

**CITY OF LINO LAKES
ECONOMIC DEVELOPMENT
ADVISORY COMMITTEE MEETING**

Thursday, October 6, 2022
8:00 A.M.
Community Room

AGENDA

1. CALL TO ORDER AND ROLL CALL
2. APPROVAL OF MINUTES: September 1, 2022
3. DISCUSSION ITEMS
 - A. Clearwater Creek Business Park, TIF Plan for District 1-14
 - B. 2020 Census Data Report
 - C. Project Updates
4. ADJOURN

**CITY OF LINO LAKES
ECONOMIC DEVELOPMENT
ADVISORY COMMITTEE
MINUTES**

DATE:	September 8, 2022
TIME STARTED:	8:01 A.M.
TIME ENDED:	9:04 A.M.
MEMBERS PRESENT:	Patrick Kohler, Chad Wagner, Don Johnson, Steve Marchek, Andrew Cravero, Keith Hembre, Jim Schueller, Nathan Vojtech
MEMBERS ABSENT:	Julie Jeffrey-Schwartz, Blakely LaCroix
STAFF PRESENT:	Michael Grochala, Harrison Maxwell, Julie Whitney

I. CALL TO ORDER

Chair Schueller called the Economic Development Advisory Committee meeting to order at 8:01 A.M. on September 8, 2022.

II. APPROVAL OF MINUTES

Mr. Vojtech made a MOTION to approve the August 4, 2022 meeting minutes. Motion was supported by Mr. Marchek, passing unanimously.

III. DISCUSSION ITEMS

A. Clearwater Creek Business Park, Draft TIF Plan

Mr. Grochala, Community Development Director, presented the staff report.

Mikaela Huot, a representative from Baker Tilly, City Financial Advisor, and Mr. Grochala provided a brief overview of tax increment financing, reviewed the TIF District Plan and discussed the analysis performed.

Mr. Fitzgerald, Ryan Companies, was present to provide clarification on the TIF District Plan.

The committee discussed the TIF District Plan and analysis in greater detail.

Mr. Cravero made a MOTION to recommend approval of Clearwater Creek Business Park, Draft TIF Plan. Motion was supported by Mr. Marchek. Motion carried 8 – 0.

DRAFT MINUTES

B. Project Updates

Mr. Grochala updated the committee on current City projects.

IV. ADJOURNMENT

Mr. Cravero made a MOTION to adjourn the meeting at 9:04 A.M. Motion was supported by Mr. Vojtech, passing unanimously.

Respectfully submitted,
Harrison Maxwell, Community Development Intern

DRAFT

**ECONOMIC DEVELOPMENT ADVISORY COMMITTEE
AGENDA ITEM 3A**

STAFF ORIGINATOR: Michael Grochala, Community Development Director
 EDAC MEETING DATE: October 6, 2022
 TOPIC: Clearwater Creek Business Park – Draft TIF Plan 1-14

BACKGROUND

The EDAC reviewed a draft Tax Increment Financing plan at the September 8, 2022 regular meeting. As previously discussed Ryan Companies, US, Inc., recently entered into a purchase agreement to acquire 33 acres north of Clearwater Creek, west of I-35E. Ryan is proposing construction of 3 buildings totaling approximately 451,000 square feet of manufacturing, office and warehouse space with an estimated market value of \$31,000,000.

Staff has worked with Baker Tilly to complete an analysis of the request and development pro forma. Based on this review staff is recommending establishment of the TIF District. The Ryan Development is estimated to generate \$3444,854 in increment over the full 9 year term of a district. The City would expect to retain 5% (\$172,240) for administrative expenses and pooling purposes, leaving approximately \$3.27 million available for project use. Staff has reviewed the extraordinary costs identified by Ryan Co.’s, along with their financial projections for development of their site and extension of 21st Avenue. Based on this review we are supportive of assistance in the amount of \$2,900,000 as shown in the following table:

