.00 feet to the point of beginning of the land to be described; thence continuing Northerly along said East line of Lake Street a distance of 54.00 feet; thence Easterly parallel with the South line of said Government Lot 1 a distance of 145.00 feet; thence Southerly parallel with said East line of Lake Street a distance of 54.00 feet; thence Westerly parallel with said South line of Government Lot 1 a distance of 145.00 feet to the point of beginning.
(Abstract Property)

TOGETHER WITH:

Parcel 1: That part of Government Lot 1, Section 13 Township 116, Range 24, Carver County, Minnesota, described as follows: Commencing at the Southwest corner of said Government Lot 1; thence easterly along the South line of said Government Lot 1 a distance of 412.00 feet to the East line of Lake Street as dedicated in the plat of Victoria, according to the recorded plat thereof; thence Northerly along said East line of Lake Street a distance of 162.00 feet to the point of beginning of the land to be described; thence continuing Northerly along said East line of Lake Street a distance of 54.00 feet; thence Easterly parallel with the South line of said Government Lot 1 a distance of 145.00 feet; thence Southerly parallel with said East line of Lake Street a distance of 54.00 feet; thence Westerly parallel with said South line of Government Lot 1 a distance of 145.00 feet to the point of beginning.

Parcel 2: Beginning at a point 66 feet due East of the Northeast corner of Lot 1, Block 1, Village of Victoria, which point of beginning is also described as being 412 feet east of the Southwest corner of Govt Lot 1, Section 13 Township 116 Range 24; thence running East 145 feet; thence North 108 feet; thence west 145 feet to the East line of Lake Street, Village of Victoria, thence south on said East line of Lake Street, 108 feet to place of beginning.

Parcel 3: Commencing at a point 412 feet East and 108 feet North of the Southwest corner of Government Lot 1, Section 13, Township 116, Range 24, which point of commencement is also described as being 66 feet due East and 108 feet north of the Northeast corner of Lot 1, Block 1, Village of Victoria, on East line of Lake Street of said Village of Victoria, thence running East 145 feet; thence North 54 feet; thence West 145 feet to a point on the East line of said Lake Street; thence South on the East line of said Lake Street 54 feet to place of beginning. Situated in Government Lot 1, Section 13, Township 116, Range 24.

(Abstract Property)

3.03.3 *Type of District*

The TIF District is established as a “redevelopment” district pursuant to Minnesota Statutes Section 469.174, Subd. 10. The City has determined that the property in the TIF District meets the statutory criteria for a redevelopment district.

As summarized in the table below, 100% of the area of the TIF District is occupied by improved parcels, and 100% of the buildings within the TIF District are found to be substandard. The parcel within the TIF District contains improvements covering over 15% of the parcel’s area. The facts supporting this finding are included in Exhibit V and Exhibit VI.

The results of the building inspection and analysis performed by Thomas P. Gray, Certified Building Inspector, are contained in the building inspections reports dated April 21, 2016 for the building located at 7943 Quamoclit Avenue and included in Exhibit V of the TIF Plan.

Number of Parcels.....	1
Area Included (sq.ft. without roads).....	51,836.40
Area of Improved Parcels	13,795.28
Percent of Area Improved.....	26.61%
Number of Parcels with Buildings	1
Number of Buildings found Substandard.....	1
Percent of Buildings found Substandard.....	100%

3.03.4 *Fiscal Disparities Election*

Pursuant to M.S., Section 469.177, Subd. 3, the City may elect one of two methods to calculate fiscal disparities. If the calculations pursuant to M.S., Section 469.177, Subd. 3, clause b, (within the District) are followed, the following method of computation shall apply:

(1) The original net tax capacity shall be determined before the application of the fiscal disparity provisions of Chapter 276A or 473F. The current net tax capacity shall exclude any fiscal disparity commercial-industrial net tax capacity increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to M.S., Section 276A.06, subdivision 7 or M.S., Section 473F.08, subdivision 6. Where the original net tax capacity is equal to or greater than the current net tax capacity, there is no captured tax capacity and no tax increment determination. Where the original tax capacity is less than the current tax capacity, the difference between the original net tax capacity and the current net tax capacity is the captured net tax capacity. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured net tax capacity of the authority.

(2) The county auditor shall exclude the retained captured net tax capacity of the authority from the net tax capacity of the local taxing districts in determining local taxing district tax rates. The local tax rates so determined are to be extended against the retained captured net tax capacity of the authority as well as the net tax capacity of the local taxing districts. The tax generated by the extension of the less of (A) the local taxing district tax rates or (B) the original local tax rate to the retained captured net tax capacity of the authority is the tax increment of the authority.

The City will choose to calculate fiscal disparities by clause b. The election of clause b can also be generally described as electing to have fiscal disparities paid from “within” the TIF District.

According to M.S., Section 469.177, Subd. 3:

(c) The method of computation of tax increment applied to a district pursuant to paragraph (a) or (b) shall remain the same for the duration of the district, except that the governing body may elect to change its election from the method of computation in paragraph (a) to the method in paragraph (b).

