

**TO: HONORABLE MAYOR AND CITY COUNCIL.**  
**FROM: Laura Qualey, Economic Development**  
**SUBJECT: Setting a Public Hearing to Establish a Tax Increment  
Financing District No. 2-10**  
**DATE: June 15, 2021**

**BACKGROUND.**

The City Council has previously authorized consideration for the use of tax increment financing to facilitate development in Cannon Falls. A project of a multi-family housing unit by Keller-Baartman XIV Properties at 415 Hickory Drive, (Lot 1 Block 1, McCannonball Subdivision) in Cannon Falls has come forward to aid in the response to the housing needs in the community.

To create a TIF District, a Public Hearing must be held before the City Council can approve the creation and execution of the TIF plan. The EDA recommends approval of this housing project, and has asked David Drown Associates, Inc. to be the financial advisors for this TIF plan. The draft TIF Work Plan, Schedule and approving Resolution 2549 which accompany this Memorandum.

**REQUESTED COUNCIL ACTION.**

The City Council is asked to conduct a public hearing on August 3, 2021 relating to the creation of the Tax Increment Financing Plan for TIF District No. 2-10 and thereafter consider and approve the Resolution 2549 establishing TIF District No. 2-10 and the TIF Plan.



June 8, 2021

## ENGAGEMENT LETTER

City Council  
Neil Jensen, City Administrator  
City of Cannon Falls  
918 River Road  
Cannon Falls, MN 55009

**RE: Municipal Advisor**

Dear Council Members and Mr. Jensen:

We are writing this letter as required under the new Municipal Advisor rules of the Municipal Securities Rulemaking Board (the "MSRB") and the Securities and Exchange Commission (the "SEC.") As a registered municipal advisor working with you, we are required to provide a written description of our advisory relationship and to make certain other disclosures.

### Our Role as Municipal Advisor

As your municipal advisor, we are held to the very highest standard of loyalty and care with an **explicit fiduciary duty** to act in your best interests. This means several important things:

- We have a duty to exercise due care in performing municipal advisory activities.
- We have a duty of loyalty, requiring us to act in your best interest without regard to our own financial or other interests.
- We must have the knowledge and expertise needed to provide you with informed advice.
- We have a duty understand you and your specific situation and to follow your directions, so our advice is suitable for you.
- We are required to make reasonable inquiries and investigations as to the facts supporting our recommendations and work products.
- We have a duty to discuss with you material risks, benefits, and alternatives we considered when determining what might serve your interests best.

### Disclosure of Conflicts of Interest

A municipal advisor may not legally provide advice if certain **unmanageable conflicts** exist, such as providing financial advice and then purchasing related securities or engaging in kickback arrangements. Other *potential, yet manageable* conflicts of interest must be disclosed to you in writing, with sufficient detail and explanations of how we intend to manage or mitigate each conflict. There are several potential conflicts of interest that may apply to our engagement with you:

Compensation. All forms of compensation are viewed to represent a potential conflict of interest by the MRSB. Our Standard Fee Schedule incorporates several forms of compensation:

- **Fixed Fee.** This form of compensation represents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the financial advisor may suffer a loss. Thus, the advisor may recommend less time-consuming alternatives or fail to do a full analysis of alternatives.

- **Fee Based upon Principal Amount.** This form of compensation presents a conflict of interest because the advisor may have an incentive to advise the client to increase the size of the securities issue for the purpose of increasing the advisor's compensation.
- **Hourly Fee.** An hourly fee form of compensation presents a potential conflict of interest if the client and advisor do not agree on a reasonable maximum amount at the outset of each engagement, because the advisor does not have a financial incentive to recommend alternatives that would result in fewer hours worked.
- **Contingent Fee.** This form of compensation presents a potential conflict of interest because the advisor may have an incentive to recommend unnecessary financings or financings that are disadvantageous to the client. When facts or circumstances arise that could cause the financing to be delayed or fair to close, an advisor may have an incentive to discourage a full consideration of such facts and circumstances.

