

**DRAFT FOR PUBLIC HEARING  
CITY OF PRINCETON, MINNESOTA**

**MODIFIED DEVELOPMENT PROGRAM FOR  
MUNICIPAL DEVELOPMENT DISTRICT NO. 9  
TAX INCREMENT FINANCING PLAN FOR  
TAX INCREMENT FINANCING (HOUSING)  
DISTRICT NO. 9-4  
(RESIDENTIAL SUITES PHASES 3 AND 4)**

**SCHEDULED PUBLIC HEARING DATE: JANUARY 11, 2024**

**PLAN APPROVED DATE: \_\_\_\_\_, 2024**

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**PLAN CERTIFIED DATE: \_\_\_\_\_, 2024**



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## ARTICLE I – INTRODUCTION AND DEFINITIONS

### SECTION 1.01 INTRODUCTION

The City of Princeton proposes to provide tax increment financing assistance to a private developer for public costs related to the construction of multifamily housing units within the City. This document contains the plan for achieving the objectives of the Modified Development Program for Municipal Development District No. 9 through the establishment of Tax Increment Financing District No. 9-4 within.

The City first established Development District No. 9 on October 25, 2018. The City has previously established within the boundaries of Development District No. 9 the following Tax Increment Financing Districts: 9-1, 9-2, and 9-3. The City proposes to modify the Development District to establish Tax Increment Financing District No. 9-4 within.

### SECTION 1.02 DEFINITIONS

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

1. "Authority" means the City of Princeton Economic Development Authority.
2. "City" means the City of Princeton, Minnesota.
3. "City Council" means the City Council of the City.
4. "County" means Mille Lacs County, Minnesota.
5. "Development" means the proposed construction to be undertaken by the Developer of two apartment buildings to include approximately 166 total rental units. The Project will complete development of Phases 3 and 4 of the Princeton Residential Suites plat. Phases 1 and 2 of the Rum River Suites plat were included within the established Tax Increment Financing (Housing) District No. 9-2, approved by the City on September 24, 2020.
6. "Development District" means Development District No. 9 in the City, created and established pursuant to and in accordance with the Development District Act.
7. "Development District Act" means Minnesota Statutes, Sections 469.124 through 469.133, as amended and supplemented from time to time.
8. "Development Program" means the Development Program for the Development District, as amended and supplemented from time to time.
9. "Public Development Costs" means the cost of the Development, including administrative expenses, and interest as a financing cost, which will be paid or financed with tax increments from the TIF District, but not to exceed the estimated tax increment generated by the development activity expected to occur within the Development District and TIF District.
10. "Property" means the approximate 7.26 acre site within the TIF District as described in Section 3.03.2 of the TIF Plan.
11. "Project Area" means the geographic area of the Development District.
12. "Project Costs" means Public Development Costs.
13. "School District" means Princeton Public Schools - District 477.
14. "State" means the State of Minnesota.
15. "Tax Increment Bonds" means any tax increment bonds as defined in Section 469.174,

subd. 3 of the TIF Act, issued by the City to finance Public Development Costs, and any obligations issued to refund such bonds, pursuant to Section 469.178 of the TIF Act.

16. "TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794 as amended, both inclusive.
17. "TIF District" means Tax Increment Financing (Housing) District No. 9-4 (Residential Suites Phases 3 and 4).
18. "TIF Plan" means the tax increment financing plan for the TIF District (this document).

### **SECTION 1.03 LISTING OF EXHIBITS**

The following exhibits are attached to and by reference made a part of the Development Program and the TIF Plan:

- Exhibit I: Present Value Analysis.
- Exhibit II: Projected Tax Increment
- Exhibit III: Impact on Other Taxing Jurisdictions
- Exhibit IV: Estimated Tax Increment Over Life of District
- Exhibit V: Map of Development District and TIF District

### **SECTION 1.04 PLAN PREPARATION**

The document was prepared for the City by Northland Securities, Inc.

## **ARTICLE II - DEVELOPMENT PROGRAM**

### **SECTION 2.01 OVERVIEW**

The City establishes the Development District and the related Development Program as a tool to achieve the objectives described in Section 2.02. The Development District serves as the Project Area for tax increment financing districts established within its boundaries. The Development Program describes the City's objectives for the development of this area and the use of tax increment financing.