SECTION 3.04 PLAN FOR USE OF TAX INCREMENT

3.04.1 *Estimated Tax Increment*

The original tax capacity of value of the TIF District will be set by the County upon request for certification. The original tax capacity value may change over time based on the use and tax classification of each parcel. For the purposes of this TIF Plan, the estimated original tax capacity is \$3,220. This amount is based on the most recent published combined estimated taxable market value of the property of \$257,600, with tax capacity value calculated for multi-family residential property.

The total tax capacity value of the property after completion of all phases of the project, as described in Section 3.02.1, is estimated to be \$146,813. This amount is based on a total estimated taxable market value of \$11,745,000 with property classified as multi-family residential property. The difference between the total tax capacity value and the original tax capacity value is the captured tax capacity value for the creation of tax increment. It is the City's intent to retain 100% of the captured tax capacity value for the life of the TIF district.

The total local tax rate for taxes payable in 2016 is 116.016%. The original tax rate for the TIF District will be established by the County Auditor and is estimated to be based on the final total local tax rate for taxes payable in 2017, assuming the request for certification of TIF District is made prior to June 30, 2017.

The City elects that tax increment will be calculated as described in clause (b) of 469.177, Subd. 3, which means that the fiscal disparity contributions attributable to the TIF District will be made from property within the boundaries of the TIF District.

Under these assumptions, the estimated annual tax increment in the first year upon completion of all phases of development (estimated to be taxes payable year 2019) will be \$165,991. The actual tax increment will vary according to the certified original tax capacity value and original tax rate, the actual estimated taxable market value resulting from development and State tax policy over the life of the TIF District. Exhibit II contains the projected tax increment over the life of the TIF District.

3.04.2 *Project (Redevelopment) Costs*

The City will use tax increment to pay for Project Costs. Project Costs eligible for reimbursement are for activities needed to correct the redevelopment conditions under the TIF Act, including land acquisition, public improvements, earthwork, site utilities, paving, site concrete, landscaping, site accessories, fencing, public and private utility services, building demolition, clearance of the site, abatement of contaminants, on-site and off-site parking and other site development expenses allowed by the TIF Act and the Development District Act.

The City reserves the authority to use tax increments to pay principal and interest on bonds and to compensate for the interest expense of financing for these redevelopment costs at a rate to be set by the City or pursuant to a development agreement.

The City reserves the right to enter into a development agreement that defines the means for verifying Project Costs eligible for reimbursement and the means of disbursing tax increments collected by the City.

The City reserves the right to use any other legally available revenues to finance or pay for Project Costs associated with the development in the TIF District.

3.04.3 Estimated Sources and Uses of Funds

The estimated sources of revenue, along with the estimated Project Costs of the TIF District, are itemized in Figure 3-1 included in this section. The estimates are based on the best available information for the sources and uses of funds. Such costs are eligible for reimbursement from tax increments, and other listed sources of revenue from the TIF District.

The City reserves the right to administratively adjust the amount of any of the items listed in Figure 3-1, or to incorporate additional eligible items, so long as the total estimated tax increment project costs as shown in Figure 3-1 is not increased.

**Figure 3-1
Estimated Sources and Uses of Funds**

	Total
Estimated Tax Increment Revenues (from tax increment generated by the district)	
Tax increment revenues distributed from the county	\$5,258,000
Interest and investment earnings	\$20,000
Sales/lease proceeds	\$0
Market value homestead credit	\$0
Total Estimated Tax Increment Revenues	\$5,278,000
Estimated Project/Financing Costs (to be paid or financed with tax increment)	
Project costs	
Land/building acquisition	\$625,000
Site improvements/preparation costs	\$1,375,000
Utilities	\$0
Other qualifying improvements	\$1,200,000
Construction of affordable housing	\$0
Small city authorized costs, if not already included above	\$0
Administrative costs	\$50,000
Estimated Tax Increment Project Costs	\$3,250,000
Estimated financing costs	
Interest expense	\$2,028,000
Total Estimated Project/Financing Costs to be Paid from Tax Increment	\$5,278,000
Estimated Financing	
Total amount of bonds to be issued	\$5,278,000

3.04.4 Administrative Expense

The City reserves the right to spend up to a maximum of ten percent (10%) of annual tax increment revenues, less fees paid to the State and County on administrative expenses. The City will use these monies to pay for and reimburse the City for costs of administering the TIF District allowed by the TIF Act. Figure 3-1 in Section 3.04.3 provides the estimated amount of administrative costs to be paid from tax increments. Anticipated administrative expenses of the TIF District include annual audit of the fund for TIF District, preparation of annual reporting, legal publication of annual report, and administration of the development agreement. The City may also reimburse itself for costs associated with the establishment of the TIF District, including the TIF Plan and preparation of development agreement(s).

3.04.5 County Road Costs

The proposed development will not substantially increase the use of county roads and necessitate the need to use tax increments to pay for county road improvements.