Estimated Total TIF Eligible Costs		
	Identified Costs	Eligible Costs
Extraordinary Site Costs		
Soil Corrections/Lime Stabilization	\$1,000,000	\$1,000,000
Site Fill	\$2,500,000	\$200,000
Public Utility Relocation	\$300,000	\$300,000
Aggregate Piers	\$1,000,000	\$1,000,000
<i>Subtotal Extraordinary Site Costs</i>	<i>\$4,800,000</i>	<i>\$2,500,000</i>
Offsite 21 st Ave Road Extension		
Removals/Sitework	\$300,000	\$150,000
Utilities	\$300,000	\$100,000
Paving	\$200,000	\$100,000
Landscaping/Street Lighting	\$100,000	\$0
A&E/Mgmt/Inspections/Contingencies	\$200,000	\$50,000
<i>Subtotal Offsite 21st Ave Road Extension</i>	<i>\$1,100,000</i>	<i>\$400,000</i>
<i>Total Ryan Project</i>	<i>\$5,900,000</i>	<i>\$2,900,000</i>

This would be provided in the form of a pay as you go note. Ryan would be reimbursed on an annual basis for eligible costs incurred as increment becomes available.

The Tax Increment Financing Plan for District 1-14 based on the projections above. The plan establishes the objectives, district assumptions, budget and use of funding for the district. This will form the basis for any TIF assistance with Ryan Companies should they move forward with the project.

The City Council is holding the required public hearing for the request on October 10, 2022. The City's Economic Development Authority will be acting on the plan on the same date.

EDAC CONSIDERATION

Recommendation to approve the Tax Increment Financing Plan for District 1-14.

ATTACHMENTS

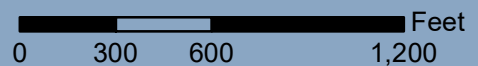
1. Draft District Map
2. Concept Plan
3. Draft TIF Plan 1-14
4. BakerTilly Analysis Summary



Proposed TIF District



Proposed Tax Increment District
Clearwater Creek Business Park



9/7/2022



LEGEND

EXISTING WETLAND AREA (±2.16 ACRES)	
FEMA - ZONE A (1% ANNUAL CHANCE FLOOD)	

Tax Increment Financing Plan
for
Tax Increment Financing (Economic
Development) District No. 1-14
within
Development District No. 1
(Clearwater Creek Industrial Development Project)

City of Lino Lakes, Minnesota
Lino Lakes Economic Development Authority

Prepared by

Baker Tilly Municipal Advisors, LLC

Draft Dated: October 3, 2022

Anticipated Public Hearing: October 10, 2022
Anticipated Approval by City Council: October 10, 2022

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**ESTABLISHMENT OF THE TAX INCREMENT FINANCING PLAN
FOR TAX INCREMENT FINANCING (ECONOMIC DEVELOPMENT) DISTRICT NO. 1-14**

Section A Definitions

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

"Authority" means the Lino Lakes Economic Development Authority.

"City" means the City of Lino Lakes, Minnesota; also referred to as a "Municipality".

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

"County" means Anoka County, Minnesota

"Development District" means Development District No. 1 in the City, which is described in the corresponding Development Program.

"Development Program" means the Development Program for the Development District.

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

"School District" means Independent School District No. 12, Minnesota.

"State" means the State of Minnesota.

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

"TIF District" means Tax Increment Financing (Economic Development) District No. 1-14.

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

Section B Statutory Authorization

The Development District Act authorizes the City and Authority, upon certain public purpose findings by the City Council, to establish and designate development districts within the City and to develop and administer development programs therefore to meet the needs and accomplish the public purposes specified in Section C. In accordance with the purposes set forth in Section 469.124 of the Development District Act, the City Council and Authority have established the Development District comprising the area described in Section E and have adopted this Development Program.