This modified Development Program is intended to restate and expand on the original Development Program and all prior amendments hereto, which are incorporated herein by reference.

### **SECTION 2.02 STATEMENT OF OBJECTIVES**

The establishment and modification of the Development District pursuant to the Development District Act is necessary and in the best interests of the City and its residents and is necessary to give the City the ability to meet certain public purpose objectives that would not be obtainable in the foreseeable future without intervention by the City in the normal development process.

The City intends, to the extent permitted by law, to accomplish the following objectives through the implementation of the Development Program:

1. Provide for the acquisition of land and construction and financing of the private development in the Development District which are necessary for the orderly and beneficial development of the Development District and adjacent areas of the City.
2. Encourage the redevelopment of blighted and under-utilized areas of the City.
3. Facilitate the removal of deteriorated structures and encourage redevelopment in commercial areas providing high levels of property maintenance and private investment.
4. Provide parking needed to support development and encourage use of shared parking to promote additional private development.
5. Build, maintain improve, and reconstruct public improvements and utilities needed to support development.
6. Promote and secure the prompt and unified development of certain property in the Development District, which property is not now in productive use or in its highest and best use, with a minimum adverse impact on the environment, and thereby promote and secure the desirable development of other land in the City.
7. Promote and secure additional employment opportunities within the Development District and the City for residents of the City and the surrounding area, thereby improving living standards and reducing unemployment and the loss of skilled and unskilled labor and other human resources in the City.
8. Secure the increase in values of property subject to taxation by the City, the School District, the County, and other taxing jurisdictions in order to better enable such entities to pay for governmental services and programs that they are required to provide.
9. Promote the concentration of new unified development consisting of desirable industrial and other appropriate development in the Development District so as to maintain these areas in a manner compatible with its accessibility and prominence in the City.
10. Encourage the expansion and improvement of local business, economic activity and development, whenever possible.

11. Create a desirable and unique character within the Development District through quality land use alternatives and design quality in new buildings.

### **SECTION 2.03 BOUNDARIES OF DEVELOPMENT DISTRICT**

The boundaries of the Development District are conterminous with the municipal boundaries of the City as shown in Exhibit V.

### **SECTION 2.04 DEVELOPMENT ACTIVITIES**

The City will perform or cause to be performed, to the extent permitted by law, all project activities pursuant to the Development District Act, the TIF Act, and other applicable state laws, and in doing so anticipates that the following may, but are not required, to be undertaken by the City:

1. The making of studies, planning, and other formal and informal activities relating to the Development Program.
2. The implementation and administration of the Development Program.
3. The rezoning of land within the Development District.
4. The acquisition of property, or interests in property, by purchase or condemnation, which acquisition is consistent with the objectives of the Development Program.
5. The preparation of property for use and development in accordance with applicable Land Use Regulations and the Development Agreement, including demolition of structures, clearance of sites, placement of fill and grading.
6. The resale of property to private parties.
7. The construction or reconstruction of site improvements to property within a tax increment financing district.
8. The construction, improvement and maintenance of parking facilities.
9. The construction, improvement and maintenance of streets, sidewalks, alleys, and public utilities.
10. The issuance of Tax Increment Bonds to finance the Public Development Costs of the Development Program, and the use of tax increment revenue available to the City to pay or finance the Public Development Costs of a tax increment financing district, as provided in a tax increment financing plan, incurred or to be incurred by it pursuant to the Development Program.
11. The use of tax increment revenue to pay debt service on the Tax Increment Bonds or otherwise pay or reimburse with interest the Public Development Costs of a tax increment financing district, as provided in a tax increment financing plan.

### **SECTION 2.05 PAYMENT OF PUBLIC DEVELOPMENT COSTS**

Public Development Costs and the plan for their payment will be described in each tax increment financing plan for each tax increment financing district established within the Development District. It is anticipated that the Public Development Costs of the Development Program will be paid primarily from tax increment revenues from tax increment financing districts within the Development District. The City may utilize other available sources of revenue, including but not limited to special assessments, user charges and financial assistance from other units of government, which the City may apply to pay a portion of the Public Development Costs.