3.04.6 Bonded Indebtedness

The City anticipates incurring bonded indebtedness. The total amount of bonds to be issued is included in Figure 3-1 in Section 3.04.3. The City reserves the authority to issue general obligation bonds payable from tax increment from the TIF District. The City anticipate the authorization of an interfund loan and issuance of a pay-go revenue note to the Developer.

Before money is transferred, advanced, or spent, the obligation financing the expenditure shall be authorized by resolution of the City. For a loan or advance to be repaid with tax increment revenues, an interfund loan agreement must be in place before any loans or advances are made. The terms and conditions for repayment of the loan must be in writing and include, at minimum, (i) the principal amount of the loan or advance, (ii) the interest rate to be charged, and (iii) its maximum term. The maximum rate of interest that can be charged is limited to the annual rate charged by the State Courts or by the Department of Revenue, whichever is greater.

3.04.7 Duration of TIF District

Redevelopment tax increment financing districts may remain in existence 25 years from the date of receipt of the first tax increment. The City anticipates that the TIF District will remain in existence the maximum duration allowed by law (projected to be through the year 2044). Pursuant to MN Statutes, Section 469.175 subdivision 1(b), the Authority elects to delay receipt of first increment until 2019.

3.04.8 Estimated Impact on Other Taxing Jurisdictions

Exhibit III and IV shows the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The City believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The City has capacity to accommodate the additional impact on city-provided services related to the proposed development. Through previous infrastructure projects, water and sewer services to the proposed development site have been installed in anticipation of increased capacity needs of redevelopment. The City does not anticipate additional strain on fire or police protection duties and is positioned with the appropriate resources to support the proposed development.

The issuance of general obligation bonds payable from the TIF District would not effect the City's ability to issue other debt for general governmental purposes.

3.04.9 Prior Planned Improvements

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District. The City will include this statement with the request for certification to the County Auditor. If building permits had been issued during this time period, then the County Auditor would increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

ARTICLE IV – ADMINISTERING THE TIF DISTRICT

SECTION 4.01 FILING AND CERTIFICATION

The filing and certification of the TIF Plan consists of the following steps:

1. Upon adoption of the TIF Plan, the City shall submit a copy of the TIF Plan to the Minnesota Department of Revenue and the Office of the State Auditor.
2. The City shall request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements.
3. The City shall send the County Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District, and shall request that the County Assessor review and certify this assessment agreement as reasonable.

SECTION 4.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN

The City reserves the right to modify the TIF District and the TIF Plan. Under current State Law, the following actions can only be approved only after satisfying all the necessary requirements for approval of the original TIF Plan (including notifications and public hearing):

- Reduction or enlargement in the geographic area of the Development District or the TIF District.
- Increase in the amount of bonded indebtedness to be incurred.
- Increase in the amount of capitalized interest.
- Increase in that portion of the captured net tax capacity to be retained by the City.
- Increase in the total estimated Project Costs.
- Designation of additional property to be acquired by the City.

Other modifications can be made by resolution of the City Council. In addition, the original approval process does not apply if (1) the only modification is elimination of parcels from the TIF District and (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

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

SECTION 4.03 CORRECTING REDEVELOPMENT CONDITIONS

Section 469.176, Subd. 4j of the TIF Act requires that at least 90% of the revenues derived from tax increments from the TIF District be used to finance the cost of correcting conditions that allow designation as a redevelopment district. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, the removal of hazardous substances or remediation necessary to development of the land, and installation of utilities, roads, sidewalks, and parking facilities

for the site. The allocated administrative expenses of the City, including the cost of preparation of the development action response plan, may be included in the qualifying costs.

SECTION 4.04 4-YEAR KNOCKDOWN RULE

The 4-Year Knockdown Rule requires that if after four years from certification of the TIF District no demolition, rehabilitation, renovation or site improvement, including a qualified improvement of an adjacent street, has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The City must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

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

SECTION 4.05 POOLING/5-YEAR RULE

At least 75 percent of the tax increments (net of administrative expenses) from this TIF District (the "In-District Percentage") must be expended on activities within the TIF District, including payment on any bonds for which the proceeds were used to finance activities within the TIF District. Up to 25 percent of the tax increments from this TIF District may be used to finance activities outside the TIF District but within the Development District.

Tax increments are considered to have been "spent" within the TIF District if such amounts are:

- actually paid to a third party for activities performed within the TIF District within five years after certification of the district;
- used to pay bonds that were issued and sold to a third party, the proceeds of which are reasonably expected on the date of issuance to be spent within the later of the five-year period or a reasonable temporary period or are deposited in a reasonably required reserve or replacement fund.
- used to make payments or reimbursements to a third party under binding contracts for activities performed within the TIF District, which were entered into within five years after certification of the district; or
- used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district; or
- in the case of a housing district, used for a housing project, as defined in section 469.174, subdivision 11.

