

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: LAURA QUALEY, ECONOMIC DEVELOPMENT SPECIALIST

SUBJECT: TIF 2-9

DATE: MARCH 16, 2021

BACKGROUND

The Economic Development Authority (the “EDA”) is actively working to attract and create new economic development opportunities across the city and fund future development activities. In the North Industrial Park, we are proposing to use tax increment financing (TIF) as a tool to establish and direct the proceeds into a fund for said development activities. The background information on TIF 2-9 is provided in your packet as well as an outline of the terms.

The District currently consists of two (2) parcels of land and adjacent roads and internal rights-of-way. The District is being created to facilitate the development of two manufacturing facilities and reimburse the City for the land expense in the City. The City anticipates entering into two agreements. Cannon Belles is proposing development of a cheese processing facility, and Volumetrics Technologies is proposing development of a manufacturing facility. Development for both facilities is anticipated to begin in Spring 2021. The City anticipates writing down the sale price for the land for both facilities and using tax increment to reimburse itself for the land write down. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Municipal Development District No. 2.

Rebecca Kurtz from Ehlers Public Financial Advisors, will be presenting the TIF details during the Council meeting on March 16th and will allow for any questions or clarifications regarding the TIF Agreement.

Staff Recommendation

The EDA Board approved TIF 2-9 at the monthly board meeting on March 4th, 2021 and are making a recommendation to the Council to approve the TIF Agreement.

Requested City Council Action:

The EDA is respectfully requesting a motion to approve TIF Agreement 2-9.



TIF District 2-9

Rebecca Kurtz – Senior Municipal Advisor

Council discussion March 16, 2021



EDA Consideration

- Cannon Falls EDA / City of Cannon Falls – Creation of a New TIF District
 - ✓ What is Tax Increment Financing (TIF)?
 - ✓ TIF District 2-9 and the TIF Plan
 - ✓ Considerations and Next Steps

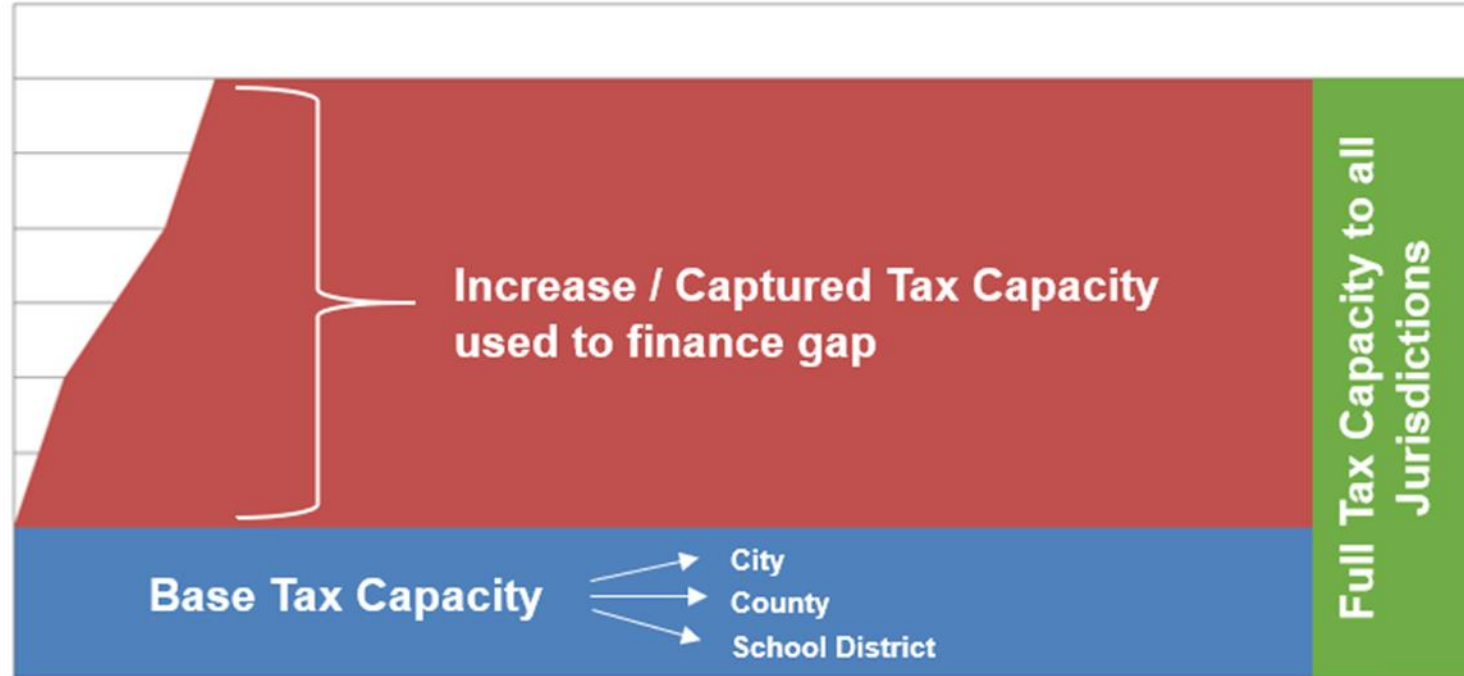


What is Tax Increment Financing?

- The ability to capture and utilize *most* of the increased local property tax revenue from new development for a public purpose
 - ✓ Taxes derived from a school operating referendum are not captured
- Authorized by Minnesota Statutes 469.174 to 469.1794 (“TIF Act”)
- Used to encourage certain types of development or redevelopment that would not reasonably occur without assistance



What is Tax Increment Financing?





What is Tax Increment Financing?

- TIF District approval requires public hearing by the Council and adoption of a TIF Plan
 - ✓ Declare policy objectives and set budget for TIF revenues and expenditures
 - ✓ Fiscal Impact analysis sent to County and School District for comment
- Terms and use of TIF governed by a contract with a Developer
 - ✓ Sets city expectations for project development, amounts / types of public assistance, etc.



TIF District 2-9

- Economic Development TIF District
 - ✓ Maximum term: 9 years of increment
 - ✓ Qualifications: Must be manufacturing, warehouse, distribution
- EDA provides land for Volumetrics and Cannon Belles and is reimbursed with TIF
- Includes 2 parcels

Parcel number	Address	Owner
52.110.0120	105 Cannon Industrial	EDA
52.111.0010	520 Cannon Industrial	EDA



TIF District 2-9

- Combined estimated Taxable Market Value: \$2.285 million

WHAT IS EXCLUDED FROM TIF?