## **SECTION 2.06 ENVIRONMENTAL CONTROLS; LAND USE REGULATIONS**

All municipal actions, public improvements and private development shall be carried out in a manner consistent with existing environmental controls and all applicable land use regulations.

## **SECTION 2.07 PARK AND OPEN SPACE TO BE CREATED**

Park and open space within the Development District, if created, will be created in accordance with the City's Comprehensive Plan and zoning and subdivision ordinances.

## **SECTION 2.08 PROPOSED REUSE OF PROPERTY**

The Development Program provides that the City may acquire property and reconvey the same to another entity. All parcels in the Development District are eligible for acquisition. In acquiring land, the City will require the execution of a binding development agreement with respect thereto and evidence that tax increment revenues or other funds will be available to repay the costs associated with the proposed acquisition of property. It is the intent of the City to negotiate the acquisition of property whenever possible. Appropriate restrictions regarding the reuse and redevelopment of property shall be incorporated into any development agreement to which the City is a party.

## **SECTION 2.09 ADMINISTRATION AND MAINTENANCE OF DEVELOPMENT DISTRICT**

Maintenance and operation of the Development District will be the responsibility of the City Administrator who shall serve as administrator of the Development District. Each year the Administrator will submit to the City Council the maintenance and operation budget for the following year.

The Administrator will administer the Development District pursuant to the provisions of Section 469.131 of the Development District Act; provided, however, that such powers may only be exercised at the direction of the City Council. No action taken by the Administrator pursuant to the above-mentioned powers shall be effective without authorization by the City Council.

## **SECTION 2.10 AMENDMENTS**

The City reserves the right to alter and amend the Development Program, subject to the provisions of state law regulating such action. The City specifically reserves the right to enlarge or reduce the size of the Development District, the Development Program and the Public Development Costs of the Development Program.



**ARTICLE III - TAX INCREMENT FINANCING PLAN**

**SECTION 3.01 STATUTORY AUTHORITY**

The TIF District and the TIF Plan are established under the authority of the TIF Act.

**SECTION 3.02 PLANNED DEVELOPMENT**

*3.02.1 Project Description*

The City received an application from the Developer to provide tax increment financing assistance for the construction of two apartment buildings to include approximately 166 total rental units. The Development will complete development of Phases 3 and 4 of the Princeton Residential Suites plat. Phases 1 and 2 of the Rum River Suites plat were included within the established Tax Increment Financing (Housing) District No. 9-2, approved by the City on September 24, 2020.

The Phase 3 building will include approximately 66 units and the Phase 4 building approximately 100 units. The Project will be constructed in two phases. The construction on the first building (Phase 3) is anticipated to commence construction by June 30, 2025 and the second building (Phase 4) is anticipated to commence construction by June 30, 2027. These are estimated dates for planning purposes and are subject to change.

The Developer's plan and timing for the Development is contingent on receiving tax increment financing assistance to assist with the affordable component of the Development. The Developer is proposing that at least 20% of the residential units in the Development will be occupied or available for occupancy by persons whose incomes do not exceed 50% of the County median income.

The estimated cost for the Development (in today's dollars) is approximately \$12.8 million for Phase 3 and \$19.8 million for Phase 4, a total combined cost of approximately \$32.6 million.

*3.02.2 City Plans and Development Program*

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

The City has adopted land use controls to guide the use of property. The proposed development plans for the project in the TIF District have been reviewed by the Planning Commission and the City Council.

*3.02.3 Land Acquisition*

The City does not intend to acquire property within the TIF District.

*3.02.4 Development Activities*

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

*3.02.5 Need for Tax Increment Financing*

In various materials the Developer has demonstrated that the proposed use of tax increment financing is needed to offset the high construction costs of high-quality- low-to moderate-income housing and associated infrastructure required to support the facility. Without the proposed assistance, these initial up-front costs would make it infeasible for the Developer to be able to charge the affordable rents required for the low-to moderate-income tenants. Thus, it is the City's opinion that the proposed development would not reasonably be expected to occur

solely through private investment within the foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above and is shown in Exhibit I. This analysis, while not required by the TIF Act for approval of a housing tax increment financing district, indicates that the increase in estimated market value of the proposed development (less the present value of the projected tax increments for the maximum duration permitted by the TIF Plan) exceeds the estimated market value of the site prior to the establishment of the TIF District.