It is anticipated that all tax increments collected in the TIF District will be spent or obligated within this five year time period. Unless the TIF Plan is modified within this five-year period and additional expenditures are authorized, tax increments will only be used to pay for authorized redevelopment costs and administrative expenses.

At least 90 percent of the revenues derived from tax increments from a redevelopment district or renewal and renovation district must be used to finance the cost of correcting conditions that allow designation of redevelopment and renewal and renovation districts under section 469.174. These costs include, but are not limited to, acquiring properties containing structurally

substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of the land, the removal of hazardous substances or remediation necessary to development of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the authority, including the cost of preparation of the development action response plan, may be included in the qualifying costs.

SECTION 4.06 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS

The City will comply with the annual reporting requirements of State Law pursuant to the guidelines of the Office of the State Auditor. Under current law, the City must prepare and submit a report on the TIF district on or before August 1 of each year. The City must also annually publish in a newspaper of general circulation in the City an annual statement for each tax increment financing district.

The reporting and disclosure requirements outlined in this section begin with the year the district was certified, and shall end in the year in which both the district has been decertified and all tax increments have been spent or returned to the county for redistribution. Failure to meet these requirements, as determined by the State Auditors Office, may result in suspension of distribution of tax increment.

SECTION 4.07 BUSINESS SUBSIDY COMPLIANCE

The City will comply with the business subsidies requirements, if applicable, specified in Minnesota Statutes, Sections 116J.993 to 116J.995.

Exhibit I

City of Victoria
Tax Increment Financing District No. 1-6
Present Value Analysis As Required By
Minnesota Statutes 469.175(3)(2)
Victoria Flats

1	Estimated Future Market Value w/ Tax Increment Financing	17,041,353
2	Payable 2016 Market Value	<u>257,600</u>
3	Market Value Increase (1-2)	16,783,753
4	Present Value of Future Tax Increments	<u>2,679,360</u>
5	Market Value Increase Less PV of Tax Increments	14,104,393
6	Estimated Future Market Value w/o Tax Increment Financing	373,764 ¹
7	Payable 2016 Market Value	<u>257,600</u>
8	Market Value Increase (6-7)	<u>116,164</u>
9	Increase in MV From TIF	<u><u>13,988,230</u></u> ²

¹ Assume 1.50% annual appreciation over 25 year life of district.

² Statutory compliance achieved if increase in market value from TIF (Line 9) is greater than or equal to zero.

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 1-6

Exhibit II

City of Victoria

Tax Increment Financing District No. 1-6

Projected Tax Increment Cash Flow

Victoria Flats

TIF District	Year	Taxes Payable Year	Taxable Market Value ^{1 4}	New Tax Capacity ¹	Base Tax Capacity ³	Captured Tax Capacity	Assumed Original Tax Rate ²	100.00% Estimated Tax Increment ⁶ (TIF)	25.00% Estimated TIF To Pay City Project and Financing Costs	75.00% Estimated TIF To Pay Developer Project and Financing Costs	Present Value ⁵ of TIF to Developer At Rate of 4.50%
1	2018	2019	11,745,000	146,813	(3,220)	143,593	116.016%	165,991	41,648	124,344	108,716
2	2019	2020	11,921,175	149,015	(3,220)	145,795	116.016%	168,537	42,287	126,251	214,295
3	2020	2021	12,099,993	151,250	(3,220)	148,030	116.016%	171,121	42,935	128,186	316,827
4	2021	2022	12,281,493	153,519	(3,220)	150,299	116.016%	173,743	43,593	130,151	416,399
5	2022	2023	12,465,715	155,821	(3,220)	152,601	116.016%	176,406	44,261	132,145	513,097
6	2023	2024	12,652,701	158,159	(3,220)	154,939	116.016%	179,107	44,939	134,168	607,001
7	2024	2025	12,842,491	160,531	(3,220)	157,311	116.016%	181,850	45,627	136,223	698,195
8	2025	2026	13,035,129	162,939	(3,220)	159,719	116.016%	184,633	46,325	138,308	786,753
9	2026	2027	13,230,655	165,383	(3,220)	162,163	116.016%	187,459	47,034	140,425	872,754
10	2027	2028	13,429,115	167,864	(3,220)	164,644	116.016%	190,326	47,754	142,573	956,270
11	2028	2029	13,630,552	170,382	(3,220)	167,162	116.016%	193,237	48,484	144,753	1,037,372
12	2029	2030	13,835,010	172,938	(3,220)	169,718	116.016%	196,191	49,225	146,966	1,116,130
13	2030	2031	14,042,535	175,532	(3,220)	172,312	116.016%	199,190	49,978	149,213	1,192,612
14	2031	2032	14,253,173	178,165	(3,220)	174,945	116.016%	202,233	50,741	151,492	1,266,882
15	2032	2033	14,466,971	180,837	(3,220)	177,617	116.016%	205,323	51,516	153,807	1,339,005
16	2033	2034	14,683,976	183,550	(3,220)	180,330	116.016%	208,459	52,303	156,156	1,409,043
17	2034	2035	14,904,235	186,303	(3,220)	183,083	116.016%	211,641	53,102	158,540	1,477,054
18	2035	2036	15,127,799	189,097	(3,220)	185,877	116.016%	214,872	53,912	160,960	1,543,099
19	2036	2037	15,354,716	191,934	(3,220)	188,714	116.016%	218,151	54,735	163,416	1,607,232
20	2037	2038	15,585,037	194,813	(3,220)	191,593	116.016%	221,479	55,570	165,909	1,669,511
21	2038	2039	15,818,812	197,735	(3,220)	194,515	116.016%	224,857	56,417	168,439	1,729,986
22	2039	2040	16,056,094	200,701	(3,220)	197,481	116.016%	228,285	57,278	171,008	1,788,712
23	2040	2041	16,296,936	203,712	(3,220)	200,492	116.016%	231,766	58,151	173,615	1,845,738
24	2041	2042	16,541,390	206,767	(3,220)	203,547	116.016%	235,298	59,037	176,261	1,901,113
25	2042	2043	16,789,511	209,869	(3,220)	206,649	116.016%	238,883	59,937	178,946	1,954,885
26	2043	2044	17,041,353	213,017	(3,220)	209,797	116.016%	242,523	60,850	181,673	2,007,100
TOTAL =								5,251,560	1,317,634	3,933,927	2,007,100