Our plan to mitigate conflicts of interest regarding compensation is to assure our standard fees reasonably reflect the expected costs of standard services, and to avoid a transaction-based relationship with our clients such that compensation on any one transaction is of secondary importance to maintaining a long-term relationship.

Executive Search Services. David Drown Associates, Inc. provides executive search services to units of government in Minnesota. In situations where an administrator was hired through our recruitment efforts and/or recommendations, we may be in a position to unduly influence that administrator's financial judgments or future decisions.

We have mitigated this conflict by instituting procedures which require review and approval by another senior level advisor of all written recommendations.

MN Rural Water Association. David Drown Associates, Inc. serves as the financial advisor MRWA's MIDI, MICRO and Interim Funding Programs. In that capacity, we process loan requests and serve as municipal advisor to borrowers seeking to utilize these funding programs. This relationship with MRWA represents a potential conflict of interest in that we have an incentive to recommend the use of these funding programs and to exclude due consideration of other options or alternatives.

We have mitigated this conflict of interest by agreement with MRWA that we will not process loans where other financing mechanisms are clearly superior, and we maintain internal procedures that explicitly include a review of other funding options before acting upon a loan request.

### **Scope of Service & Compensation**

It is our intention for this Letter of Engagement to evidence a general, long-term relationship with you, as opposed to a relationship that is specific to only one transaction. We provide you a full range of customary financial advisory services without exclusion or limitation and will honor our fiduciary duties to you in all aspects of our work. In cases where either of us wishes to the limit the scope of our engagement – for example, where you have already reached a decision on a particular financing, or where we lack availability or expertise in a specific area – we will address this limitation by supplemental, written communication to you.

All compensation will be based upon the rates shown on the attached Standard Fee Schedule.

### **For Professionals seeking the “Issuer has hired an independent municipal advisor exemption”**

Professionals such as attorneys, engineers and accountants and underwriters provide you with financial advice from time to time. To guard against being considered an unregistered municipal advisor, these professionals may ask you to confirm in writing that you are represented by and will rely on the advice of an *independent registered municipal advisor*.

David Drown Associates, Inc. hereby certifies we are a registered municipal advisor in good standing, with no associations or affiliations that will reasonably affect our independent judgment in evaluating proposals or advice you may receive from us or from other entities.

If the City is asked to provide written confirmation that the City has an independent registered municipal advisor, we suggest the following written response:

*RE: Designation of Independent Registered Municipal Advisor*

*The City of Cannon Falls has retained David Drown Associates, Inc. as our registered independent municipal advisor. Your firm provides or seeks to provide professional services and advice to the City with regard to the following project:*

*(insert general description of the project or transaction)*

*The City of Cannon Falls is represented by and will rely upon the financial advice of David Drown Associates, Inc. with regard to this project or transaction. You are authorized and directed to copy David Drown Associates, Inc. on all communications with the City having to do with financial matters.*

*You are reminded of your requirement to provide a written disclosure to both the City and to David Drown Associates, Inc. that, because the City is represented by a registered independent municipal advisor, your firm is not subject to the fiduciary duty established in Section 15B(c)(1) of the Exchange Act with respect to the municipal financial product or issuance of municipal securities.*

I would be happy to discuss any aspect of this letter and MSRB rules with you at your convenience.

Respectfully Submitted,



Mike Bubany, Associate  
David Drown Associates, Inc.  
[mike@daviddrown.com](mailto:mike@daviddrown.com)

#### **Acknowledgement**

The undersigned hereby acknowledges receipt of this disclosure and that the City Council may request an Associate of David Drown Associates, Inc. to attend a Council meeting at no cost in order to provide the City Council the opportunity to raise questions and discuss the foregoing matters.