### **SECTION 3.03 TAX INCREMENT FINANCING DISTRICT**

#### *3.03.1 Designation*

This TIF District is designated Tax Increment Financing (Housing) District No. 9-4 (Residential Suites Phases 3 and 4).

#### *3.03.2 Boundaries of TIF District*

The boundaries of the TIF District are depicted in Exhibit V. The TIF District includes the following property described as follows and the adjacent roads and right-of-way:

- Lot 1, Block 1, and Lot 2, Block 1 of Princeton Residential Suites

The City may act to approve a modification to the boundaries of the TIF District as property is subdivided and platted. Section 469.175, subd. 4(f) of the TIF Act provides that the geographic area of a tax increment financing district may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor.

#### *3.03.3 Type of District*

The TIF District is designated as a “housing” district pursuant to Section 469.174, subd. 11 of the TIF Act. For the designation, of a tax increment financing housing district, the Developer of the Project will need to commit to the following:

1. Satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. This requirement applies for the duration of the tax increment financing district. The developer will commit to provide 20% or more of units for occupancy by persons at 50% or less of Area Median Income based on household size. These income thresholds may change over the life of the TIF District.
2. Provide that no more than 20% of the square footage of building to receive assistance from tax increments consist of commercial, retail, or other nonresidential uses. Revenue derived from tax increment from a housing district must be used solely to finance the cost of housing projects as defined in Section 469.174, subd. 11 of the TIF Act. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the Authority may be included in the cost of a housing project.
3. Failure to comply with these income limitations is subject to the enforcement provisions of Section 469.1771 of the TIF Act.

### **SECTION 3.04 PLAN FOR USE OF TAX INCREMENT**

#### *3.04.1 Estimated Tax Increment*

The original net tax capacity of value of the TIF District will be set by the County upon request for certification. For the purposes of the TIF Plan, the estimated original net tax capacity is \$149.

The total tax capacity value of the property after development completion of Phase 3 (for taxes payable in 2028) is estimated to be \$58,328. This amount is based on a total estimated market value of \$4,666,200 with property classified as residential non-homestead, greater than four units. The estimated difference between the total tax capacity value after development completion and the original net tax capacity value is the captured tax capacity value for the creation of tax increment, estimated to be \$58,178 (for taxes payable in 2028).

The estimated tax rate for purpose of estimating tax increments for the TIF District is 140.81%. At the time of the request for certification of the original net tax capacity for the TIF District, the County Auditor will certify the original local tax rate that applies to the TIF District. The original local tax rate is the sum of all the local tax rates, excluding that portion of the school rate attributable to the general education levy under Minnesota Statutes section 126C.13, that apply to a property in the TIF District.

The local tax rate to be certified is the rate in effect for the same taxes payable year applicable to the tax capacity values certified as the TIF District's original tax capacity. The resulting tax capacity rate is the original local tax rate for the life of the TIF District.

Under these assumptions, the estimated annual tax increment for Phase 3, after completion, is \$81,629 (for taxes payable in 2028). The TIF Plan estimates that the first year of tax increment collection, year 2027, will be based on partial completion of Phase 3 in year 2025.

The actual tax increment will vary according to the certified original tax capacity value and original tax rate, the actual property value produced by the proposed development, and the changes in property value and state tax policy over the life of the TIF District. The City plans to retain 100% of the capture tax capacity value for the duration of the TIF district. Exhibit II contains the projected tax increment over the life of the District inclusive of Phases 3 and 4 of the Development.

#### *3.04.2 Public Development Costs*

The City will use tax increment to pay Public Development Costs. The City anticipates the use of tax increment to pay administrative expenses for the TIF District and to reimburse the City and the Developer on a pay-go basis for Public Development Costs. A contract between the City and the Developer will define the means for verifying Public Development Costs to be incurred by the Developer that will be eligible for reimbursement from tax increments and the means of disbursing tax increments collected by the City to the Developer. The City may also use tax increments to pay financing costs.