Key Assumptions

- 1 Taxable market value annual growth assumption = 1.500%
- 2 Assume Pay 2016 tax year.
- 3 Base Taxable Value = \$257,600
- 4 New Taxable Value = \$11,745,000 81 units at \$145,000 per unit.
- 5 Present value is based on semi-annual payments.
- 6 Estimated total tax increment is after deducting the State Auditor's Office fee of 0.36% of the tax increment distribution.
- 7 Present value is calculated based on semi-annual payments, stated rate in the schedule above, and beginning date as of the certification of the TIF district, which is 10/24/16.
- 8 The TIF Plan includes an election for option "b" for Fiscal Disparities contribution. Fiscal disparities will be paid from within the TIF District. The proposed project does not include any commercial property. Residential property does not contribute to the Fiscal Disparities pool.
- 9 The 4.5% discount rate for estimating present value is preliminary and subject to final agreements and resolutions.

Exhibit III
City of Victoria
Tax Increment Financing District No. 1-6
Impact on Other Taxing Jurisdictions
(Taxes Payable 2016)
Victoria Flats

ANNUAL TAX INCREMENT

Estimated Annual Captured Tax Capacity (Full Development)	\$209,797
Payable 2016 Local Tax Rate	116.016%
Estimated Annual Tax Increment	<u>\$243,399</u>

Percent of Tax Base

	Net Tax Capacity (NTC)	Captured Tax Capacity	Percent of Total NTC
City of Victoria	12,724,544	209,797	1.65%
Carver County	118,630,750	209,797	0.18%
ISD 112	68,349,546	209,797	0.31%

Dollar Impact of Affected Taxing Jurisdictions

	Net Tax Capacity (NTC)	% of Total	Tax Increment Share	Added Local Tax Rate
City of Victoria	31.520%	27.169%	66,129	0.520%
Carver County	38.880%	33.513%	81,570	0.069%
ISD 112	39.245%	33.828%	82,336	0.120%
Other	6.370%	5.491%	13,364	
Totals	<u>116.016%</u>	<u>100.000%</u>	<u>243,399</u>	

NOTE NO. 1: Assuming that ALL of the captured tax capacity would be available to all taxing jurisdictions even if the City does not create the Tax Increment District, the creation of the District will reduce tax capacities and increase the local tax rate as illustrated in the above tables.

NOTE NO. 2: Assuming that NONE of the captured tax capacity would be available to the taxing jurisdiction if the City did not create the Tax Increment District, then the plan has virtually no initial effect on the tax capacities of the taxing jurisdictions. However, once the District is established, allowable costs paid from the increments, and the District is terminated, all taxing jurisdictions will experience an increase in their tax base.

