

**To: HONORABLE MAYOR AND CITY COUNCIL.**

**FROM: Dave Maroney, City Administrator.**

**SUBJECT: *Tax Increment Financing (TIF) District No. 2-8.***

**DATE: March 12, 2020.**

**BACKGROUND.**

The City Council has previously authorized consideration for the use of tax increment financing to facilitate development of Carstenson Trucking in Cannon Falls. To create a TIF District necessitates development of a TIF Plan, completion of a public hearing, establishment of the TIF District and approval of the TIF Plan by the City Council. The EDA recommends approval of this project. The draft TIF Plan and approving Resolution accompany this Memorandum.

**REQUESTED COUNCIL ACTION.**

The City Council is asked to conduct the public hearing relating to the Tax Increment Financing Plan for TIF District No. 2-8 and thereafter consider and approve the Resolution establishing TIF District No. 2-8 and the TIF Plan.

EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL OF THE CITY  
OF CANNON FALLS, MINNESOTA

HELD: MARCH 17, 2020

Pursuant to due call and notice thereof, a regular or special meeting of the City Council of the City of Cannon Falls, Goodhue County, Minnesota, was duly called and held at the City Hall, in said City on March 17, 2020, at 6:30 P.M.

The following members of the Council were present:

and the following were absent:

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

**RESOLUTION NUMBER 2470**

**RESOLUTION ESTABLISHING TAX INCREMENT FINANCING (ECONOMIC DEVELOPMENT) DISTRICT NO. 2-8 WITHIN MUNICIPAL DEVELOPMENT DISTRICT NO. 2 AND APPROVING THE TAX INCREMENT FINANCING PLAN THEREFOR**

A. WHEREAS, it has been proposed that the City of Cannon Falls, Minnesota (the "City") (1) establish Tax Increment Financing (Economic Development) District No. 2-8 (the "TIF District") within Municipal Development District No. 2 (the "Development District"); and (2) approve and adopt the proposed Tax Increment Financing Plan therefor under the provisions of Minnesota Statutes, Sections 469.174 to 469.1794, as amended (the "Act"); and

B. WHEREAS, the City Council has investigated the facts and has caused to be prepared a proposed tax increment financing plan for the TIF District therein (the "TIF Plan"); and

C. WHEREAS, the City has performed all actions required by law to be performed prior to the approval of the establishment of the TIF District and the adoption of the TIF Plan, including, but not limited to, notification of Goodhue County and Independent School District No. 252 having taxing jurisdiction over the property to be included in the TIF District and the holding of a public hearing upon published and mailed notice as required by law.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Cannon Falls follows:

1. Tax Increment Financing (Economic Development) District No. 2-8. There is hereby established in the City within the Development District, the TIF District, an economic development tax increment financing district, the initial boundaries of which are fixed and determined as described in the TIF Plan.

2. Tax Increment Financing Plan. The TIF Plan is adopted as the tax increment financing plan for the TIF District, and the City Council makes the following findings:

(a) The TIF District is an economic development district as defined in Minnesota Statutes, Section 469.174, Subd. 12, the specific basis for such determination is set forth in Section J of the TIF Plan.

(b) The proposed development in the opinion of the City Council, would not occur solely through private investment within the reasonably foreseeable future. The reasons for such determination are set forth in Section J(2) of the TIF Plan.

(c) In the opinion of the City Council, 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. The reasons supporting this finding are set forth in Section J(2) of the TIF Plan.

(d) The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City as a whole. The reasons for supporting this finding are set forth in Section J(4) of the TIF Plan.

(e) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Development District by private enterprise. The reasons supporting this finding are set forth in Section J(3) of the TIF Plan.

(f) Section J of the TIF Plan is incorporated herein by reference.

3. Public Purpose. The adoption of the TIF Plan for the TIF District within the Development District conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the State which is already built up to provide employment opportunities, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose.

4. Certification. The Auditor of Goodhue County is requested to certify the original net tax capacity of the TIF District as described in TIF Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased in accordance with the Act; and the Economic Development Director is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding the adoption of this Resolution.

5. Filing. The Economic Development Director is further authorized and directed to file a copy of the Modification and TIF Plan for the TIF District with the Commissioner of Revenue and the Office of the State Auditor.

6. Administration. The administration of the Development District is assigned to the Economic Development Director who shall from time to time be granted such powers and duties pursuant to Minnesota Statutes, Sections 469.130 and 469.131 as the City Council may deem appropriate.

7. Interfund Loan. The City has determined that it may pay for certain costs (the "Qualified Costs") identified in the TIF Plan which costs may be financed on a temporary basis from the City's general fund or any other fund from which such advances may be legally made (the "Fund"). Under Minnesota Statutes, Section 469.178, Subd. 7, the City is authorized to advance or loan money from the Fund in order to finance the Qualified Costs. The City intends to reimburse itself for the payment of the Qualified Costs, plus interest thereon, from tax increments derived from the TIF District in accordance with the following terms (which terms are referred to collectively as the "Interfund Loan"):

(a) The City shall repay to the Fund from which the Qualified Costs are initially paid, the principal amount of \$171,669 (or, if less, the amount actually paid from such fund) together with interest at 5.00% per annum (which is not more than the greater of (i) the rate specified under Minnesota Statutes, Section 270C.40, or (ii) the rate specified under Minnesota Statutes, Section 549.09) from the date of the payment.