Total Property Taxes	77,841
less State-wide Taxes	(14,832)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(4,241)
less Base Value Taxes	(790)
Annual Gross TIF	<u>57,979</u>



TIF District 2-9

- TIF Plan sets a Budget for the TIF District: \$702,457

USES	
Land/Building Acquisition	\$ 450,000
Site Improvements/Preparation	-
Affordable Housing	-
Utilities	-
Other Qualifying Improvements	128,894
Administrative Costs (up to 10%)	63,860
PROJECT COSTS TOTAL	\$ 642,754
Interest	59,703
PROJECT AND INTEREST COSTS TOTAL	\$ 702,457

- ✓ EDA provides land to businesses and retains TIF for administration and reimbursement of land price estimated at \$400,000 plus interest



Considerations and Next Steps

- EDA adopted resolution recommending approval of TIF District
- Council holds public hearing this evening and considers resolution approving TIF District
 - ✓ Establishes tool to assist development and EDA reimbursement of land
- Alternative: Do not approve TIF
- Consideration of Development Agreement with Volumetrics



MODIFICATION TO THE DEVELOPMENT PROGRAM

Municipal Development District No. 2

- AND -

TAX INCREMENT FINANCING PLAN

Establishment of Tax Increment Financing District No. 2-9
(an economic development district)

City of Cannon Falls, Goodhue County, Minnesota

Public Hearing: March 16, 2021

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Modification to the Development Program for Municipal Development District No. 2

Foreword

The following text represents a Modification to the Development Program for Municipal Development District No. 2. This modification represents a continuation of the goals and objectives set forth in the Development Program for Municipal Development District No. 2. Generally, the substantive changes include the establishment of Tax Increment Financing District No. 2-9.

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

Tax Increment Financing Plan for Tax Increment Financing District No. 2-9

Foreword

The City of Cannon Falls (the "City"), staff and consultants have prepared the following information to expedite the establishment of Tax Increment Financing District No. 2-9 (the "District"), an economic development tax increment financing district, located in Municipal Development District No. 2.

Statutory Authority

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

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

Statement of Objectives

The District currently consists of two (2) parcels of land and adjacent roads and internal rights-of-way. The District is being created to facilitate the development of two manufacturing facilities and reimburse the City for the land expense in the City. The City anticipates entering into two agreements. Cannon Belles is proposing development of a cheese processing facility, and Volumetrics Technologies is proposing development of a manufacturing facility. Development for both facilities is anticipated to be in Spring 2021. The City anticipates writing down the sale price for the land for both facilities and using tax increment to reimburse itself for the land write down. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Municipal Development District No. 2.

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

Development Program Overview

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

1. Property to be Acquired - The Cannon Falls EDA currently owns both parcels of property within the District.

2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.
3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. The City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.
5. The City proposes both public and private infrastructure within the District. The proposed reuse of private property within the District will be for manufacturing facilities, and there will be continued operation of Municipal Development District No. 2 after the capital improvements within Municipal Development District No. 2 have been completed.

Description of Property in the District and Property to be Acquired

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

Parcel number	Address	Owner
52.110.0120	105 Cannon Industrial	Cannon Belles
52.111.0010	520 Cannon Industrial	EDA

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

The EDA currently owns the two (2) parcels of the property to be included in the District.

Classification of the District

The City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, finds that the District, to be established, is an economic development district pursuant to *M.S., Section 469.174, Subd. 12*.

The District is in the public interest because it will meet the statutory requirement of discouraging commerce, industry, or manufacturing from moving their operations to another state or municipality; resulting in increased employment in the State; and resulting in preservation and enhancement of the tax base of the State.

Pursuant to *M.S., Section 469.176, Subd. 4c*, revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

- (1) The manufacturing or production of tangible personal property, including processing resulting in the change in 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 items (1) or (2);
- (4) Telemarketing if that activity is the exclusive use of the property; or
- (5) Tourism facilities;
- (6) Space necessary for and related to the activities listed in items (1) to (5); or
- (7) A workforce housing project that satisfies the requirements of *M.S., Section 469.176, Subd. 4c(d)*.

In meeting the statutory criteria, the City relies on the following facts and findings: The facilities in the District meet the conditions of Purposes 1, 2 and 6.

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

Duration and First Year of Tax Increment of the District

Pursuant to *M.S., Section 469.175, Subd. 1, and M.S., Section 469.176, Subd. 1*, the duration of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 8 years after receipt of the first increment by the City. The date of receipt by the City of the first tax increment is expected to be 2023.

Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2031, or when the TIF Plan is satisfied. If increment is received in 2022, the term of the District will be 2030. The City reserves the right to decertify the District prior to the legally required date.

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

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

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2023) the amount by which the original value has increased or decreased as a result of:

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

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

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

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

Project Tax Capacity	
Project estimated Tax Capacity upon completion	65,304
Original estimated Net Tax Capacity	594
Estimated Captured Tax Capacity	64,710
Original Local Tax Rate	132.9600% Prelim. Pay 2021
Estimated Annual Tax Increment	\$86,038
Percent Retained by the City	100%

Note: Tax capacity includes a 3.0% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in year 9. The tax capacity of the District in year one is estimated to be \$44,200.

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

The City has reviewed the area to be included in the District and determined no building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.

Sources of Revenue/Bonds to be Issued

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

SOURCES	
Tax Increment	\$ 638,597
Interest	63,860
TOTAL	\$ 702,457

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

The City may issue bonds (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of \$642,754. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

Uses of Funds

Currently under consideration for the District is a proposal to facilitate the development of two manufacturing facilities and reimburse the City for the land expense. The City has determined that it will be necessary to provide assistance to the projects for certain District costs, as described.

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

USES	
Land/Building Acquisition	\$ 450,000
Site Improvements/Preparation	-
Affordable Housing	-
Utilities	-
Other Qualifying Improvements	128,894
Administrative Costs (up to 10%)	63,860
PROJECT COSTS TOTAL	\$ 642,754
Interest	59,703
PROJECT AND INTEREST COSTS TOTAL	\$ 702,457

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

Estimated capital and administrative costs listed above are subject to change among categories by modification of the TIF Plan without hearings and notices as required for approval of the initial TIF Plan, so long as the total capital and administrative costs combined do not exceed the total listed above. Further, the City may spend up to 20 percent of the tax increments from the District for activities (described in the table above) located outside the boundaries of the District but within the boundaries of the Project (including administrative costs, which are considered to be spend outside the District), subject to all other terms and conditions of this TIF Plan.