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 1-6

Exhibit IV

City of Victoria

Tax Increment Financing District No. 1-6

Estimated Tax Increments Over Maximum Life of District ¹

Victoria Flats

Based on Pay 2016 Tax Rate = 116.016% 31.520% 38.880% 39.245% 6.370%

TIF District Year	Taxes Payable Year	(includes Villas)		Captured Tax Capacity	Estimated Total Tax Increment ²	City TIF Related Share	County TIF Related Share	School TIF Related Share	Other TIF Related Share
		New Tax Capacity	Base Tax Capacity						
1	2019	146,813	(3,220)	143,593	166,591	45,261	55,829	56,354	9,147
2	2020	149,015	(3,220)	145,795	169,146	45,955	56,685	57,218	9,288
3	2021	151,250	(3,220)	148,030	171,739	46,660	57,555	58,095	9,429
4	2022	153,519	(3,220)	150,299	174,371	47,375	58,437	58,985	9,574
5	2023	155,821	(3,220)	152,601	177,043	48,101	59,332	59,889	9,721
6	2024	158,159	(3,220)	154,939	179,754	48,837	60,241	60,806	9,870
7	2025	160,531	(3,220)	157,311	182,507	49,585	61,163	61,737	10,022
8	2026	162,939	(3,220)	159,719	185,300	50,344	62,099	62,682	10,175
9	2027	165,383	(3,220)	162,163	188,136	51,114	63,050	63,642	10,330
10	2028	167,864	(3,220)	164,644	191,014	51,896	64,014	64,615	10,489
11	2029	170,382	(3,220)	167,162	193,935	52,690	64,993	65,603	10,649
12	2030	172,938	(3,220)	169,718	196,900	53,496	65,987	66,606	10,811
13	2031	175,532	(3,220)	172,312	199,910	54,313	66,995	67,625	10,977
14	2032	178,165	(3,220)	174,945	202,964	55,143	68,019	68,658	11,144
15	2033	180,837	(3,220)	177,617	206,065	55,986	69,058	69,707	11,314
16	2034	183,550	(3,220)	180,330	209,212	56,841	70,113	70,771	11,487
17	2035	186,303	(3,220)	183,083	212,406	57,708	71,183	71,852	11,663
18	2036	189,097	(3,220)	185,877	215,648	58,589	72,270	72,948	11,841
19	2037	191,934	(3,220)	188,714	218,939	59,483	73,373	74,062	12,021
20	2038	194,813	(3,220)	191,593	222,279	60,391	74,492	75,192	12,204
21	2039	197,735	(3,220)	194,515	225,669	61,312	75,628	76,338	12,391
22	2040	200,701	(3,220)	197,481	229,110	62,247	76,781	77,502	12,580
23	2041	203,712	(3,220)	200,492	232,603	63,196	77,952	78,684	12,771
24	2042	206,767	(3,220)	203,547	236,148	64,159	79,140	79,883	12,966
25	2043	209,869	(3,220)	206,649	239,746	65,137	80,346	81,100	13,163
26	2044	213,017	(3,220)	209,797	243,399	66,129	81,570	82,336	13,364
Total					5,270,534	1,431,948	1,766,305	1,782,890	289,391

Notes:

1. The TIF Plan includes an election for option "b" for Fiscal Disparities contribution. Fiscal disparities will be paid from within the TIF District. The proposed project does not include any commercial property. Residential property does not contribute to the Fiscal Disparities pool.

2. The Estimated Total Tax Increment is before deducting the State Auditor's fee, which is payable at a rate of 0.36% of the Total Tax Increment collected. Exhibit II provides Estimated Total Tax Increment after deducting for the State Auditor's fee.

EXHIBIT V

INSPECTION REPORT OF BUILDING FOR REDEVELOPMENT FINDINGS



City of Victoria

Ph. 952.443.4210

Fax 952.443.2110

INSPECTION REPORT

For Inspection Of Properties For The Purposes Of Determining Condition of Buildings
Test As Defined By MN Statutes, Section 469.174, Subdivision 10

Building Name: Braunworth Residence

Parcel No.: 65.0134400

Building Address: 7943 Quamoclit

Inspector Name: Thomas P. Gray (Certified Minnesota Building Official BO001852)

Inspection Date: April 13, 2016

Inspection Time: 8:57 – 9:22 am

Inspection Type: Interior X Exterior X

Building Vacant: Yes No X

Estimated Replacement Cost: \$236,182.40

Estimated Cost to Correct Building Code Deficiencies: \$54,440.25

Percentage of Replacement Cost: 23.05%

City Hall • 7951 Rose Street • Box 36 • Victoria, Minnesota 55386
www.ci.victoria.mn.us

Attachment # 1

DESCRIPTION OF CONDITION DEFICIENCIES:

Minnesota Statutes, Section 469.174, Subdivision 10, states that a building is Structurally Substandard if it contains "defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance."

Attachment #2

DETAILS ON DEFECTS IN STRUCTURAL ELEMENTS

The following items were noted and determined to be deficient:

1. The roof shingles were well past useful life. Broken tabs, holes and missing aggregate were noted throughout. Tear off and replacement would be in order. See photograph.
2. The framing of the roof does not meet the current minimum code requirements. A code required ridge board was not observed to have been utilized. It also appears some rafters have been removed (see photograph). Therefore, the roof sheathing is over spanned and structurally unstable. Removal and replacement of the entire roof structure would be in order.
3. A single plumbing roof vent was noted extending through the roof at the rear of the home. The current Minnesota State Plumbing Code requires the drainage piping of each building and each connection to a public sewer be vented by means of one or more vent pipes, the aggregate cross-sectional area of which shall not be less than that of the largest required building sewer. Additional venting of the home's building drains would be required. This would entail connecting vents to existing plumbing stacks in the basement through the use of wye fittings and vents extended through the roof.
4. The current occupant noted that the home's sewer backs-up often. This indicates a blockage, breakage or back pitch of the home's sewer pipe. To be corrected, a sewer camera would need to be utilized to identify the problem. Repair or replacement of the home's affected building sewer section(s) would be necessary. This would entail open trenching the yard above the affected sewer pipe and replacing the necessary sewer piping sections.
5. The second floor has a door which opens to the garage roof. A code complying landing and guard are not provided at this door. Construction of a landing and guard would be required.
6. The second floor bedroom does not have a code complying egress window. The windows are less than the code required height in open area (see photograph). This would need to be corrected to comply with the current code requirements.
7. The stair between the first and second floors is measured between 34 and 35 inches in width. The minimum code requirement for clear width of a residential stair is 36 inches. To meet the current code requirements, this would need to be corrected. To do so, would entail reframing the entire stair enclosure to widen the opening.
8. The 9 inch risers of the stair between the first and second floors exceed the maximum allowable of 7-3/4" by the current code requirements. This would need to be corrected by removing the stair and reframing with code complying stringers. This would extend the stair length, at the bottom of the stair, and mean the landing would need to be extended into the living room area.
9. The home's original electrical wiring contains ungrounded outlets. These outlets, lighting fixtures and associated wiring would need to be removed and replaced to comply with current code requirements. This would entail rewiring most of the home's fixtures with grounded wiring and replacing existing fixtures with grounded fixtures.
10. The current occupant noted that the basement has water intrusion occurs in spring. There is visual evidence of this water intrusion on the basement's masonry block foundation. To comply with the current state building code requirements, an exterior drain tile system and

waterproofing of the exterior masonry block foundation would be completed. To comply with the current city code of ordinances, an interior drain tile system, including the installation of a minimum 6" of washed rock under the entire basement slab, and sump basket, sump pump and means of discharging the sump would need to be completed.

11. To comply with Minnesota Rules Section 1303.2400 a radon control system would need to be installed within the home. This could be either a passive or active radon control system; the minimum would be the passive system. This would entail, at a minimum, connecting radon reduction system piping to either the home's interior drain tile piping or sump basket. The piping would need to be extended from the basement through the roof, at least two feet higher than any roof structure within 10 feet horizontally.
12. The basement does not have a code complying means of egress. This means a code complying egress window and window well would need to be installed. This would entail cutting an opening in the foundation, framing for a window, including a header or lintel, installing an egress window, excavating and installing an egress well and ladder.
13. The first floor joists are supported on a mid-span steel beam. That beam is supported by wood posts. One of the posts has been relocated to accommodate a pool table. This would indicate the steel beam is over spanned between posts. Also, the wood posts are shimmed with multiple blocks of wood stacked on each other and the posts in contact with the concrete floor do not appear to be of the code compliant naturally resistant to rot or treated for such resistance. Both conditions indicate structurally unsound conditions. Furthermore, there is no indication that the existing structural posts are supported on concrete footings, as would be required by the current state building code. To correct, the steel beam would need to be analyzed to confirm the load imposed and the load capable of being supported. If inadequate, the beam would need to be replaced. Areas of the basement floor would be removed to verify the presence of footings under the structural posts. If footings are not present, they would need to be formed and placed. Steel beams or treated structural posts would need to replace the existing pieced-together wood posts. The new posts would require anchorage to the footings below and a positive connection to the steel beam above.
14. The existing electric water heater is old and is certainly past its useful appliance life. This appliance would need to be replaced to meet the current state plumbing code requirements for first hour rating per Table 501.1 of the 2015 Minnesota State Plumbing Code.
15. To meet the minimum standards of the current Minnesota State Electrical Code, electrical service panel breakers would need to be replaced with arc-fault circuit breakers for circuits requiring such protection and existing circuits would need ground-fault protection.

Attachment #3

The Authority Having Jurisdiction decided not to count energy code deficiencies toward the thresholds required by Minnesota Statutes, Section 469.174, Subdivision 10(b) defined as 'structurally substandard', due to the concerns expressed by the State of Minnesota Court of Appeals in the Walser Auto Sales, Inc. vs. City of Richfield case filed November 13, 2001.

Attachment #4

SUMMARY OF INSPECTOR'S QUALIFICATIONS:

The inspector conducting this Condition of Buildings Test possesses the following qualifications:

- Minnesota Certified Building Official Certificate # BO001852.
- International Code Council Certified Building Inspector Certificate # 0244721.
- Municipal Building Inspector since July, 1996.
- Designated Municipal Building Official since July, 2000.

SUMMARY OF DEFICIENCIES:

It is my professional opinion that this building is **Substandard** as defined by Minnesota Statutes, Section 469.174, Subdivision 10c.

- a) Building Code Deficiencies total more than 15% of replacement cost.
- b) Substantial renovation is required to correct Conditions found.