#### *3.04.3 Estimated Sources and Uses of Funds*

The total estimated tax increment revenues and total estimated project and financing costs to be paid from Tax Increment are itemized in Figure 3-1. The City reserves the right to administratively adjust the amount of any of the Project Cost items, not including financing costs, listed in Figure 3-1, so long as the total estimated tax increment project costs amount is not increased.

**FIGURE 3-1  
ESTIMATED SOURCES AND USES OF FUNDS**

	<b>Total</b>
<b>Estimated Tax Increment Revenues (from tax increment generated by the district)</b>	
Tax increment revenues distributed from the county	\$5,713,439
Interest and investment earnings	\$10,000
Sales/lease proceeds	\$0
Market value homestead credit	\$0
<b>Total Estimated Tax Increment Revenues</b>	<b>\$5,723,439</b>
<b>Estimated Project/Financing Costs (to be paid or financed with tax increment)</b>	
Project costs	
Land/building acquisition	\$0
Site improvements/preparation costs	\$2,106,964
Utilities	\$0
Other public improvements	\$0
Construction of affordable housing	\$0
Administrative costs	\$571,344
<b>Estimated Tax Increment Project Costs</b>	<b>\$2,678,308</b>
Estimated financing costs	
Interest expense	\$3,045,132
<b>Total Estimated Project/Financing Costs to be Paid from Tax Increment</b>	<b>\$5,723,439</b>
<b>Estimated Financing</b>	
Total amount of bonds to be issued	\$2,678,308

**3.04.4 Administrative Expense**

The City may spend up to ten percent (10%) of tax increment revenues distributed from the County on qualified administrative expenses pursuant to the requirements in the TIF Act. The City will use these monies to pay for and reimburse the Authority for costs of administering the TIF district allowed by the TIF Act. The estimated amount of tax increment revenue planned to pay administrative expense is shown in Figure 3-1. Administrative expenses of the TIF District include annual audit of the fund for TIF District, preparation of annual reporting, legal publication of annual report, and administration of the development agreement, among other qualified costs.

**3.04.5 County Road Costs**

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

**3.04.6 Bonded Indebtedness**

The total amount of Tax Increment Financing Bonds estimated to be issued is shown in Figure 3-1. The City will not issue any general obligation bonded indebtedness as a result of the TIF Plan.

The City intends to use tax increment financing to reimburse the Developer on pay-as-you-go basis for Public Development Costs pursuant to a contract with the Developer.

The City may advance or loan money to finance expenditures under Section 469.176, subd. 4 of the TIF Act, from the general funds of the City or any other fund under which there is legal authority to do so, subject to the following provisions:

- (a) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized by resolution of the City.

(b) The resolution may generally grant to the City the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.

(c) The terms and conditions for repayment of the loan must be provided in writing. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the City before the latest decertification of any tax increment financing district from which the interfund loan is to be repaid. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.

(d) The City shall report in the annual report submitted under Section 469.175, subd. 6 of the TIF Act:

- (1) the amount of any interfund loan or advance made in a calendar year; and
- (2) any amendment of an interfund loan or advance made in a calendar year.

#### *3.04.7 Duration of TIF District and Election of First Year of Collection*

The City sets the duration to collect and spend tax increments on eligible purposes for a maximum of 25 years after the date of receipt of the first tax increment or 26 years of tax increment collection.

The City elects year 2027 as the first year of tax increment collection for the TIF District. Based on the first year of tax increment collection, the estimated decertification date is December 31, 2052.

#### *3.04.8 Estimated Impact on Other Taxing Jurisdictions*

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

The City anticipates minimal impact of the proposed development on city-provided services. There will be a manageable increase in water and sewer usage. It is anticipated that there may be a slight but manageable increase in police and fire protection duties due to the development.

#### *3.04.9 Prior Planned Improvements*

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

## **ARTICLE IV – ADMINISTERING THE TIF DISTRICT**

### **SECTION 4.01 FILING AND CERTIFICATION**

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

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

### **SECTION 4.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN**

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

- Reduction or enlargement in the geographic area of the Development District or the TIF District.
- Increase in the amount of bonded indebtedness to be incurred.
- Increase in the amount of capitalized interest.
- Increase in that portion of the captured net tax capacity to be retained by the City.
- Increase in the total estimated Project Costs, not including cost of financing.
- Designation of additional property to be acquired by the City.