Section C Statement of Need and Public Purpose

The City Council and Authority have determined that there is a need for the City to take certain actions they deem necessary in order to encourage, ensure and facilitate development and redevelopment by the private sector of underutilized, inappropriately used and unused land located within the corporate limits of the City. Such actions are necessary in order to provide additional employment opportunities for residents of the City and the surrounding area; to improve the tax base of the City, the County and the

School District, thereby enabling them to better provide needed public services; and to improve the general economy of the City, the County and the State.

Section D Statement of Objectives

The Authority seeks to achieve the following objectives through the establishment of TIF District No. 1-14:

1. redevelop blighted areas as identified
2. provide employment opportunities within the community.
3. improve the tax base of Lino Lakes and the general economy of the City and State;
4. implement relevant portions of the Comprehensive Plan.

The Authority's specific purpose in establishing TIF District No. 1-14 is to aid in the construction of 3 large manufacturing/warehousing/distribution facilities that will collectively be approximately 451,000 total square feet. The Authority intends to use increment generated by the new development to assist with financing a portion of the extraordinary site improvements and soil correction costs and offsite improvements that include streets, public utilities, and public improvements to gain access to the site and maximize building size on the development parcels.

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

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

- (1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality;
- (2) it will result in increased employment in the state; or
- (3) it will result in preservation and enhancement of the tax base of the state; or
- (4) it satisfies the requirements of a workforce housing project as defined

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

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

- (1) manufacturing, production, or processing of tangible personal property;
- (2) warehousing, storage and distribution of tangible personal property, excluding retail sales;
- (3) research and development related to the activities listed in (1) or (2) above;

- (4) telemarketing if that activity is the exclusive use of the property;
- (5) tourism facilities (see M.S. Section 469.174, Subd. 22);
- (6) space necessary for and related to the activities listed in (1) through (5) above;
- (7) a workforce housing project that satisfies the requirements under Minnesota Statutes, Section 469.176, subdivision 4c, paragraph (d).

Tax increments from the TIF District will be used to provide financial assistance to the proposed development (see Section I), in which over 85% of the square footage of the facilities to be constructed will be used for manufacturing, production, or processing of tangible personal property and warehousing, storage and distribution of tangible personal property, excluding retail sales as listed in (1) and (2) above. In addition, the parcels to be included within the district have qualified for inclusion under the provisions of chapter 473H in the previous five calendar years before the filing of the request for certification only and therefore the project must meet the following qualifications:

- (1) a district in which 85 percent or more of the planned buildings and facilities (determined on the basis of square footage) are a qualified manufacturing facility or a qualified distribution facility or a combination of both; or
- (2) a housing district.

A distribution facility means buildings and other improvements to real property that are used to conduct activities in at least each of the following categories:

- (i) to store or warehouse tangible personal property;
- (ii) to take orders for shipment, mailing, or delivery;
- (iii) to prepare personal property for shipment, mailing, or delivery; and
- (iv) to ship, mail, or deliver property.

A manufacturing facility includes space used for manufacturing or producing tangible personal property, including processing resulting in the change in condition of the property, and space necessary for and related to the manufacturing activities.

To be a qualified facility, the owner or operator of a manufacturing or distribution facility must agree to pay and pay 90 percent or more of the employees of the facility at a rate equal to or greater than 160 percent of the federal minimum wage for individuals over the age of 20.

The proposed project will be a qualified manufacturing and distribution facility.

Section F Duration of the TIF District

Economic development districts may remain in existence 8 years from the date of receipt by the Authority of the first tax increment. The Authority anticipates that the TIF District will remain in existence the maximum duration allowed by law (projected to be through the year 2033, due to anticipated receipt of first increment in 2025). Modifications of this plan (see Section AA) shall not extend these limitations.

Section G Property to be Included in the TIF District

The TIF District is an approximate 37-acre area of land comprising of the parcels listed below that are located within the Project Area. A map showing the boundaries of the TIF District is shown in Exhibit I.