Date **April 21, 2016**

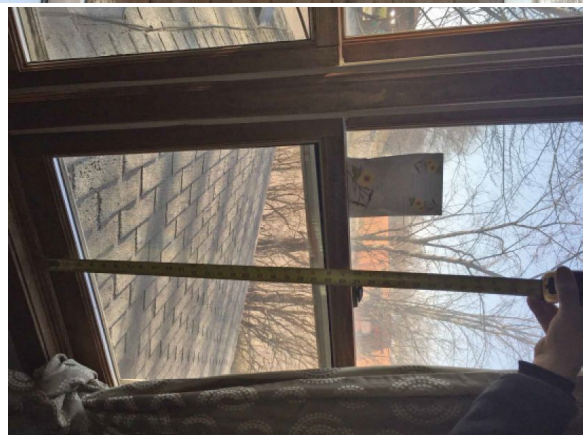
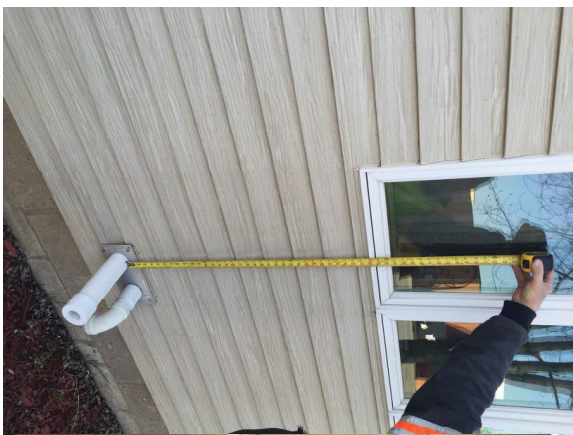
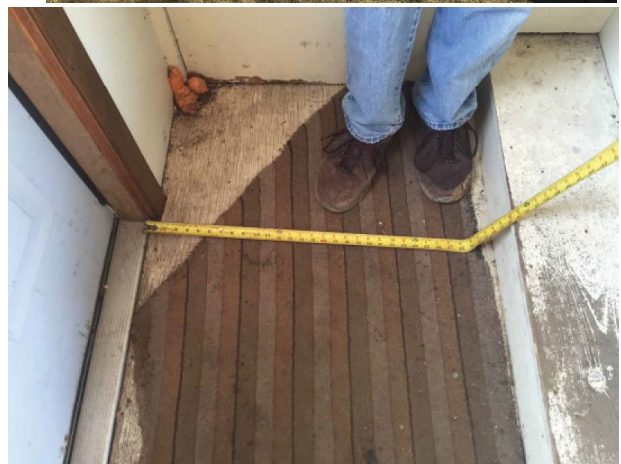
Title **Certified Building Official**

License # **BO001852**

Name **Thomas P. Gray**

Signature

A handwritten signature in black ink, appearing to read "Thomas P. Gray", is written over a horizontal line.



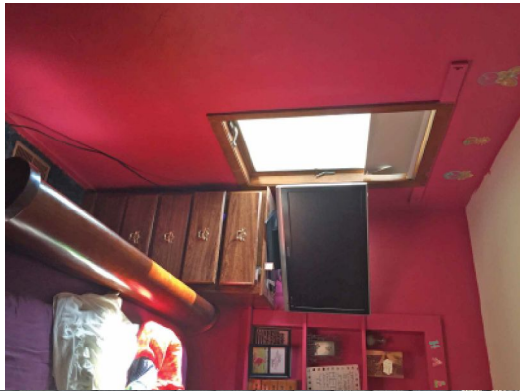




EXHIBIT VI**TIF #6 - AREA COVERAGE TEST MAP**

Date Created: 04/13/2016

Created by: Victoria Community Development Department

0 15 30 60 90 120 Feet



Property Information Summary			
Property Name (Address)	Total Property Area [sf]	Area(s) of Improvements [sf]	% of Property Coverage
City Parking Lot (1699 Steiger Lake Lane)	21,344.40	10,600.00	49.66%
Braunworth Property (7943 Quamocit)	30,492.00	3,195.28	10.48%
TOTALS:	51,836.40	13,795.28	26.61%



Note: Tax Increment Financing District No. 1-6 (the "TIF District") will include one Parcel (PID). At time of establishment of the TIF District, approval of a final plat is anticipated. The coverage test is based on the occupied area and total land area of the single parcel.

Minnesota Statutes, Section 469.174, Subdivision 10 (a) (1) requires two tests for occupied parcels be met to qualify as a Redevelopment District. One of the two test is a coverage test. Parcels consisting of 70% of the area of the district must be occupied by buildings, streets, utilities, or paved or gravel parking lots to meet the required coverage test. The coverage required by the parcel to be considered occupied is defined under Minnesota Statutes, Section 469.174, Subdivision 10(e). For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, or paved or gravel parking lots unless 15% of the area of the parcel contains building, streets, utilities, or paved or gravel parking lots. The City finds that greater than 15% of the single parcel within the TIF District is occupied. The coverage test is met for the TIF District.

MAP OF BOUNDARIES OF DEVELOPMENT DISTRICT NO. 1 AND TAX INCREMENT FINANCING DISTRICT NO. 1-6