(b) Principal and interest on the Interfund Loan ("Payments") shall be paid semi-annually on each February 1 and August 1 commencing with the first February 1 or August 1 occurring after the date the tax increments from the TIF District are available and not otherwise pledged to and including the earlier of (a) the date the principal and accrued interest of the Interfund Loan is paid in full, or (b) the date of last receipt of tax increment from the TIF District ("Payment Dates") which Payments will be made in the amount and only to the extent of available tax increments. Payments shall be applied first to accrued interest, and then to unpaid principal.

(c) Payments on the Interfund Loan are payable solely from the tax increment generated in the preceding six (6) months with respect to the TIF District and remitted to the City by Goodhue County, all in accordance with Minnesota Statutes, Sections 469.174 to 469.1794, as amended. Payments on this Interfund Loan are subordinate to any outstanding or future bonds, notes or contracts secured in whole or in part with tax increment, and are on parity with any other outstanding or future interfund loans secured in whole or in part with tax increments.

(d) The principal sum and all accrued interest payable under this Interfund Loan are pre-payable in whole or in part at any time by the City without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Interfund Loan.

(e) The Interfund Loan is evidence of an internal borrowing by the City in accordance with Minnesota Statutes, Section 469.178, Subd. 7, and is a limited obligation payable solely from tax increment pledged to the payment hereof under this resolution. The Interfund Loan and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including,

without limitation, the City. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Interfund Loan or other costs incident hereto except out of tax increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on the Interfund Loan or other costs incident hereto. The City shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the termination of the TIF District.

(f) The City may amend the terms of the Interfund Loan at any time by resolution of the City Council, including a determination to forgive the outstanding principal amount and accrued interest to the extent permissible under law.

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

and the following voted against same:

Adopted this 17<sup>th</sup> day of March, 2020.

\_\_\_\_\_  
Mayor

Attest: \_\_\_\_\_  
City Administrator

STATE OF MINNESOTA  
GOODHUE COUNTY  
CITY OF CANNON FALLS

I, the undersigned, being the duly qualified and acting City Administrator of the City of Cannon Falls, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on the date therein indicated, insofar as such minutes relate to the establishment of the Tax Increment Financing (Economic Development) District No. 2-8 in the City.

WITNESS my hand as such City Administrator of the City Council of the City of Cannon Falls, Minnesota this \_\_\_\_ day of March, 2020.

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

# City of Cannon Falls, Minnesota

## DRAFT: Tax Increment Financing Plan

for

### Tax Increment Financing (Economic Development) District No. 2-8

### Within Municipal Development District No. 2

(Cartensen Rentals Project)

Draft Dated: February 14, 2020

Public Hearing Scheduled: Tuesday, March 17, 2020

Anticipated Approval: Tuesday, March 17, 2020

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**Section A      Definitions**

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

"City" means the City of Cannon Falls, Minnesota; also referred to as a "Municipality".

"City Council" means the City Council of the City of Cannon Falls; also referred to as the "Governing Body".

"County" means Goodhue County, Minnesota.

"Development District" means Municipal Development District No. 2 in the City, which is described in the corresponding Development Program.

"Development Program" means the Development Program for the Development District as adopted on December 1, 1985, and amended on October 16, 1986, October 30, 1986, March 2, 1995, August 29, 2006 and November 2, 2006.

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

"School District" means Independent School District No. 252, Minnesota.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794, both inclusive.

"TIF District" means Tax Increment Financing (Economic Development) District No. 2-8

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

**Section B      Statutory Authorization**

See Development Program for the Development District for a description of the statutory authority.

**Section C      Statement of Need and Public Purpose**

See Development Program for the Development District which contains the statement public purpose and development activities.

**Section D      Statement of Objectives**

See Development Program for the Development District which contains the statement of objectives for the District.

**Section E      Designation of Tax Increment Financing District as an Economic Development District**

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

- (1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or

- (2) it will result in increased employment in the state; or
- (3) it will result in preservation and enhancement of the tax base of the state.
- (4) it satisfies the requirements of a workforce housing project under section 469.176, sbudvision 4c, paragraph (d).

The TIF District qualifies as an economic development district in that the proposed development described in this TIF Plan (see Section I) meets the criteria listed above in (2) and (3). Without establishment of the TIF District, the proposed development would not occur within the City. The proposed development will also result in increased employment and enhancement of the tax base in both the City and the State.

Tax increments from an economic development district must be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or other assistance in which at least 85% of the square footage of the facilities to be constructed are used for any of the following purposes:

- (1) manufacturing or production of tangible personal property, including processing, resulting in the change of the condition of the property;
- (2) warehousing, storage and distribution of tangible personal property, excluding retail sales;
- (3) research and development related to the activities listed in (1) or (2) above;
- (4) telemarketing if that activity is the exclusive use of the property;
- (5) tourism facilities (see M.S. Section 469.174, Subd. 22); or
- (6) space necessary for and related to the activities listed in clauses (1) to (5); or
- (7) a workforce housing project that satisfies the requirements of paragraph (d) of Minnesota Statutes Section 169.176, subdivision 4c.