Estimated Impact on Other Taxing Jurisdictions

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

Impact on Tax Base			
Entity	2020/Pay 2021 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
Goodhue County	84,927,305	64,710	0.0762%
City of Cannon Falls	4,764,747	64,710	1.3581%
ISD (252) Cannon Falls Area Schools	11,889,054	64,710	0.5443%

Impact on Tax Rates				
Entity	Pay 2021 Prelim. Extension Rate	Percent of Total	CTC	Potential Taxes
Goodhue County	43.9730%	33.07%	64,710	\$ 28,455
City of Cannon Falls	67.1220%	50.48%	64,710	43,434
ISD (252) Cannon Falls Area Schools	21.0780%	15.85%	64,710	13,639
Other	0.7870%	0.59%	64,710	509
	132.9600%	100.00%		\$ 86,038

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

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

- (1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is \$638,597.
- (2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is expected. With any addition of new residents or businesses, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The probable impact of the District on fire protection is not expected to be significant. Typically, new buildings generate few calls, if any, and are of superior construction. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The impact of the District on public infrastructure is expected to be minimal. The development is not expected to significantly impact any traffic movements in the area. The current infrastructure for sanitary sewer, storm sewer and water will be able to handle the additional volume generated from the proposed development. Based on the development plans, there are no additional costs associated with street maintenance, sweeping, plowing, lighting and sidewalks. The development in the District is expected to contribute an estimated \$22,400 in sanitary sewer (SAC) and water (WAC) connection fees.

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

- (3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is \$101,236;
- (4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is \$211,199.
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S. Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

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

Supporting Documentation

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

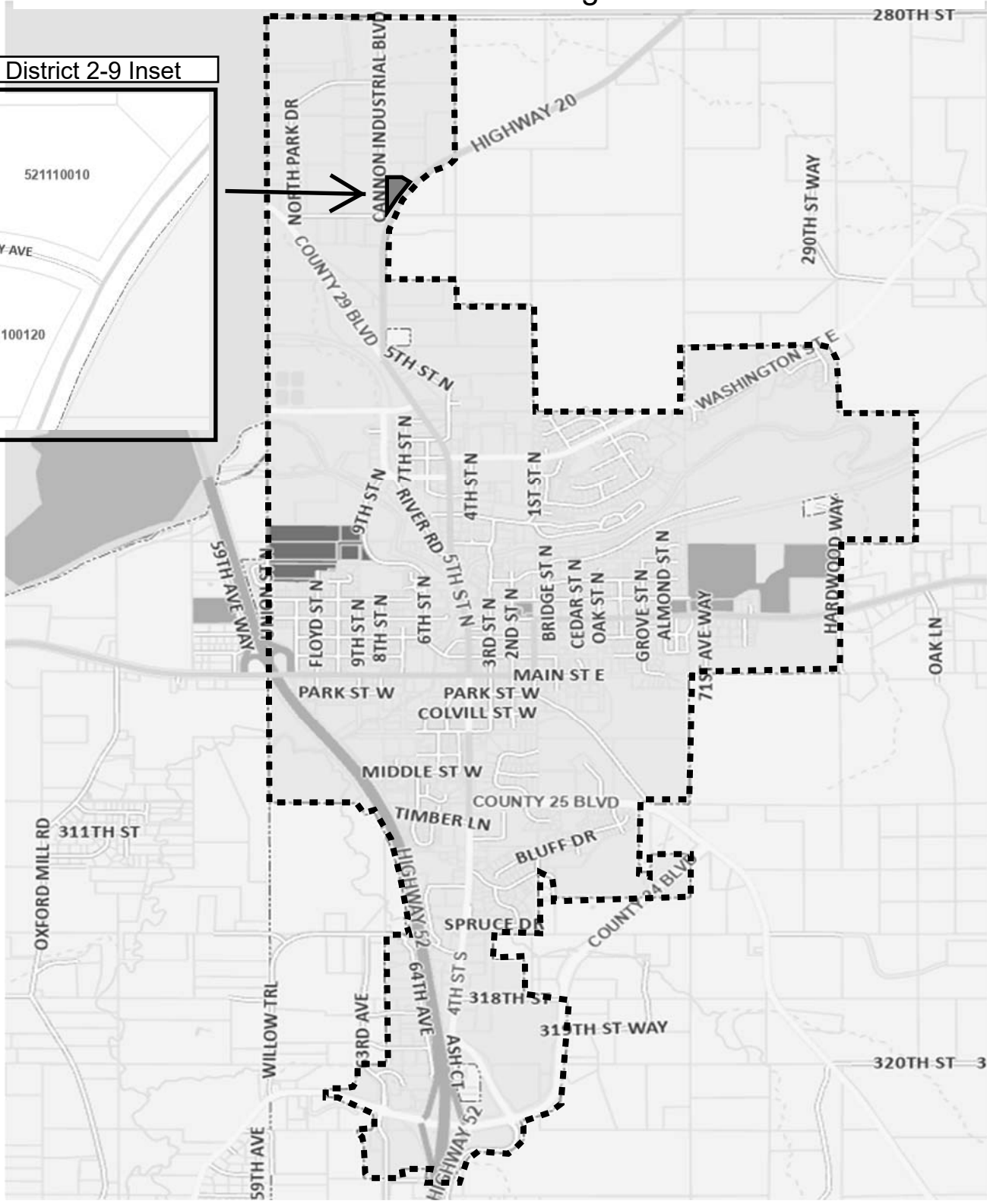
- (i) In making said determination, reliance has been placed upon (1) written representation made by the developer to such effects; and (2) City staff awareness of the feasibility of developing the project site within the District, which is further outlined in the city council resolution approving the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



Administration of the District

Administration of the District will be handled by the City Administrator.

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

City of Cannon Falls
Goodhue County, MN
Municipal Development District No. 2
Tax Increment Financing District 2-9



-  Municipal Development District No. 2
-  Tax Increment Financing District 2-9

**The boundaries of Municipal Development District No. 2 are coterminous with the City limits.*

Appendix B: Estimated Cash Flow for the District

Commercial Development - 3% Inflation

City of Cannon Falls, MN

Development of Cannon Belles and Volumetrics Technologies



ASSUMPTIONS AND RATES

DistrictType:	Economic Development	
District Name/Number:	TIF 2-9	
County District #:	TBD	
First Year Construction or Inflation on Value	2021	
Existing District - Specify No. Years Remaining		
Inflation Rate - Every Year:	5.00%	
Interest Rate:	2.00%	
Present Value Date:	1-Aug-22	
First Period Ending	1-Feb-23	
Tax Year District was Certified:	Pay 2021	
Cashflow Assumes First Tax Increment For Developmen	2023	
Years of Tax Increment	9	
Assumes Last Year of Tax Increment	2031	
Fiscal Disparities Election [Outside (A), Inside (B), or N/A	NA	
Incremental or Total Fiscal Disparities	NA	
Fiscal Disparities Contribution Ratio	NA	
Fiscal Disparities Metro-Wide Tax Rate	NA	
Maximum/Frozen Local Tax Rate:	132.960%	Prelim. Pay 2021
Current Local Tax Rate: (Use lesser of Current or Max.)	132.960%	Prelim. Pay 2021
State-wide Tax Rate (Comm./Ind. only used for total tax)	36.0000%	Prelim. Pay 2021
Market Value Tax Rate (Used for total taxes)	0.18559%	Prelim. Pay 2021