**City of Cannon Falls, Minnesota**

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City Administrator

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Date

# STANDARD FEE SCHEDULE

January 1, 2021

## General Obligation Bond Issues:

<u>Principal Amount</u>	<u>Fiscal Fee</u>
0 to \$250,000	7,000
\$250,000 to \$500,000	8,500
\$501,000 to 1,000,000	10,500
\$1,000,000 to 2,000,000	14,000
\$2 to \$3 million	16,000
\$3 to \$4 million	18,000
\$4 to \$5 million	20,000
Over \$5 million	20,000 plus \$1,000 per million

Fees are for a single G.O. bond issue. Fees for multiple issues sold concurrently are based on combined principal amount plus \$2,000 per additional issue. Client is responsible for other costs of issuance including but not limited to bond counsel, pay agent, rating agency, underwriter's fee, certificate fees and out-of-pocket expenses.

## Revenue and Lease-Purchase Financings:

Revenue bonds or lease-purchase transactions are generally charged 125% of above rates.

## Tax Increment Finance/Tax Abatement Projects/TIF Reporting:

Standard fee to research, draft, process, and certify a TIF plan is \$5,500. Fees for redevelopment districts are generally \$1,000 to \$2,500 higher, depending upon the numbers of parcels involved. Basic fee to negotiate the terms of a development agreement is \$1,500. Annual TIF report fee is \$1,000 plus \$500 for each TIF District. Standard fee to process a Tax Abatement project is \$3,500. The client shall be responsible for out of pocket expenses and expenses of other professionals, such as bond counsel and building inspection.

## Continuing Disclosure:

Full Disclosure: Annual fee is \$1,250 per year for each class of issues (G.O. bonds are one class) plus \$250 for each bond issue within that class up to an annual maximum of \$2,500 per class. The annual fee is waived if the Client has a recent Official Statement containing required information. Client is responsible for costs of a county auditor certificate, if required.

"Limited" Disclosure and/or Significant Event Reporting: Annual fee of \$250 per issue capped at \$600 for the filing of Audited Financial Statements with MSRB/EMMA.