In addition to the uses specified above, tax increments may also be used to provide assistance for up to 15,000 square feet of any separately owned commercial facility located within a "small city" (see M.S. Section 469.176, Subd. 4c), or to pay for excessive site preparation and public improvement costs in a district containing bedrock soils conditions in 80% or more of its acreage (see M.S. Section 469.176, Subd. 4c). A city is a small city for purposes of this subdivision if the city was a small city in the year in which the request for certification was made and applies for the rest of the duration of the district, regardless of whether the city qualifies or ceases to qualify as a small city.

Tax increments from the TIF District will be used to provide financial assistance to the proposed development (see Section I), in which the "small city" exemption is applicable. The proposed development will be less than 15,000 square feet in total and the City currently qualifies as a small City.

## **Section F      Duration of the TIF District**

Economic development districts may remain in existence 8 years from the date of receipt by the City of the first tax increment. The City anticipates that the TIF District will remain in existence for a period of 9 total years (projected to be through the year 2030). Modifications of this plan (see Section Z) shall not extend these limitations. All tax increments from taxes payable in the year the TIF District is decertified shall be paid to the City.

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

The TIF District is an approximately 5 acre area of land located within the Project Area. A map showing the location of the TIF District is shown in Exhibit II. The boundaries and area encompassed by the TIF District are described below:

Parcel ID Number	Legal Description
52.110.0030	BUSINESS PARK NORTH Lot-003 Block-001 5.00 AC

The area encompassed by the TIF District shall also include all street or utility right-of-ways located upon or adjacent to the property described above.

**Section H Property to be Acquired in the TIF District**

The City may acquire and sell any or all of the property located within the TIF District. The City currently does not own any property within the TIF District, and does not anticipate acquiring any property.

**Section I Specific Development Expected to Occur Within the TIF District**

The proposed development is expected to consist of the construction of an approximately 15,000 square foot commercial building containing a semi-truck service facility.

It is anticipated tax increment will be used to finance a portion of the TIF eligible costs related to the undertaking of the project including, but not limited to site preparation including fill, grading, and other site improvement costs necessary to the development of the site. In addition, the City anticipates using available tax increment for related administrative expenses, potential pooling for TIF-eligible improvements outside of the boundaries of the district but within the Project Area for eligible purposes set forth in Minn. Stat. section 469.176 subd. 4c., and any other eligible expenditures associated with the development of the site.

The project is expected to be fully constructed in 2020, and be 100% assessed and on the tax rolls as of January 2, 2021 for taxes payable in 2022. The facility is anticipated to generate the receipt of first increment in 2022.

At the time this document was prepared there were no signed construction contracts with regards to the above described development.

**Section J Findings and Need for Tax Increment Financing**

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

- (1) The TIF District qualifies as an economic development district;
  - See Sections E and I of this document for the reasons and facts supporting this finding.
- (2) The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and the increased market value of the site that could reasonably be expected to occur without the use of tax increment would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

**Factual basis:**

*Proposed development not expected to occur:*

The proposed development is expected to consist of a 15,000 square foot commercial facility. The proposed developer of the site has submitted information to the city demonstrating that the development of the site is not financially feasible without the assistance provided in this TIF Plan, due to the cost of the site work improvements necessary to facilitate the project.

The City has determined that the proposed development would not occur but for the financial assistance provided in this TIF Plan because of the increased costs related to the development of the site for the proposed new facility. Due to the high costs of investment for the proposed development, including site improvements costs incurred by the developer in conjunction with development of the project, the developer has stated that the project as proposed would not occur without the financial assistance provided by the City, as it would not be economically feasible without financial assistance. The City finds the use of tax increment necessary to finance a portion of the costs associated with the development of the site. The City anticipates providing financial assistance through the use of pay-as-you-go revenues, though reserves the right to utilize interfund loans and potential bond issuance as additional means for providing financial assistance.

*No higher market value expected:*

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

The proposed development is expected to consist of a 15,000 square foot commercial facility. The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan. Without improvements the City has no reason to expect that significant development would occur without assistance similar to that provided in this plan. For the same reasons that the desired development described above is not feasible without tax increment assistance, the City believes that no alternative development is likely to occur without similar assistance. Almost any other development of the site would require the same site preparation costs. Therefore, the City concludes as follows: The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.

To summarize the basis for the City's findings regarding alternative market value, in accordance with Minnesota Statutes, Section 469.175, Subd. 3(d), the City makes the following determinations:

- a. The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is \$0 (for the reasons described above), except some unknown amount of appreciation.
- b. If the proposed development to be assisted with tax increment occurs in the District, the total increase in market value would be approximately \$773,273, including the value of the building (See Exhibit VI).
- c. The present value of gross tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be \$127,078 (See Exhibit VI).

d. Even if some development other than the proposed development were to occur, the City finds that no alternative would occur that would produce a market value increase greater than \$646,195 (the amount in clause b less the amount in clause c) without tax increment assistance.

- (3) The TIF Plan would afford maximum opportunity, consistent with the sound needs of the City as a whole, for development of the Project Area by private enterprise.

**Factual basis:** The proposed development is the construction of an approximately 15,000 square foot commercial facility to be constructed in the Project Area that is expected to create substantial new tax base for the City and the State. The development clearly meets the City's economic development goals in terms of land use, job retention, and wage levels.

- (4) The TIF Plan conforms to general plans for development of the City as a whole.

**Factual basis:** The City Planning Commission has determined that the development proposed in the TIF Plan conforms to the City comprehensive plan.

**Section K Estimated Public Costs**

The estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District.