Tax Rates		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First \$150,000		1.50%
Over \$150,000		2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		
First \$174,000		0.75%
Over \$174,000		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		
First \$500,000		1.00%
Over \$500,000		1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First \$500,000		1.00%
Over \$500,000		1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	52.110.0120	EDA	105 Cannon Industrial	13,600	0	13,600	100%	13,600	Pay 2020	Exempt	-	C/I Pref.	204	1
2	52.111.0010	EDA	520 Cannon Industrial	26,000	0	26,000	100%	26,000	Pay 2020	Exempt	-	C/I Pref.	390	1
				39,600	0	39,600		39,600			0		594	

Note:

1. Base values are for pay 2020 based upon review of County website on January 29, 2021; Pay 2021 values are not yet available.
2. Located In SD # 252.

Commercial Development - 3% Inflation
 City of Cannon Falls, MN
 Development of Cannon Belles and Volumetrics Technologies



PROJECT INFORMATION (Project Tax Capacity)												
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2021	Percentage Completed 2022	Percentage Completed 2023	Percentage Completed 2024	First Year Full Taxes Payable
1	Cannon Belles		-		485,000	C/I Pref.	8,950	100%	100%	100%	100%	2023
1	Volumetrics		-		1,800,000	C/I Pref.	35,250	100%	100%	100%	100%	2023
TOTAL					2,285,000		44,200					
Subtotal Residential				0	0		0					
Subtotal Commercial/Ind.				0	2,285,000		44,200					

Note:

- Market values are based upon developer's estimates and building permits.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Cannon Belles	8,950	0	8,950	11,900	0	2,682	900	15,482	
Volumetrics	35,250	0	35,250	46,868	0	12,150	3,341	62,359	
TOTAL	44,200	0	44,200	58,768	0	14,832	4,241	77,841	

Note:

- Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law, fiscal disparities and other factors which cannot be predicted.
- If tax increment is received in 2022, then the district will be one year shorter.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	77,841
less State-wide Taxes	(14,832)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(4,241)
less Base Value Taxes	(790)
Annual Gross TIF	57,979

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	39,600
New Market Value - Est.	2,285,000
Difference	2,245,400
Present Value of Tax Increment	574,328
Difference	1,671,072
Value likely to occur without Tax Increment is less than:	1,671,072



Commercial Development - 3% Inflation
 City of Cannon Falls, MN
 Development of Cannon Belles and Volumetrics Technologies

TAX INCREMENT CASH FLOW														
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities NA	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
100%	44,200	(594)	-	43,606	132.960%	57,979	28,989	(104)	(2,888)	25,996	25,484	0.5	2023	02/01/23
100%	46,410	(594)	-	45,816	132.960%	60,917	28,989	(104)	(2,888)	25,996	50,716	1	2023	02/01/24
100%	48,731	(594)	-	48,137	132.960%	64,002	30,458	(110)	(3,035)	27,314	76,964	1.5	2024	08/01/24
100%	51,167	(594)	-	50,573	132.960%	67,242	30,458	(110)	(3,035)	27,314	102,952	2	2024	02/01/25
100%	53,725	(594)	-	53,131	132.960%	70,643	32,001	(115)	(3,189)	28,697	129,987	2.5	2025	08/01/25
100%	56,412	(594)	-	55,818	132.960%	74,215	32,001	(115)	(3,189)	28,697	156,753	3	2025	02/01/26
100%	59,232	(594)	-	58,638	132.960%	77,965	33,621	(121)	(3,350)	30,150	184,596	3.5	2026	08/01/26
100%	62,194	(594)	-	61,600	132.960%	81,903	33,621	(121)	(3,350)	30,150	212,163	4	2026	02/01/27
100%	65,304	(594)	-	64,710	132.960%	86,038	35,322	(127)	(3,519)	31,675	240,839	4.5	2027	08/01/27
							35,322	(127)	(3,519)	31,675	269,230	5	2027	02/01/28
							37,108	(134)	(3,697)	33,277	298,761	5.5	2028	08/01/28
							37,108	(134)	(3,697)	33,277	328,000	6	2028	02/01/29
							38,983	(140)	(3,884)	34,958	358,412	6.5	2029	08/01/29
							38,983	(140)	(3,884)	34,958	388,523	7	2029	02/01/30
							40,952	(147)	(4,080)	36,724	419,842	7.5	2030	08/01/30
							40,952	(147)	(4,080)	36,724	450,851	8	2030	02/01/31
							43,019	(155)	(4,286)	38,578	483,102	8.5	2031	08/01/31
							43,019	(155)	(4,286)	38,578	515,035	9	2031	02/01/32
Total							640,905	(2,307)	(63,860)	574,738				
Present Value From 08/01/2022							574,328	(2,068)	(57,226)	515,035				
Present Value Rate							2.00%							

Appendix C: Findings Including But/For Qualifications

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 2-9 as required pursuant to *M.S., Section 469.175, Subd. 3* are as follows:

1. *Finding that Tax Increment Financing District No. 2-9 is an economic development district as defined in M.S., Section 469.174, Subd. 12.*

Tax Increment Financing District No. 2-9 is a contiguous geographic area within the City's Municipal Development District No. 2, delineated in the TIF Plan, for the purpose of financing economic development in the City through the use of tax increment. The District is in the public interest because it will facilitate the development of two manufacturing facilities which will increase employment in the State and preserve and enhance the tax base of the state.

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 2-9 permitted by the TIF Plan.*

The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future: This finding is supported by the fact that the development proposed in this plan includes two manufacturing facilities that meet the City's objectives for economic development. The cost of land acquisition makes development of the facilities infeasible without City assistance. Tax increment will be used to reimburse the City for the land write down for both facilities.

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: The City supported this finding on the grounds that the cost of land acquisition make the development of the facilities infeasible without City assistance. The City reasonably determines that no other development of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

Therefore, the City concludes as follows:

- a. The City's estimate of the amount by which the market value of the entire District will increase without the use of tax increment financing is \$0.
- b. If the proposed development occurs, the total increase in market value will be \$2,245,400 (see Appendix B of the TIF Plan)
- c. The present value of tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be \$574,328 (see Appendix B of the TIF Plan).