## Hourly Service Rates:

	<u>Hourly Rate</u>
Principal	\$200
Senior Advisor	150
Associate	100
Clerical	50

**Expenses:** Actual cost, except mileage is billed at Federal Mileage Rate (for 2021 this is 56.0 cents/mile)



# DDA

David Drown Associates, Inc.  
Public Finance Advisors

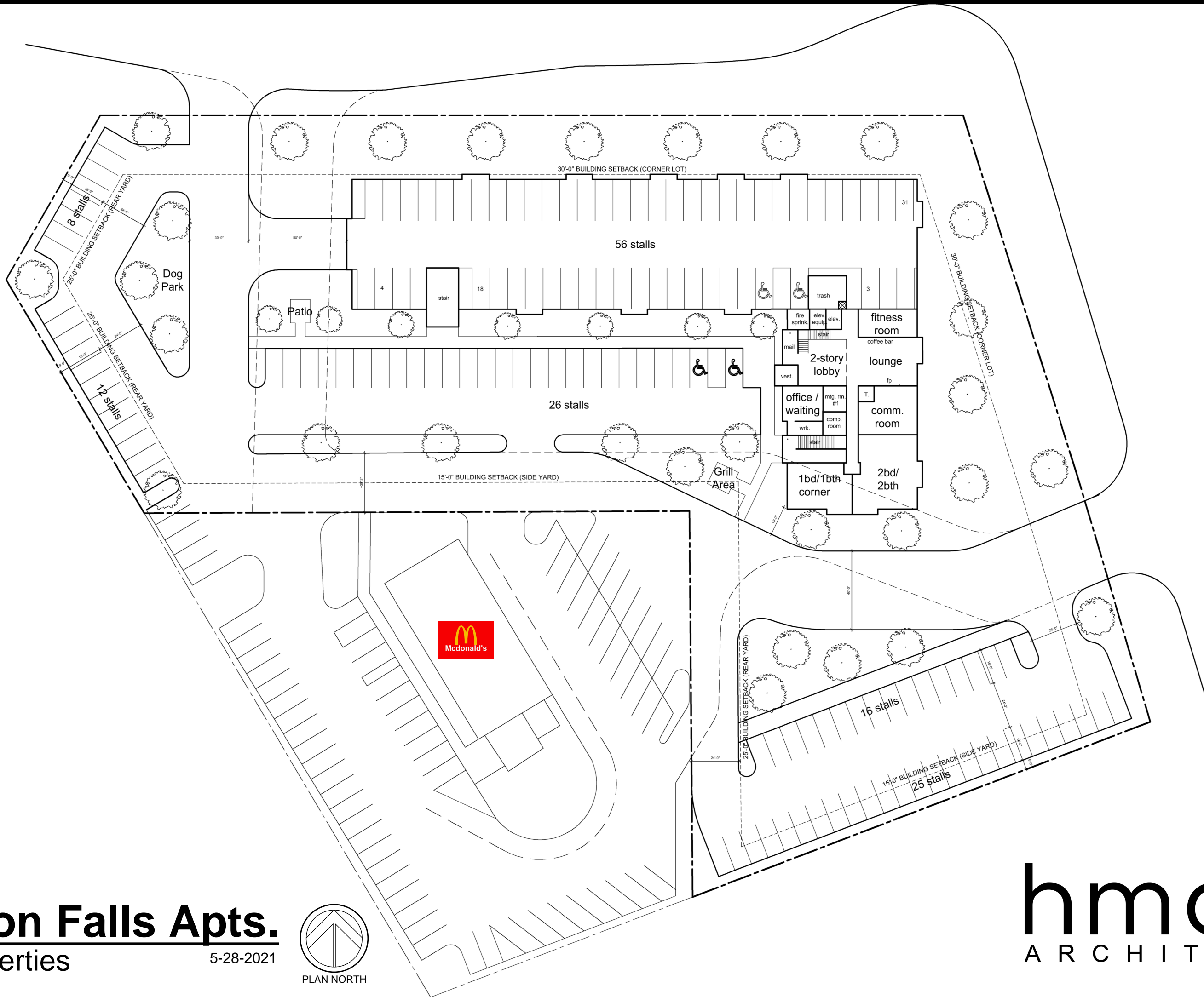
Minneapolis Office:  
5029 Upton Avenue South  
Minneapolis, MN 55410  
612-920-3320 (phone); 612-605-2375 (fax)  
www.daviddrown.com

# PROJECT SCHEDULE OF EVENTS

City of Cannon Falls, Minnesota

Tax Increment Financing Plan for  
Tax Increment Financing District No. 2-10  
(Housing TIF District)

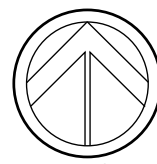
<b>Task</b>	<b>Completion Date</b>
City Council authorizes preparation of TIF Plan	June 15, 2021
City Council resolution setting date for Public Hearing	June 15
Letter to County Commissioner	June 21
Impact letters to County and School District	July 2
Deadline for hearing notice to Official Newspaper	July 16
Hearing Notice published in Official Newspaper	Thursday, July 22
<b>Public Hearing</b>	6:30 P.M., August 3
City Council resolution creating TIF District	August 3
Request for Certification sent to County and State	March 2022
Council meets: 1 <sup>st</sup> and 3 <sup>rd</sup> Tuesday at 6:30 p.m.	