Land Acquisition	\$113,617
Site Improvements/Preparation Costs	\$0
Other Qualifying Improvements	\$0
Pay-go Note Interest Payments	\$40,884
Administrative expenses	\$17,168
<b>Total</b>	<b>\$171,669</b>

The City reserves the right to administratively adjust the amount of any of the items listed above or to incorporate additional eligible items, so long as the total estimated public cost (\$171,669) is not increased. The City also reserves the right to fund any of the identified costs with any other legally available revenues, but anticipates that such costs will be primarily financed with tax increments.

**Section L Estimated Sources of Revenue**

Tax increment revenue*	\$171,669
Interest on invested funds	\$0
Other	\$0
<b>Total</b>	<b>\$171,669</b>

\* Net of State Auditor Deduction

The City anticipates providing financial assistance to the proposed development through the use of a pay-as-you-go note. As tax increments are collected from the TIF District in future years, a portion of these taxes will be distributed to the developer/owner as reimbursement for public costs incurred (see Section K).

The City reserves the right to finance any or all public costs of the TIF District using pay-as-you-go assistance, internal funding, general obligation or revenue debt, or any other financing mechanism authorized by law. The City also reserves the right to use other sources of revenue legally applicable to the Project Area to pay for such costs including, but not limited to, special assessments, utility revenues, federal or state funds, and investment income.

**Section M Estimated Amount of Bonded Indebtedness**

The maximum principal amount of bonds (as defined in the TIF Act) secured in whole or part with tax increment from the TIF District is \$171,669. The City currently plans to finance the improvements and eligible reimbursable costs in the form of one or more pay-as-you go revenue notes, but reserves the right to issue bonds in any form, including without limitation any interfund loan with interest not to exceed the maximum permitted under Section 469.178, subd. 7 of the TIF Act.

**Section N Original Net Tax Capacity**

The County Auditor shall certify the original net tax capacity of the TIF District. This value will be equal to the total net tax capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year. The City intends to file the request for certification prior to July 1, 2020. Therefore, the original net tax capacity will be the net tax capacity as of January 2, 2019. The Estimated Market Value of the property within the TIF District as of January 2, 2019, for taxes payable 2020 (for purposes of estimate TIF revenue) is \$61,300. Upon establishment of the TIF District it is estimated that the original net tax capacity of the TIF District will be \$920 based on a commercial classification.

Each year the County Auditor shall certify the amount that the original net tax capacity has increased or decreased as a result of:

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

**Section O Original Tax Capacity Rate**

The County Auditor shall also certify the original tax capacity rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the original net tax capacity.

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

At the time this document was prepared the final sum of all local tax rates that apply to property in the TIF District, for taxes levied in 2019 and payable in 2020 is not yet known. For purposes of estimating tax increment generated by the TIF District, we have used the preliminary local tax rate for taxes levied in 2019 and payable in 2020 of 139.012% as shown below. The request for certification is anticipated to be made prior to June 30, 2020, therefore the original local tax rate will be the rate that applies for taxes payable in 2020 and the County Auditor shall certify this amount as the original tax capacity rate of the TIF District.

<u>Taxing Jurisdiction</u>	<u>Proposed 2019/2020 Local Tax Rate</u>
City of Cannon Falls	72.507%
Goodhue County	45.063%
ISD #252	20.616%
<u>Other</u>	<u>0.826%</u>
<b>Total</b>	<b>139.012%</b>

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

The City anticipates that construction on the facility will begin in 2020 and be 100% completed by December 31, 2020, creating a total tax capacity for the TIF District of \$13,496 as of January 2, 2021. The captured tax capacity as of that date is estimated to be \$12,577 and the first year of tax increment is estimated to be \$17,483 payable in 2022. A complete schedule of estimated increment from the TIF District is shown in Exhibit III.

The estimates shown in this TIF plan assume that commercial class rates for preferred property remain at 1.5% of the estimated market value up to \$150,000 and 2.0% of the estimated market value over \$150,000, and for non-preferred property the commercial class rates are projected to remain at 2.0% of the estimated market value, and assume 1% annual increases in market values. The proposed development is anticipated be classified as non-preferred commercial property classified at 2% of the total estimated market value for the life of the TIF District. Additionally, the TIF revenue projections include a 2.0% market value inflator.

Each year the County Auditor shall determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the original net tax capacity, the difference shall be known as the captured net tax capacity of the TIF District.

The County Auditor shall certify to the City the amount of captured net tax capacity each year. The City may choose to retain any or all of this amount. It is the City's intention to retain 100% of the captured net tax capacity of the TIF District. Such amount shall be known as the retained captured net tax capacity of the TIF District.

Exhibit III gives a listing of the various information and assumptions used in preparing a number of the exhibits contained in this TIF Plan, including Exhibit III which shows the projected tax increment generated over the anticipated life of the TIF District.

**Section Q      Use of Tax Increment**

Each year the County Treasurer shall deduct 0.36% of the annual tax increment generated by the TIF District and pay such amount to the State's General Fund. Such amounts will be appropriated to the State Auditor for the cost of financial reporting and auditing of tax increment financing information throughout the state. Exhibit III shows the projected deduction for this purpose over the anticipated life of the TIF District.

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

- (1) Pay for the estimated public costs of the TIF District (see Section K) and County administrative costs associated with the TIF District (see Section T);
- (2) pay principal and interest on tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (3) accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (4) pay all or a portion of the county road costs as may be required by the County Board under M.S. Section 469.175, Subdivision 1a; or
- (5) return excess tax increments to the County Auditor for redistribution to the City, County and School District.