- d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$1,671,072 (the amount in clause b less the amount in clause c) without tax increment assistance.
3. *Finding that the TIF Plan for Tax Increment Financing District No. 2-9 conforms to the general plan for the development or redevelopment of the municipality as a whole.*

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

4. *Finding that the Tax Increment Financing Plan for Tax Increment Financing District No. 2-9 will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of Municipal Development District No. 2 by private enterprise.*

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

DEVELOPMENT AGREEMENT

BY AND BETWEEN

CITY OF CANNON FALLS, MINNESOTA

AND

VOLUMETRIC TECHNOLOGIES, INC.

This document drafted by:

TAFT STETTINIUS & HOLLISTER LLP
2200 IDS Center
80 South 8th Street
Minneapolis, Minnesota 55402

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DEVELOPMENT AGREEMENT

THIS AGREEMENT, made as of the 1st day of March, 2021, by and between the City of Cannon Falls, Minnesota (the "City"), a municipal corporation existing under the laws of the State of Minnesota and Volumetric Technologies, Inc., a Minnesota corporation (the "Developer"),

WITNESSETH:

WHEREAS, pursuant to Minnesota Statutes, Section 469.124 to 469.133, the City has heretofore established Municipal Development District No. 2 (the "Development District") and has adopted a development program therefor (the "Development Program"); and

WHEREAS, pursuant to the provisions of Minnesota Statutes, Section 469.174 through 469.1794, as amended (hereinafter, the "Tax Increment Act"), the City has heretofore established, within the Development District, Tax Increment Financing District No. 2-9 (the "Tax Increment District") and has adopted a tax increment financing plan therefor (the "Tax Increment Plan") which provides for the use of tax increment financing in connection with certain development within the Development District; and

WHEREAS, in order to achieve the objectives of the Development Program and particularly to make the land in the Development District available for development by private enterprise in conformance with the Development Program, the City has determined to finance certain costs of a Project (as hereinafter defined) to be constructed within the Tax Increment District as more particularly set forth in this Agreement; and

WHEREAS, the City believes that the development and construction of the Project, and fulfillment of this Agreement are vital and are in the best interests of the City, the health, safety, morals and welfare of residents of the City, and in accordance with the public purpose and provisions of the applicable state and local laws and requirements under which the Project has been undertaken and is being assisted; and

WHEREAS, the requirements of the Business Subsidy Law, Minnesota Statutes, Section 116J.993 through 116J.995, apply to this Agreement;

WHEREAS, the City has adopted criteria for awarding business subsidies that comply with the Business Subsidy Law, after a public hearing for which notice was published; and

WHEREAS, the Council has approved this Agreement as a subsidy agreement under the Business Subsidy Law.

NOW, THEREFORE, in consideration of the premises and the mutual obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. All capitalized terms used and not otherwise defined herein shall have the following meanings unless a different meaning clearly appears from the context:

Agreement means this Agreement, as the same may be from time to time modified, amended or supplemented;

Assessment Agreement means the agreement, in substantially the form of the agreement contained in Exhibit B attached hereto and hereby made a part of this Agreement, among the Developer, the City and the Assessor for the County, entered into pursuant to Article III of this Agreement;

Assessor's Minimum Market Value means the agreed minimum market value of the Development Property and Project and for calculation of real property taxes as determined by the Assessor for the County pursuant to the Assessment Agreement;

City means the City of Cannon Falls, Minnesota;

County means Goodhue County, Minnesota;

Developer means Volumetric Technologies, Inc., a Minnesota corporation, its successors and assigns;

Development District means Municipal Development District No. 2, including the real property described in the Development Program;

Development Program means the development program approved in connection with the Development District;

Development Property means the real property described in Exhibit A attached to this Agreement;

Event of Default means any of the events described in Section 4.1 hereof;

Prime Rate means the rate of interest from time to time publicly announced by U.S. Bank National Association in St. Paul, Minnesota, as its "reference rate" or any successor rate, which rate shall change as and when that prime rate or successor rate changes;

Project means the construction of an approximately 17,500 square foot manufacturing facility located on the Development Property;

Purchase Agreement means that certain agreement between the City and the Developer for the purchase of the Development Property from the City;

State means the State of Minnesota;

Tax Increments means the tax increments derived from the Tax Increment District which have been received and retained by the City in accordance with the provisions of Minnesota Statutes, Section 469.177;

Tax Increment Act means Minnesota Statutes, Sections 469.174 through 469.1794, as amended;

Tax Increment District means Tax Increment Financing District No. 2-9 located within the Development District, a description of which is set forth in the Tax Increment Financing Plan, which was qualified as an economic development district under the Tax Increment Act;

Tax Increment Financing Plan means the tax increment financing plan approved for the Tax Increment District by the City Council on March 16, 2021, and any future amendments thereto;

Termination Date means the earlier of (i) the date on which the Tax Increment District expires or is otherwise terminated; or (ii) the date the City has received \$400,000 of Tax Increments and interest at 4.00% accruing from the date the Development Property is sold to the Developer.

Unavoidable Delays means delays, outside the control of the party claiming its occurrence, which are the direct result of strikes, other labor troubles, unusually severe or prolonged bad weather, acts of God, fire or other casualty to the Project, litigation commenced by third parties which, by injunction or other similar judicial action or by the exercise of reasonable discretion, directly results in delays, or acts of any federal, state or local governmental unit (other than the City) which directly result in delays.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the City. The City makes the following representations and warranties:

(1) The City is a municipal corporation and has the power to enter into this Agreement and carry out its obligations hereunder.

(2) The Tax Increment District is an "economic development district" within the meaning of Minnesota Statutes, Section 469.174, Subdivision 12, and was created, adopted and approved in accordance with the terms of the Tax Increment Act.

(3) The development contemplated by this Agreement is in conformance with the development objectives set forth in the Development Program.

(4) The City makes no representation or warranty, either expressed or implied, as to the Development Property or its condition or the soil conditions thereon, or that the Development Property shall be suitable for the Developer's purposes or needs.

Section 2.2 Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(1) The Developer is a Minnesota corporation and has the power and authority to enter into this Agreement and to perform its obligations hereunder and doing so will not violate its articles, bylaws, or the laws of the State and by proper action has authorized the execution and delivery of this Agreement.

(2) The Developer shall cause the Project to be constructed in accordance with the terms of this Agreement, the Development Program, and all applicable local, state and federal laws and regulations (including, but not limited to, environmental, zoning, energy conservation, building code and public health laws and regulations).

(3) The construction of the Project would not be undertaken by the Developer, and in the opinion of the Developer would not have been or be economically feasible within the reasonably foreseeable future, without the assistance and benefit to the Developer provided for in this Agreement.