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

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

### **SECTION 4.03 FOUR-YEAR KNOCKDOWN RULE**

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

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

#### **SECTION 4.04 POOLING AND FIVE-YEAR RULE**

As permitted under Section 469.1763, subd. 2(b) and subd. 3(a)(5) of the TIF Act, any expenditures of increment from the TIF District to pay the cost of a “housing project” as defined in Section 469.174, subd. 11 of the TIF Act will be treated as an expenditure within the district for the purposes of the “Pooling Rules” and the “Five-Year Rule”. It is not anticipated that tax increments will be spent outside the TIF District (except allowable administrative expenses), but such expenditures are expressly authorized in the TIF Plan.

#### **SECTION 4.05 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS**

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

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

#### **SECTION 4.06 BUSINESS SUBSIDY COMPLIANCE**

The City is exempt from the business subsidies requirements specified in Minnesota Statutes, Sections 116J.993 to 116J.995 because the intended subsidy for the project specified in this document is anticipated to be 100% for housing assistance.

**Exhibit I**

City of Princeton

Tax Increment Financing District No. TIF District No. 9-4

Present Value Analysis <sup>3</sup>

Minnesota Statutes 469.175(3)(2)

*Briggs Apartment Project Phases 3 and 4*

1	Estimated Future Market Value with Tax Increment Financing	14,901,860 <sup>1</sup>
2	Payable 2023 Market Value	<u>11,921</u>
3	Market Value Increase (1-2)	14,889,939
4	Present Value of Future Tax Increments	<u>2,879,076</u>
5	Market Value Increase Less PV of Tax Increments	12,010,863
6	Estimated Future Market Value without Tax Increment Financing	15,287 <sup>1</sup>
7	Payable 2023 Market Value	<u>11,921</u>
8	Market Value Increase (6-7)	<u>3,367</u>
9	Increase in MV From TIF	<u><u>12,007,496</u></u> <sup>2</sup>

<sup>1</sup> Assume 1.00% annual appreciation over 26 year life of district.

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

<sup>3</sup> Section 469.175(3)(2) of the TIF Act does not require this present value analysis for a housing tax increment financing district. This analysis is provided for information purposes.



TAX INCREMENT FINANCING DISTRICT NO. 9-4

Exhibit II

City of Princeton

Tax Increment Financing District No. TIF District No. 9-4 (Housing)