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

Tax increment shall not be used to finance the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the State or federal government, or for a commons area used as a public park, or a facility used for social, recreational, or conference purposes. This prohibition does not apply to the construction or renovation of a parking structure or of a privately owned facility for conference purposes.

## **Section R      Excess Tax Increment**

In any year in which the tax increments from the TIF District exceed the amount necessary to pay the estimated public costs authorized by the TIF Plan, the City shall use the excess tax increments to:

- (1)      prepay any outstanding tax increment bonds;
- (2)      discharge the pledge of tax increments thereof;
- (3)      pay amounts into an escrow account dedicated to the payment of the tax increment bonds; or
- (4)      return excess tax increments to the County Auditor for redistribution to the City, County and School District. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

## **Section S      Tax Increment Pooling and the Five Year Rule**

At least 75% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District (see Section E for additional restrictions). No more than 25% of the tax increments may be spent on costs outside of the TIF District but within the boundaries of the Project Area, except to pay debt service on credit enhanced bonds. All administrative expenses are considered to have been spent outside of the TIF District. The revenues derived from tax increments paid by properties in the District are considered to have been spent within the TIF District if such amounts are:

- (1)      actually paid to a third party for activities performed within the TIF District within five years after certification of the district;
- (2)      used to 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.
- (3)      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
- (4)      used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district.

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



The City does expect that allowable pooling expenditures may potentially be made outside of the TIF District but within the Project Area (along with allowable administrative expenses), and such expenditures are expressly authorized in this TIF Plan.

#### **Section T      Limitation on Administrative Expenses**

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

- (1) amounts paid for the purchase of land;
- (2) amounts paid to contractors or others providing materials and services, including architectural and engineering services directly connected with the physical development of the real property in the project;
- (3) relocation benefits paid to, or services provided for, persons or businesses residing or located within the TIF District;
- (4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount, tax increment bonds issued pursuant to section 469.178; or
- (5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clauses (1) to (3).

Administrative expenses include amounts paid for services provided by bond counsel, fiscal consultants, planning or economic development consultants, and actual costs incurred by the County in administering the TIF District. Tax increments may be used to pay administrative expenses of the TIF District up to the lesser of (a) 10% of the total estimated tax increment expenditures authorized by the TIF Plan or (b) 10% of the total tax increment for the project.

#### **Section U      Limitation on Property Not Subject to Improvements - Four Year Rule**

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

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

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

Exhibit V 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 fiscal and economic implications of the proposed tax increment financing district, as pursuant to Minnesota Statutes, Section 469.175, Subdivision 2, are listed below.

1. The total maximum amount of tax increment that will be generated over the life of the District is estimated to be \$172,289.
2. To the extent the commercial facility in the proposed TIF District generates any public cost impacts on City-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the District, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the District.
3. The maximum amount of tax increments over the life of the District that would be attributable to School District levies, assuming the School District's share of the total local tax rate for all taxing jurisdictions remained the same, is estimated to be \$25,551.
4. The maximum amount of tax increments over the life of the District that would be attributable to County levies, assuming the County's share of the total local tax rate for all taxing jurisdictions remained the same is estimated to be \$55,851.
5. No additional information has been requested by the County or School District.

#### **Section W      Prior Planned Improvements**

The City shall accompany its request for certification to the County Auditor (or notice of district enlargement), with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

#### **Section X      Development Agreements**

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

The City anticipates entering into an agreement for development, but does not anticipate acquiring any additional property located within the TIF District.

#### **Section Y      Assessment Agreements**

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

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

The City does not anticipate entering into an assessment agreement.

**Section Z      Modifications of the Tax Increment Financing Plan**

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

- (1) the only modification is elimination of parcels from the 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 AA      Administration of the Tax Increment Financing Plan**

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

The County shall distribute to the City the amount of tax increment as it becomes available. The amount of tax increment in any year represents the applicable property taxes generated by the retained captured net tax capacity of the TIF District. The amount of tax increment may change due to development anticipated by the TIF Plan, other development, inflation of property values, or changes in property classification rates or formulas. In administering and implementing the TIF Plan, the following actions should occur on an annual basis:

- (1) prior to July 1, the City shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to insure that the new value will be recorded in a timely manner.
- (2) if the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.
- (3) each year the County Auditor shall certify the amount of the original net tax capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:
  - (a) the value of property that changes from tax-exempt to taxable shall be added to the original net tax capacity of the TIF District. The reverse shall also apply;
  - (b) the original net tax capacity may be modified by any approved enlargement or reduction of the TIF District;
  - (c) if laws governing the classification of real property cause changes to the percentage of estimated market value to be applied for property tax purposes, then the resulting