(4) The Developer will obtain, or cause to be obtained, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state, and federal laws and regulations which must be obtained or met before the Project may be lawfully constructed.

(5) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provision of any contractual restriction, evidence of indebtedness,

agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(6) The Developer will cooperate fully with the City with respect to any litigation commenced with respect to the Project.

(7) The Developer will cooperate fully with the City in resolution of any traffic, parking, trash removal or public safety problems which may arise in connection with the construction and operation of the Project.

(8) The construction of the Project shall commence no later than May 1, 2021 and barring Unavoidable Delays, will be substantially completed by December 31, 2021.

(9) The Developer will not seek a reduction in the market value as determined by the County Assessor of the Project for the period of time that the Tax Increment District exists.

ARTICLE III

UNDERTAKINGS BY DEVELOPER AND CITY

Section 3.1 Development Property. The City agrees to sell the Developer the Development Property for the purchase price set forth in the Purchase Agreement in accordance with the provisions of the Purchase Agreement.

Section 3.2 Business Subsidies Act.

(1) In order to satisfy the provisions of Minnesota Statutes, Sections 116J.993 to 116J.995 (the "Business Subsidies Act"), the Developer acknowledges and agrees that the amount of the "Business Subsidy" granted to the Developer under this Agreement is the appraised value of the Development Property which is \$180,000, and that the Business Subsidy is needed because the Project is not sufficiently feasible for the Developer to undertake without the Business Subsidy. The Tax Increment District is an economic development district and the public purpose of the Business Subsidy is to encourage the construction of a manufacturing facility in the City (the "Goals"). After holding a public hearing March 16, 2021, the City has determined that creation and retention of jobs is not a goal of the subsidy for the Project and consequently has set the wage and job goals hereunder at zero.

(2) If the Goals are not met, the Developer agrees to repay all of the Business Subsidy to the City, plus interest ("Interest") set at the implicit price deflator defined in Minnesota Statutes, Section 275.70, Subdivision 2, accruing from and after the date the Goals are not met, compounded semiannually.

(3) The Developer agrees to (i) report its progress on achieving the Goals to the City until the date the Goals are met or, if the Goals are not met, until the date the Business Subsidy is repaid, (ii) include in the report the information required in Minnesota Statutes, Section 116J.994, Subdivision 7 on forms developed by the Minnesota Department of Employment and Economic Development, and (iii) send completed reports to the City. The Developer agrees to file these reports no later than March 1 of each year commencing March 1, 2022, and within 30 days after the deadline for meeting the Goals. The City agrees that if it does not receive the reports, it will mail the Developer a warning within one week of the required filing date. If within 14 days of the post marked date of the warning the reports are not made, the Developer agrees to pay to the City a penalty of \$100 for each subsequent day until the report is filed up to a maximum of \$1,000.

(4) The Developer agrees to continue operations within the City for at least five (5) years after the Benefit Date.

(5) There are no other state or local government agencies providing financial assistance for the Project other than the City.

(6) There is no parent corporation of the Developer.

(7) The Developer certifies that it does not appear on the Minnesota Department of Employment and Economic Development's list of recipients that have failed to meet the terms of a business subsidy agreement.

Section 3.3 Execution of Assessment Agreement. Simultaneously with the execution of this Agreement, the Developer and the City shall execute an Assessment Agreement pursuant to the provisions of Minnesota Statutes, Section 469.177, Subdivision 8, specifying the Assessor's Minimum Market Value for the Development Property and the Project for calculation of real property taxes. Specifically, the Developer shall agree to a market value for the Development Property and the Project which will result in a market value as of January 2, 2022 of not less than \$1,800,000 until December 31, 2030 (such minimum market value at the time applicable is herein referred to as the "Assessor's Minimum Market Value"). Nothing in the Assessment Agreement shall limit the discretion of the Assessor to assign a market value to the property in excess of such Assessor's Minimum Market Value. The Assessment Agreement shall remain in effect until the earlier of (i) December 31, 2030; or (ii) the date of termination of this Agreement. The Assessment Agreement shall be certified by the Assessor for the County as provided in Minnesota Statutes, Section 469.177, Subdivision 8, upon a finding by the Assessor that the Assessor's Minimum Market Value represents a reasonable estimate based upon the plans and specifications for the Project to be constructed on the Development Property and the market value previously assigned to the Development Property. Pursuant to Minnesota Statutes, Section 469.177, Subdivision 8, the Assessment Agreement shall be filed for record in the office of the county recorder or registrar of titles of the County, and such filing shall constitute notice to any subsequent encumbrancer or purchaser of the Development Property (or part thereof), whether voluntary or involuntary, and such Assessment Agreement shall be binding and enforceable in its entirety against any such subsequent purchaser or encumbrancer, including the holder of any mortgage recorded against the Development Property.

ARTICLE IV

EVENTS OF DEFAULT

Section 4.1 Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean whenever it is used in this Agreement any one or more of the following events:

(1) Failure by the Developer to timely pay any ad valorem real property taxes assessed, special assessments or other City charges with respect to the Development Property.

(2) Failure by the Developer to cause the construction of the Project to be completed pursuant to the terms, conditions and limitations of this Agreement.

(3) Failure of the Developer to observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement.

(4) The holder of any mortgage on the Development Property or any improvements thereon, or any portion thereof, commences foreclosure proceedings as a result of any default under the applicable mortgage documents.

(5) If the Developer shall:

(A) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 1978, as amended or under any similar federal or state law; or

(B) make an assignment for the benefit of its creditors; or

(C) admit in writing its inability to pay its debts generally as they become due;
or

(D) be adjudicated as bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Developer as bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within sixty (60) days after the filing thereof; or a receiver, trustee or liquidator of the Developer, or of the Project, or part thereof, shall be appointed in any proceeding brought against the Developer, and shall not be discharged within sixty (60) days after such appointment, or if the Developer, shall consent to or acquiesce in such appointment.

Section 4.2 Remedies on Default. Whenever any Event of Default referred to in Section 4.1 occurs and is continuing, the City, as specified below, may take any one or more of the following actions after the giving of thirty (30) days' written notice to the Developer, but only if the Event of Default has not been cured within said thirty (30) days:

(1) The City may suspend its performance under this Agreement until it receives assurances from the Developer, deemed adequate by the City, that the Developer will cure its default and continue its performance under this Agreement.

(2) The City may cancel and rescind the Agreement.

(3) The City may take any action, including legal or administrative action, in law or equity, which may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant of the Developer under this Agreement.