Briggs Apartment Project Phases 3 and 4

										100.0%	5.00%
TIF District Year	Taxes Payable Year	Total Taxable Market Value (TMV)	Phase 3 TMV	Phase 4 TMV	Tax Capacity	Less Base Tax Capacity	Captured Tax Capacity	Original Tax Rate		Total TIF after State Auditor Fee	Present Value of Total TIF after State Auditor Fee
1	2027	3,465,000	3,465,000	-	43,313	149	43,163	140.81%		60,561	56,474
2	2028	4,666,200	4,666,200	-	58,328	149	58,178	140.81%		81,629	128,924
3	2029	10,068,387	4,712,862	5,355,525	125,855	149	125,706	140.81%		176,374	277,925
4	2030	11,972,098	4,759,991	7,212,107	149,651	149	149,502	140.81%		209,762	446,593
5	2031	12,091,819	4,807,591	7,284,228	151,148	149	150,999	140.81%		211,862	608,741
6	2032	12,212,737	4,855,666	7,357,070	152,659	149	152,510	140.81%		213,983	764,620
7	2033	12,334,864	4,904,223	7,430,641	154,186	149	154,037	140.81%		216,125	914,473
8	2034	12,458,213	4,953,265	7,504,947	155,728	149	155,579	140.81%		218,288	1,058,534
9	2035	12,582,795	5,002,798	7,579,997	157,285	149	157,136	140.81%		220,473	1,197,025
10	2036	12,708,623	5,052,826	7,655,797	158,858	149	158,709	140.81%		222,680	1,330,162
11	2037	12,835,709	5,103,354	7,732,355	160,446	149	160,297	140.81%		224,909	1,458,153
12	2038	12,964,066	5,154,388	7,809,678	162,051	149	161,902	140.81%		227,160	1,581,195
13	2039	13,093,707	5,205,932	7,887,775	163,671	149	163,522	140.81%		229,433	1,699,481
14	2040	13,224,644	5,257,991	7,966,653	165,308	149	165,159	140.81%		231,730	1,813,194
15	2041	13,356,890	5,310,571	8,046,319	166,961	149	166,812	140.81%		234,049	1,922,511
16	2042	13,490,459	5,363,677	8,126,783	168,631	149	168,482	140.81%		236,392	2,027,602
17	2043	13,625,364	5,417,313	8,208,051	170,317	149	170,168	140.81%		238,758	2,128,630
18	2044	13,761,617	5,471,486	8,290,131	172,020	149	171,871	140.81%		241,147	2,225,753
19	2045	13,899,234	5,526,201	8,373,032	173,740	149	173,591	140.81%		243,561	2,319,120
20	2046	14,038,226	5,581,463	8,456,763	175,478	149	175,329	140.81%		245,999	2,408,879
21	2047	14,178,608	5,637,278	8,541,330	177,233	149	177,084	140.81%		248,461	2,495,167
22	2048	14,320,394	5,693,651	8,626,744	179,005	149	178,856	140.81%		250,948	2,578,120
23	2049	14,463,598	5,750,587	8,713,011	180,795	149	180,646	140.81%		253,459	2,657,865
24	2050	14,608,234	5,808,093	8,800,141	182,603	149	182,454	140.81%		255,996	2,734,528
25	2051	14,754,317	5,866,174	8,888,143	184,429	149	184,280	140.81%		258,558	2,808,227
26	2052	14,901,860	5,924,836	8,977,024	186,273	149	186,124	140.81%		261,145	2,879,076
<b>TOTAL =</b>										<b>5,713,439</b>	<b>2,879,076</b>

Key Assumptions for Cash Flow:

- 1 Original Tax Capacity Rate estimated based on Taxes Payable Year 2023.
- 2 Election for captured tax capacity is 100.00%
- 3 Captured Tax Capacity is net of Base Tax Capacity calculated based on estimated TMV for 7.26 acres (portion of existing parcel) =
- 4 Present value (PV) is calculated based on semi-annual payments, 7.50%, and date of 6/1/2026 for Phase 3 and 6/1/2028 for Phase 4.
- 5 Payment dates to the Developer are Aug 1 and Feb 1. Feb 1 payment is made from second half tax settlement collected in prior year.
- 6 All amounts are estimates. Actual amounts will vary.
- 7 TMV is based on estimated housing units per phase at average taxable market value of \$70,000 per unit (in today's dollars). Phase 3 includes 66 units and Phase 4 includes 100 units.
- 8 TMV average value per unit is estimated to increase (inflationary) by 1.0% annually.
- 9 State Auditor fee is 0.36% of the total tax increment collected within the TIF District.
- 10 Phase 3 is assumed to commence in 2025, with 75% completion and 100% completion in 2026. Phase 4 is assumed to commence in 2027, with 50% completion and 100% completion in 2028.
- 11 City to elect year 2027 as the first year of tax increment collection.

TAX INCREMENT FINANCING DISTRICT NO. 9-4

**Exhibit III**  
**City of Princeton**  
**Tax Increment Financing District No. TIF District No. 9-4**  
**Impact on Other Taxing Jurisdictions**  
**(Taxes Payable 2023)**  
**Briggs Apartment Project Phases 3 and 4**

**Annual Tax Increment**

Estimated Annual Captured Tax Capacity (Full Development)	\$186,124
Payable 2023 Local Tax Rate	140.814%
Estimated Annual Tax Increment	\$262,089

**Percent of Tax Base**

	Net Tax Capacity (NTC)	Captured Tax Capacity	Percent of Total NTC
City of Princeton	5,584,660	186,124	3.33%
Mille Lacs County	34,772,233	186,124	0.54%
ISD 477	30,304,661	186,124	0.61%