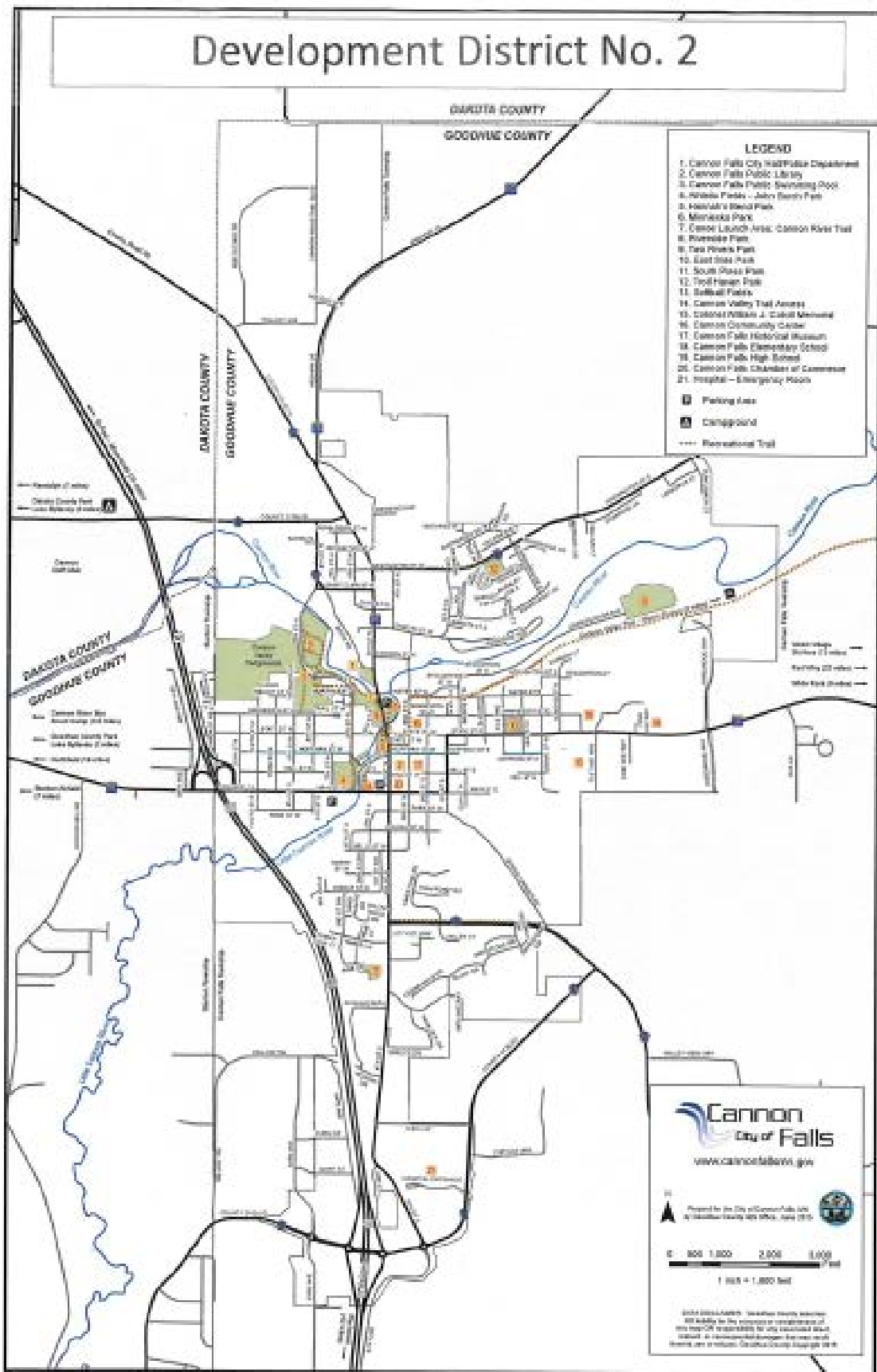
increase or decrease in net tax capacity shall be applied proportionately to the original net tax capacity and the retained captured net tax capacity of the TIF District.

The County Auditor shall notify the City of all changes made to the original net tax capacity of the TIF District.

**Section AB      Financial Reporting and Disclosure Requirements**

The City will file the TIF Plan, and any subsequent amendments thereto, with the Commissioner of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes, Section 469.175, subdivision 4A. The City will comply with all reporting requirements for the TIF District under Minnesota Statutes, Section 469.175, subdivisions 5 and 6.

**Map of Development District No. 2**



**Map of Proposed TIF District**



**Assumptions Report**

**City of Cannon Falls, Minnesota  
Tax Increment Financing (Economic Development) District No. 2-8  
Carstensen Trucking 15,000 sf facility  
Draft TIF Plan Exhibits: Estimated Tax Value of project constructed in 2020**

Type of Tax Increment Financing District	Economic Development
Maximum Duration of TIF District	8 years from 1st increment
Projected Certification Request Date	06/30/20
Decertification Date	12/31/30 (9 Years of Increme

	<u>2019/2020</u>		
Base Estimated Market Value	\$61,300		
Original Net Tax Capacity	\$920		
	Assessment/Collection Year		
	2020/2021	2021/2022	2022/2023
Base Estimated Market Value	\$61,300	\$61,300	\$61,300
Estimated Increase in Value - New Construction	0	651,000	665,246
Total Estimated Market Value	61,300	712,300	726,546
Total Net Tax Capacity	\$920	\$13,496	\$13,781

City of Cannon Falls	72.507%	
Goodhue County	45.063%	
ISD #252	20.616%	
Other	0.826%	
Local Tax Capacity Rate	139.012%	2019/2020
Fiscal Disparities Contribution From TIF District	0.0000%	
Administrative Retainage Percent (maximum = 10%)	10.00%	
Pooling Percent	0.00%	

<u>Bonds</u>		<u>Note (Pay-As-You-Go)</u>	
Bonds Dated	NA	Note Dated	06/30/20
Bond Rate	NA	Note Rate	5.00%
Bond Amount	NA	Note Amount	\$113,600
Present Value Date & Rate	06/30/20	5.00% PV Amount	\$127,078

Notes

Projections assume no future changes to classification rates and current tax rates remain constant.  
 Projections are based on a total EMV of \$712,300 based on information provided by the City.  
 Projections assume construction begins in 2020, with project completed in 100% 2020.  
 Projections includes a 2% market value inflation assumption.