Section 4.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 4.4 No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 4.5 Agreement to Pay Attorney's Fees and Expenses. Whenever any Event of Default occurs and the City shall employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement or performance or observance of any obligation or agreement on the part of the Developer herein contained, the Developer agrees that it shall, on demand therefor, pay to the City the reasonable fees of such attorneys and such other expenses so incurred by the City.

Section 4.6 Indemnification of City.

(1) The Developer releases from and covenants and agrees that the City, its governing body members, officers, agents, including the independent contractors, consultants and legal counsel, servants and employees thereof (hereinafter, for purposes of this Section, collectively the "Indemnified Parties") shall not be liable for and agrees to indemnify and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Project, provided that the foregoing indemnification shall not be effective for any actions of the Indemnified Parties that are not contemplated by this Agreement.

(2) Except for any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties, the Developer agrees to protect and defend the Indemnified Parties, now and forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from the actions or inactions of the Developer (or other persons acting on its behalf or under its direction or control) under this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Project; provided, that

this indemnification shall not apply to the warranties made or obligations undertaken by the City in this Agreement or to any actions undertaken by the City which are not contemplated by this Agreement but shall, in any event and without regard to any fault on the part of the City, apply to any pecuniary loss or penalty (including interest thereon from the date the loss is incurred or penalty is paid by the City at a rate equal to the Prime Rate) as a result of the Developer operating the Project so that the Tax Increment District does not qualify or ceases to qualify as an "economic development district" under Section 469.174, Subdivision 12, of the Act and Section 469.176, Subdivision 4c. or to violate limitations as to the use of Tax Increments as set forth in Section 469.176, Subdivision 4c.

(3) All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any governing body member, officer, agent, servant or employee of the City.

ARTICLE V

ADDITIONAL PROVISIONS

Section 5.1 Restrictions on Use. Until termination of this Agreement, the Developer agrees for itself, its successors and assigns and every successor in interest to the Development Property, or any part thereof, that the Developer and such successors and assigns shall operate, or cause to be operated, the Project as a manufacturing facility and shall devote the Development Property to, and in accordance with, the uses specified in this Agreement.

Section 5.2 Conflicts of Interest. No member of the governing body or other official of the City shall have any financial interest, direct or indirect, in this Agreement, the Development Property or the Project, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the City shall be personally liable to the City in the event of any default or breach by the Developer or successor or on any obligations under the terms of this Agreement.

Section 5.3 Titles of Articles and Sections. Any titles of the several parts, articles and sections of the Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 5.4 Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by any party to any other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and

- (1) in the case of the Developer is addressed to or delivered personally to:

Volumetric Technologies, Inc.
Attention: Chief Executive Officer
8893 250th Street East
Hampton, MN 55031

- (2) in the case of the City is addressed to or delivered personally to the City at:

City of Cannon Falls, Minnesota
Attention: City Administrator
Cannon Falls City Hall
918 River Road
Cannon Falls, MN 55009

with a copy to:

Taft Stettinius & Hollister LLP
Attention: Mary Ippel
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402

or at such other address with respect to any such party as that party may, from time to time, designate in writing and forward to the other, as provided in this Section.

Section 5.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 5.6 Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 5.7 Expiration. This Agreement shall terminate on the Termination Date, unless earlier terminated or rescinded in accordance with its terms.

Section 5.8 Provisions Surviving Rescission or Expiration. Sections 4.5 and 4.6 shall survive any rescission, termination or expiration of this Agreement with respect to or arising out of any event, occurrence or circumstance existing prior to the date thereof.

Section 5.9 Transfer of Development Property; Assignability of Agreement. The Development Property may be transferred only with the consent of the City. This Agreement may be assigned only with the consent of the City, which shall not be unreasonably withheld, delayed or conditioned.

IN WITNESS WHEREOF, the City has caused this Agreement to be duly executed in its name and on its behalf and its seal to be hereunto duly affixed, and the Developer has caused this Agreement to be duly executed on its behalf, on or as of the date first above written.

CITY OF CANNON FALLS,
MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

This is a signature page to the Development Agreement by and between the City of Cannon Falls and Volumetric Technologies, Inc.

VOLUMETRIC TECHNOLOGIES, INC.

By _____
Its Chief Executive Officer

This is a signature page to the Development Agreement by and between the City of Cannon Falls and Volumetric Technologies, Inc.

EXHIBIT A

DESCRIPTION OF DEVELOPMENT PROPERTY

Property located in the City of Cannon Falls, Goodhue County, Minnesota with the following description:

PID# 52.111.0010

EXHIBIT B

FORM OF ASSESSMENT AGREEMENT

THIS AGREEMENT, dated as of this 1st day of March, 2021, is by and among the City of Cannon Falls, Minnesota (the "City"), and Volumetric Technologies, Inc., a Minnesota corporation (the "Developer"), and the Goodhue County Assessor (the "Assessor").

WITNESSETH

WHEREAS, the City and the Developer have entered into a Development Agreement dated as of March 1, 2021 (the "Development Agreement") regarding certain real property located in the City (the "Development Property") which property is legally described on Exhibit A attached hereto and made a part hereof.

WHEREAS, it is contemplated that pursuant to said Agreement, the Developer will construct a Project on the Development Property as described in the Development Agreement.

WHEREAS, the City and Developer desire to establish a minimum market value for the Development Property and the improvements constructed or to be constructed thereon, pursuant to Minnesota Statutes, Section 469.177, Subdivision 8.

WHEREAS, the Developer has acquired the Development Property.

WHEREAS, the Assessor has reviewed the plans and specifications for the improvements and the market value previously assigned to the land upon which the improvements are to be constructed, and that the "minimum market value" as set forth below is reasonable.

NOW, THEREFORE, the parties to this Agreement, in consideration of the promises, covenants and agreements made by each to the other, do hereby agree as follows:

1. As of January 2, 2022 through and thereafter until December 1, 2030 the minimum market value which shall be assessed for the Project shall be not less than \$1,800,000.
2. The minimum market value herein established shall be of no further force and effect and this Agreement shall terminate on the earlier of: (i) December 31, 2030; or (ii) the date of termination of the Development Agreement.
3. This Agreement shall be recorded by the City with the County Recorder of Goodhue County, Minnesota. The Developer shall pay all costs of recording.
4. Neither the preamble nor provisions of this Agreement are intended to, or shall they be construed as, modifying the terms of the Agreement between the City and the Developer.
5. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

IN WITNESS WHEREOF, the City, the Developer and the Assessor have caused this Agreement to be executed in their names and on their behalf all as of the date set forth above.

CITY OF CANNON FALLS, MINNESOTA

(SEAL)

By _____
Its Mayor

By _____
Its City Administrator

STATE OF MINNESOTA)
) ss
COUNTY OF GOODHUE)

The foregoing instrument was acknowledged before me this ___ day of _____, 2021, by John Althoff, the Mayor, and Neil Jensen, the City Administrator of the City of Cannon Falls on behalf of said City.