Parcel ID Number Legal Description

24-31-22-31-0004	Outlot A, Clearwater Creek Business Park
24-31-22-24-0009	Outlot A, Clearwater Creek Business Center
24-31-22-24-0008	Lot 2, Block 2, Clearwater Creek Business Center
24-31-22-24-0002	That part of the Southeast Quarter of the Northwest Quarter (SE ¼ of NW ¼) of Section 24, Township 31, Range 22, described as follows, to-wit: Commencing at the Southwest corner of said Southeast Quarter of Northwest Quarter (SE ¼ of NW ¼) of Section 24, thence running East along the South line of said Southeast Quarter of Northwest Quarter (SE ¼ of NW ¼) a distance of 275 feet; thence running North parallel with the West line of said Southeast Quarter of Northwest Quarter (SE ¼ of NW ¼) a distance of 375 feet; thence West parallel with the South line of said Southeast Quarter of Northwest Quarter (SW ¼ of NW ¼) a distance of 275 feet to the West line of said Southeast Quarter of Northwest Quarter (SE ¼ of NW ¼); thence running South along the West line of said Southeast Quarter of Northwest Quarter (SE ¼ of NW ¼) a distance of 375 feet to the point of beginning; Anoka County, Minnesota.

** The parcels listed above are anticipated to be replatted and will be site upon which the new industrial building development with 3 separate buildings will be built. The area encompassed by the TIF District shall also include all street or utility right-of-ways located upon or adjacent to the property described above.*

Section H Property to be Acquired in the TIF District

The Authority may acquire and sell any or all of the property located within the TIF District. It will not be acquiring any property at this time and will not be selling the property to facilitate development.

Section I Specific Development Expected to Occur Within the TIF District

The proposed project is anticipated to include the construction of approximately 451,000 square feet of light industrial manufacturing, warehousing and distribution space to be constructed in 2 phases within 3 buildings – each building will be approximately 189,000, 147,000 and 115,000, respectively. Tax increment is a financing tool the Authority is planning to use for financing of a portion of the eligible costs associated with construction of the project to offset extraordinary costs. The square footage of the completed buildings will comply with the requirements of an economic development district with at least 85% being used for a qualifying purpose (industrial warehousing, distribution, manufacturing project).

It is anticipated that the Authority will use the tax increment to finance a portion of the site development, soils correction, infrastructure, public improvement and other related costs that are necessary for this project to proceed. In addition, the city may use tax increment for related administrative expenses, and any other eligible expenditures associated with development of the site that may include additional necessary public improvements.

Construction of the project is expected to commence in 2023 and continue in 2024 and be 100% assessed and on the tax rolls as of January 2, 2025, for taxes payable in 2026.

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

Section J Findings and Need for Tax Increment Financing

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

- (1) The TIF District qualifies as an economic development district.

See Section E of this document for the reasons and facts supporting this finding.

- (2) The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and the increased market value of the site that could reasonably be expected to occur without the use of tax increment 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 district permitted by the TIF Plan.

Factual basis:

Proposed development not expected to occur:

The project includes the development of new large industrial buildings comprising of approximately 451,000 square feet in an undeveloped area of the City. The proposed developer of the site has submitted information to the city demonstrating that the development of this site is not financially feasible without the assistance provided in this TIF Plan.

The City has determined that the proposed development would not occur but for the financial assistance provided in this TIF Plan because of the high cost of construction at the site due to the need for significant site development, soils correction and public improvement infrastructure costs necessary for development to occur. Specifically, soils correction/lime stabilization, aggregate piers, site preparation and site fill, public utility relocation and offsite road extension to allow maximum development on the site and area. Due to the high costs of investment for the proposed project, including site improvements, public improvements, soil correction, and infrastructure costs that would be incurred by the developer in conjunction with development of the project, the developer has stated that the project as proposed would not occur without the financial assistance provided by the City, as it would not be economically feasible without financial assistance. The City finds the use of tax increment necessary to finance a portion of the site improvement, public infrastructure, soil correction and infrastructure costs to facilitate development of the project and developer investment. The City anticipates providing financial assistance on a pay-as-you-go basis.