**Projected Tax Increment Report**

**City of Cannon Falls, Minnesota  
 Tax Increment Financing (Economic Development) District No. 2-8  
 Carstensen Trucking 15,000 sf facility  
 Draft TIF Plan Exhibits: Estimated Tax Value of project constructed in 2020**

	Annual Period Ending (1)	Total Market Value (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity (4)	Retained Captured Net Tax Capacity (5)	Times: Tax Capacity Rate (6)	Annual Gross Tax Increment (7)	Less: State Aud. Deduction 0.360% (8)	Subtotal Net Tax Increment (9)	Less: City Retainage 10.00% (10)	Annual Net Revenue (11)
2020	12/31/20	61,300	920	920	0	139.012%	0	0	0	0	0
2021	12/31/21	61,300	920	920	0	139.012%	0	0	0	0	0
2022	12/31/22	712,300	13,496	920	12,577	139.012%	17,483	63	17,420	1,742	15,678
2023	12/31/23	726,546	13,781	920	12,861	139.012%	17,879	64	17,815	1,782	16,033
2024	12/31/24	741,077	14,072	920	13,152	139.012%	18,283	66	18,217	1,822	16,395
2025	12/31/25	755,898	14,368	920	13,448	139.012%	18,695	67	18,628	1,863	16,765
2026	12/31/26	771,016	14,670	920	13,751	139.012%	19,115	69	19,046	1,905	17,141
2027	12/31/27	786,437	14,979	920	14,059	139.012%	19,544	70	19,474	1,947	17,527
2028	12/31/28	802,165	15,293	920	14,374	139.012%	19,981	72	19,909	1,991	17,918
2029	12/31/29	818,209	15,614	920	14,695	139.012%	20,427	74	20,353	2,035	18,318
2030	12/31/30	834,573	15,941	920	15,022	139.012%	20,882	75	20,807	2,081	18,726
							\$172,289	\$620	\$171,669	\$17,168	\$154,501



**Estimated Impact on Other Taxing Jurisdictions Report**

**City of Cannon Falls, Minnesota  
Tax Increment Financing (Economic Development) District No. 2-8  
Carstensen Trucking 15,000 sf facility  
Draft TIF Plan Exhibits: Estimated Tax Value of project constructed in 2020**

Taxing Jurisdiction	Without Project or TIF District		With Project and TIF District						
	Final 2018/2019 Taxable Net Tax Capacity (1)	2018/2019 Local Tax Rate	2018/2019 Taxable Net Tax Capacity (1)	Projected Retained Captured Net Tax Capacity +	=	New Taxable Net Tax Capacity	Hypothetical Adjusted Local Tax Rate (*)	Hypothetical Decrease In Local Tax Rate (*)	Hypothetical Tax Generated by Retained Captured N.T.C. (*)
City of Cannon Falls	4,410,903	72.507%	4,410,903	\$15,022		4,425,925	72.261%	0.246%	10,855
Goodhue County	79,066,023	45.063%	79,066,023	15,022		79,081,045	45.054%	0.009%	6,768
ISD #252	11,111,210	20.616%	11,111,210	15,022		11,126,232	20.588%	0.028%	3,093
Other	-	0.826%	-	-	-	-	0.826%	-	-
Totals		139.012%					138.730%	0.282%	

\* **Statement 1:** If the projected Retained Captured Net Tax Capacity of the TIF District was hypothetically available to each of the taxing jurisdictions above, the result would be a lower local tax rate (see Hypothetical Adjusted Tax Rate above) which would produce the same amount of taxes for each taxing jurisdiction. In such a case, the total local tax rate would decrease by 0.282% (see Hypothetical Decrease in Local Tax Rate above). The hypothetical tax that the Retained Captured Net Tax Capacity of the TIF District would generate is also shown above.

**Statement 2:** Since the projected Retained Captured Net Tax Capacity of the TIF District is not available to the taxing jurisdictions, then there is no impact on taxes levied or local tax rates.

(1) Taxable net tax capacity = total net tax capacity - captured TIF - fiscal disparity contribution, if applicable.

(2) The impact on these taxing jurisdictions is negligible since they represent only 0.59% of the total tax rate.