Notary Public

Signature page for Assessment Agreement by and between the City of Cannon Falls, Minnesota, Volumetric Technologies, Inc., and the Goodhue County Assessor.

VOLUMETRIC TECHNOLOGIES, INC.

By _____
Its Chief Executive Officer

STATE OF MINNESOTA)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 2021, by _____, the _____ of Volumetric Technologies, Inc., a Minnesota corporation, on behalf of said corporation.

Notary Public

Signature page for Assessment Agreement by and between the City of Cannon Falls, Minnesota, Volumetric Technologies, Inc., and the Goodhue County Assessor.

CERTIFICATION BY COUNTY ASSESSOR

The undersigned, having reviewed the plans and specifications for the improvements to be constructed and the market value assigned to the land upon which the improvements are to be constructed, and being of the opinion that the minimum market value contained in the foregoing Agreement appears reasonable, hereby certifies as follows: The undersigned Assessor, being legally responsible for the assessment of the above described property, hereby certifies that the market values assigned to such land and improvements are reasonable.

County Assessor for Goodhue County

STATE OF MINNESOTA)
) ss.
COUNTY OF GOODHUE)

This instrument was acknowledged before me on _____, 2021, by _____, the County Assessor of Goodhue County.

Notary Public

Signature page for Assessment Agreement by and between the City of Cannon Falls, Minnesota, Volumetric Technologies, Inc., and the Goodhue County Assessor.

CONSENT TO ASSESSMENT AGREEMENT

_____, _____, of _____, _____, _____ (the "Bank"), does hereby consent to all terms, conditions and provisions of the foregoing Assessment Agreement and agrees that, in the event it purchases the Development Property at a foreclosure sale or acquires the Development Property through a deed in lieu of foreclosure or otherwise in satisfaction of the indebtedness owed by the Developer, it and its respective successors and assigns, shall be bound by all terms and conditions of the Assessment Agreement, including but not limited to the provision which requires that the minimum market value of the Development Property and the Project shall be not less than the amounts set forth in the Assessment Agreement.

IN WITNESS WHEREOF, we have caused this Consent to Assessment Agreement to be executed in its name and on its behalf as of this ____ day of _____, 2021.

By _____
Its _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 2021, by _____, the _____ of _____, a _____ banking corporation on behalf of the corporation.

Notary Public

EXHIBIT A TO ASSESSMENT AGREEMENT
LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY

[TO BE INSERTED PRIOR TO EXECUTION OF
ASSESSMENT AGREEMENT]

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

HELD: MARCH 16, 2021

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, on March 16, 2021, 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 2540

**RESOLUTION APPROVING THE MODIFICATION TO THE
DEVELOPMENT PROGRAM FOR MUNICIPAL DEVELOPMENT
DISTRICT NO. 2 AND ESTABLISHING TAX INCREMENT FINANCING
DISTRICT NO. 2-9 WITHIN MUNICIPAL DEVELOPMENT DISTRICT
NO. 2 AND APPROVING THE TAX INCREMENT FINANCING PLAN
THEREFOR; AUTHORIZING AN INTERFUND LOAN AND
AUTHORIZING EXECUTION OF A DEVELOPMENT AGREEMENT**

A. WHEREAS, it has been proposed that the City of Cannon Falls, Minnesota (the "City") (1) modify the Development Program for Municipal Development District No. 2 (the "Development District"); (2) establish Tax Increment Financing District No. 2-9 therein (the "TIF District"); (3) 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"); (4) authorize an Interfund Loan (hereinafter defined); and (5) authorize the execution of a development agreement; and

B. WHEREAS, the City Council has investigated the facts and has caused to be prepared the Modification to the Development Program for the Development District (the "Development Program Modification"), 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 modification of the Development District and the establishment of the TIF District therein, and the adoption of the Development Program Modification and TIF Plan therefor, including, but not limited to, notification of Goodhue County and Independent School District No. 252 (Cannon Falls Areas Schools) 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; and

D. WHEREAS, Volumetric Technologies Inc., a Minnesota corporation, (the "Developer") has requested the City to assist with the financing of certain costs incurred in connection with the construction of an approximately 17,500 square foot manufacturing facility in the City by the Developer (the "Project"); and

E. WHEREAS, the Developer and the City have determined to enter into a Development Agreement providing for the City's tax increment financing assistance for the Project (the "Development Agreement").

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

1. Development District. The City is not modifying the boundaries of the Development District.

2. Development Program Modification. The Modification to the Development Program for Municipal Development District No. 2, a copy of which is on file in the office of the City Administrator, is adopted.

3. Tax Increment Financing District No. 2-9. There is hereby established in the City within the Development District, Tax Increment Financing District No. 2-9, an economic development tax increment financing district, the initial boundaries of which are determined as described in the TIF Plan.

4. 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 Appendix C of the TIF Plan.

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

(f) Appendix C of the TIF Plan is incorporated herein by reference.

5. 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.

6. 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 City Administrator 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.

7. Filing. The City Administrator 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.

8. 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 \$561,918 (or, if less, the amount actually paid from such fund) together with interest at 4.00% 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 annually on each December 31 commencing with 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 twelve (12) 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.

9. Development Agreement.

(a) The Council hereby approves the Development Agreement in substantially the form submitted, and the Mayor and the City Administrator are hereby authorized and directed to execute the Development Agreement on behalf of the Council.

(b) The approval hereby given to the Development Agreement includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by the City officials authorized by this resolution to execute the Development Agreement. The execution of the Development Agreement by the appropriate officer or officers of the City shall be conclusive evidence of the approval of the Development Agreement in accordance with the terms hereof.

(c) In accordance with the provisions of Minnesota Statutes, Sections 116J.993 to 116J.995 (the "Business Subsidies Act"), the City has determined that the public purpose

of the Project is to encourage the development of an area of the City to improve the tax base and to encourage the construction of manufacturing facilities in the City. After holding a public hearing March 16, 2021, the City has determined that creation and retention of jobs is not a goal of the Business Subsidy for this project and consequently hereby sets the wage and job goals for the Project at zero as set forth in the Development Agreement.

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 16th day of March, 2021.

John O. Althoff, Mayor

Attest: _____
Neil L. Jensen, 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 District No. 2-9 in the City, authorization of an interfund loan and authorizing execution of a development agreement.

WITNESS my hand as such City Administrator of the City Council of the City of Cannon Falls, Minnesota this 16th day of March, 2021.

Neil L. Jensen, City Administrator