# Cannon Falls Apts.

K-B Properties

5-28-2021



## KELLER BAARTMAN PROPERTIES

Rivers Ridge—Red Wing  
Market Rate Housing  
61 Units—55 older



Park Place—Red Wing  
Market Rate Housing  
108 Units—No age restrictions





# KELLER BAARTMAN PROPERTIES

Zumbrota—Under construction  
Market Rate Housing  
57 Units—No age restrictions



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

HELD: June 15, 2021

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Cannon Falls, Goodhue County, Minnesota, was duly held at the City Hall on Tuesday, the 15<sup>th</sup> day of June, 2021, at 6:30 p.m. for the purpose, in part, of calling a public hearing on the proposed establishment of Tax Increment Financing District No. 2-10, and the Tax Increment Financing Plan relating thereto.

The following Council members were present:

and the following were absent:

Council member \_\_\_\_\_ introduced the following resolution and moved its adoption;

**RESOLUTION NUMBER 2549**

**CALLING A PUBLIC HEARING ON  
THE ESTABLISHMENT OF TAX INCREMENT FINANCING DISTRICT NO. 2-10 AND  
THE ADOPTION OF A TAX INCREMENT FINANCING PLAN RELATING THERETO**

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

1. Public Hearing. This Council shall meet on Tuesday, August 3, 2021 at approximately 6:30 p.m. to hold a public hearing on the following matters; (a) the proposed establishment of Tax Increment Financing District No. 2-10, and (b) the adoption of the Tax Increment Financing Plan relating thereto, pursuant to and in accordance with Minnesota Statutes, Sections 469.174 to 469.1794, both inclusive, as amended (the "Act").

2. Notice of Hearing. Filing of Plan. The City Administrator is hereby authorized to cause a notice of the hearing, substantially in the form attached hereto as Exhibit A, to be published as required by the Act and to place a copy of the proposed Tax Increment Financing Plan on file in City Administrator's Office at City Hall and to make such copies available for inspection by the public.

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

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

**ADOPTED** by the City Council of Cannon Falls this 15<sup>th</sup> day of June, 2021.

**CITY OF CANNON FALLS**

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John O. Althoff, Mayor

ATTEST: \_\_\_\_\_  
Neil L. Jensen, City Administrator

STATE OF MINNESOTA     )  
CITY OF CANNON FALLS   ) SS.  
COUNTY OF GOODHUE    )

I, the undersigned, being the duly qualified and acting Administrator of the City of Cannon Falls, Minnesota, DO HEREBY CERTIFY that the attached resolution is a true and correct copy of an extract of minutes of a meeting of the City Council of the City of Cannon Falls, Minnesota duly called and held, as such minutes relate to the calling of a public hearing on Tax Increment Financing District No. 2-10.

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Neil Jensen, City Administrator

**EXHIBIT A**

**CITY OF CANNON FALLS  
COUNTY OF GOODHUE  
STATE OF MINNESOTA**

**NOTICE OF PUBLIC HEARING ON THE  
ESTABLISHMENT OF TAX INCREMENT FINANCING DISTRICT NO. 2-10**

NOTICE IS HEREBY GIVEN that the City Council (the "Council") of the City of Cannon Falls, Goodhue County, Minnesota, will hold a public hearing on Tuesday, August 3, 2021, at 6:30 p.m., at the Cannon Falls City Hall, 918 River Road, in the City of Cannon Falls, Minnesota, relating to the (a) the proposed creation of Tax Increment Financing District No. 2-10, and (b) the adoption of the Tax Increment Financing Plan relating thereto, all pursuant to and in accordance with Minnesota Statutes, Sections 469.174 to 469.1794, as amended (the "Act"). Copies of the Tax Increment Financing Plan as proposed to be adopted will be on file and available for public inspection at the office of the City Administrator at City Hall.

The property included in Tax Increment Financing District No. 2-10 is described in the Tax Increment Financing Plan on file in the office of the City Administrator. A map of the proposed Tax Increment Financing District is set forth below in Exhibit B.

All interested persons may appear at the hearing and present their view orally or in writing.

BY ORDER OF THE CITY COUNCIL

/s/ Neil Jensen,  
City Administrator

**EXHIBIT B**