**Market Value Analysis Report**

**City of Cannon Falls, Minnesota  
 Tax Increment Financing (Economic Development) District No. 2-8  
 Carstensen Trucking 15,000 sf facility  
 Draft TIF Plan Exhibits: Estimated Tax Value of project constructed in 2020**

<u>Assumptions</u>																																																																
	Present Value Date			06/30/20																																																												
	P.V. Rate - Gross T.I.			5.00%																																																												
Increase in EMV With TIF District <span style="float: right;">\$773,273</span>																																																																
Less: P.V of Gross Tax Increment				127,078																																																												
Subtotal				\$646,195																																																												
Less: Increase in EMV Without TIF				0																																																												
Difference				\$646,195																																																												
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 10%;"></th> <th style="width: 10%;"></th> <th style="width: 10%;"></th> <th style="width: 10%;"></th> </tr> <tr> <th></th> <th style="text-align: center;">Year</th> <th style="text-align: center;">Annual Gross Tax Increment</th> <th style="text-align: center;">Present Value @ 5.00%</th> <th></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">2022</td> <td style="text-align: right;">17,483</td> <td style="text-align: right;">15,663</td> <td></td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">2023</td> <td style="text-align: right;">17,879</td> <td style="text-align: right;">15,255</td> <td></td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">2024</td> <td style="text-align: right;">18,283</td> <td style="text-align: right;">14,857</td> <td></td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">2025</td> <td style="text-align: right;">18,695</td> <td style="text-align: right;">14,468</td> <td></td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">2026</td> <td style="text-align: right;">19,115</td> <td style="text-align: right;">14,089</td> <td></td> </tr> <tr> <td style="text-align: center;">6</td> <td style="text-align: center;">2027</td> <td style="text-align: right;">19,544</td> <td style="text-align: right;">13,719</td> <td></td> </tr> <tr> <td style="text-align: center;">7</td> <td style="text-align: center;">2028</td> <td style="text-align: right;">19,981</td> <td style="text-align: right;">13,358</td> <td></td> </tr> <tr> <td style="text-align: center;">8</td> <td style="text-align: center;">2029</td> <td style="text-align: right;">20,427</td> <td style="text-align: right;">13,006</td> <td></td> </tr> <tr> <td style="text-align: center;">9</td> <td style="text-align: center;">2030</td> <td style="text-align: right; border-top: 1px solid black;">20,882</td> <td style="text-align: right; border-top: 1px solid black;">12,663</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">\$172,289</td> <td style="text-align: right;">\$127,078</td> <td></td> </tr> </tbody> </table>											Year	Annual Gross Tax Increment	Present Value @ 5.00%		1	2022	17,483	15,663		2	2023	17,879	15,255		3	2024	18,283	14,857		4	2025	18,695	14,468		5	2026	19,115	14,089		6	2027	19,544	13,719		7	2028	19,981	13,358		8	2029	20,427	13,006		9	2030	20,882	12,663				\$172,289	\$127,078	
	Year	Annual Gross Tax Increment	Present Value @ 5.00%																																																													
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**PROJECTED PAY-AS-YOU-GO-NOTE REPORT**  
**City of Cannon Falls, Minnesota**  
**Tax Increment Financing (Economic Development) District No. 2-8**  
**Carstensen Trucking 15,000 sf facility**  
**Draft TIF Plan Exhibits: Estimated Tax Value of project constructed in 2020**

Note Date: 06/30/20  
 Note Rate: 5.00%  
 Amount: \$113,600

Date (1)	Principal (2)	Interest (3)	P & I (4)	Cumulative Interest Due (5)	Unpaid Accrued Interest (6)	Semi-Annual Net Revenue (7)	Loan Balance Outstanding (7)
							113,600.00
02/01/22	0.00	0.00	0.00	9,009.11	9,009.11	0.00	113,600.00
08/01/22	0.00	7,839.00	7,839.00	11,849.11	4,010.11	7,839.00	113,600.00
02/01/23	988.89	6,850.11	7,839.00	6,850.11	0.00	7,839.00	112,611.11
08/01/23	5,201.22	2,815.28	8,016.50	2,815.28	0.00	8,016.50	107,409.89
02/01/24	5,331.25	2,685.25	8,016.50	2,685.25	0.00	8,016.50	102,078.64
08/01/24	5,645.53	2,551.97	8,197.50	2,551.97	0.00	8,197.50	96,433.11
02/01/25	5,786.67	2,410.83	8,197.50	2,410.83	0.00	8,197.50	90,646.44
08/01/25	6,116.34	2,266.16	8,382.50	2,266.16	0.00	8,382.50	84,530.10
02/01/26	6,269.25	2,113.25	8,382.50	2,113.25	0.00	8,382.50	78,260.85
08/01/26	6,613.98	1,956.52	8,570.50	1,956.52	0.00	8,570.50	71,646.87
02/01/27	6,779.33	1,791.17	8,570.50	1,791.17	0.00	8,570.50	64,867.54
08/01/27	7,141.81	1,621.69	8,763.50	1,621.69	0.00	8,763.50	57,725.73
02/01/28	7,320.36	1,443.14	8,763.50	1,443.14	0.00	8,763.50	50,405.37
08/01/28	7,698.87	1,260.13	8,959.00	1,260.13	0.00	8,959.00	42,706.50
02/01/29	7,891.34	1,067.66	8,959.00	1,067.66	0.00	8,959.00	34,815.16
08/01/29	8,288.62	870.38	9,159.00	870.38	0.00	9,159.00	26,526.54
02/01/30	8,495.84	663.16	9,159.00	663.16	0.00	9,159.00	18,030.70
08/01/30	8,912.23	450.77	9,363.00	450.77	0.00	9,363.00	9,118.47
02/01/31	9,118.47	227.96	9,346.43	227.96	0.00	9,346.43	0.00
	\$113,600	\$40,884.43	\$154,484.43			\$154,484.43	
					Surplus Tax Increment	17	
					Total Net Revenue	\$154,501.00	