**Dollar Impact of Affected Taxing Jurisdictions**

	Net Tax Capacity (NTC)	% of Total	Tax Increment Share	Added Local Tax Rate
City of Princeton	54.783%	38.905%	101,964	1.826%
Mille Lacs County	65.082%	46.218%	121,133	0.348%
ISD 477	20.810%	14.778%	38,732	0.128%
Other	0.139%	0.099%	259	
<b>Totals</b>	<b>140.814%</b>	<b>100.000%</b>	<b>262,088</b>	

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

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

TAX INCREMENT FINANCING DISTRICT NO. 9-4

**Exhibit IV**  
**City of Princeton**  
**Tax Increment Financing (Housing) District No. TIF District No. 9-4**  
**Briggs Apartment Project Phases 3 and 4**  
**Estimated Tax Increments Over Maximum Life of District**

*Based on Pay 2023 Tax Rate = 140.814% 54.783% 65.082% 20.810% 0.139%*

<b>TIF District Year</b>	<b>Taxes Payable Year</b>	<b>New Taxable Market Value</b>	<b>New Tax Capacity</b>	<b>Base Tax Capacity</b>	<b>Captured Tax Capacity</b>	<b>Estimated Total Tax Increment</b>	<b>City TIF Related Share</b>	<b>County TIF Related Share</b>	<b>School TIF Related Share</b>	<b>Other TIF Related Share</b>
1	2027	3,465,000	43,313	149	43,163	60,780	23,646	28,092	8,982	60
2	2028	4,666,200	58,328	149	58,178	81,923	31,872	37,864	12,107	80
3	2029	10,068,387	125,855	149	125,706	177,011	68,865	81,812	26,159	175
4	2030	11,972,098	149,651	149	149,502	210,520	81,902	97,299	31,111	208
5	2031	12,091,819	151,148	149	150,999	212,627	82,722	98,273	31,423	209
6	2032	12,212,737	152,659	149	152,510	214,756	83,550	99,257	31,737	212
7	2033	12,334,864	154,186	149	154,037	216,905	84,386	100,250	32,055	214
8	2034	12,458,213	155,728	149	155,579	219,077	85,231	101,254	32,376	216
9	2035	12,582,795	157,285	149	157,136	221,269	86,084	102,267	32,700	218
10	2036	12,708,623	158,858	149	158,709	223,484	86,945	103,291	33,027	221
11	2037	12,835,709	160,446	149	160,297	225,721	87,816	104,325	33,358	222
12	2038	12,964,066	162,051	149	161,902	227,980	88,695	105,369	33,692	224
13	2039	13,093,707	163,671	149	163,522	230,262	89,582	106,424	34,029	227
14	2040	13,224,644	165,308	149	165,159	232,567	90,479	107,489	34,370	229
15	2041	13,356,890	166,961	149	166,812	234,895	91,385	108,565	34,714	231
16	2042	13,490,459	168,631	149	168,482	237,246	92,299	109,651	35,061	235
17	2043	13,625,364	170,317	149	170,168	239,620	93,223	110,749	35,412	236
18	2044	13,761,617	172,020	149	171,871	242,019	94,156	111,857	35,766	240
19	2045	13,899,234	173,740	149	173,591	244,441	95,099	112,977	36,124	241
20	2046	14,038,226	175,478	149	175,329	246,888	96,050	114,108	36,486	244
21	2047	14,178,608	177,233	149	177,084	249,358	97,012	115,250	36,851	245
22	2048	14,320,394	179,005	149	178,856	251,854	97,983	116,403	37,220	248
23	2049	14,463,598	180,795	149	180,646	254,375	98,963	117,568	37,592	252
24	2050	14,608,234	182,603	149	182,454	256,921	99,954	118,745	37,969	253
25	2051	14,754,317	184,429	149	184,280	259,492	100,954	119,933	38,349	256
26	2052	14,901,860	186,273	149	186,124	262,089	101,964	121,133	38,732	260
<b>Total</b>						<b>5,734,080</b>	<b>2,230,817</b>	<b>2,650,205</b>	<b>847,402</b>	<b>5,656</b>

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