Therefore, the City has determined that the proposed development would not occur but for the financial assistance provided in this TIF Plan because of the increased costs related to development within the TIF District and construction of the project. The cost of construction of the project and availability of revenues to support repayment of debt has created a financial gap that requires a level of public assistance.

No higher market value expected:

The project to be constructed within TIF District No. 1-14 requires significant investment to be financially feasible. To commence construction of the new industrial project, assistance with financing a portion of those costs will be necessary. The financial assistance provided under this TIF Plan will help offset the costs of the improvements. Given the nature of this project, there is no reasonable expectation of any development occurring that would generate as much market value increase as is estimated to be generated by the proposed development by the new business. Therefore, the City has concluded that substantial development at this particular site--and hence any significant increase in market value--is not reasonably expected to occur unless the City provides tax increment assistance as described in this Tax Increment Plan.

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

- a. The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is \$0 (for the reasons described above), except some unknown amount of appreciation.
 - b. If the proposed development to be assisted with tax increment occurs in the District, the total increase in market value would be approximately \$35,960,717, including the value of the building (See Exhibit II).
 - 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 \$2,692,001 (See Exhibit V).
 - 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 \$33,268,716 (the amount in clause b less the amount in clause c) without tax increment assistance.
- (3) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for development of the Project Area by private enterprise.

Factual basis: The proposed development is the construction of new large buildings that will be a mix of warehousing, manufacturing and distribution in the Project Area that is expected to retain existing jobs as well as create new jobs in the City, plus create new tax base for the City and the State. The development meets the City's economic development goals in terms of tax base expansion, job retention, and wage levels.

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

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

- (5) The City is electing the method of tax increment computation set forth in Minnesota Statutes, Section 469.177, Subdivision 3(b) (see Section P).

Section K Estimated Public Costs

The estimated public costs of the TIF District are listed in the table on the following page. Such costs are eligible for reimbursement from tax increments of the TIF District.

Estimated Public Costs	Estimated Amount
Land/Building acquisition	\$0
Site Improvements/Preparation costs	\$2,672,614
Utilities	\$0
Other public improvements	\$600,000
Construction of affordable housing	\$0
Administrative expenses	\$172,240
Total Estimated Public Costs	\$3,444,854
Interest expenses	\$0
Total Costs	\$3,444,854

The Authority reserves the right to administratively adjust the amount of any of the items listed above or to incorporate additional eligible items, so long as the total estimated public costs (\$3,444,854) do not increase. The Authority also reserves the right to fund any of the identified costs with any other legally available revenues, such as grants and/or loans, but anticipates that such costs will be primarily financed with tax increments.

Section L Estimated Sources of Revenue

Estimated Sources of Revenue	Estimated Amount
Tax Increment revenue	\$3,444,854
Interest on invested funds	
Total	\$3,444,854

The Authority anticipates providing financial assistance to the proposed development through pay-as-you-go financing in which the City will provide funding to the development. As revenues are collected from the TIF District in future years, a portion will be retained by the City and the remaining funds will be provided as reimbursement for certain identified costs as necessary within the TIF District to assist with financing the public costs incurred (see Section K).

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

Section M Estimated Amount of Bonded Indebtedness

The maximum principal amount of bonds (as defined in the TIF Act) secured in whole or part with tax increment from the TIF District is \$3,444,854. The Authority currently plans to finance the public costs through pay-as-you-go financing. The Authority reserves the right to issue an interfund loan or issue bonds in any form, including without limitation any interfund loan with interest not to exceed the maximum permitted under Section 469.178, subd. 7 of the TIF Act.

Section N Original Net Tax Capacity

The County Auditor shall certify the original net tax capacity of the TIF District. This value will be equal to the total net tax capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The Estimated Market Value of all property within the TIF District as of January 2, 2022, for taxes payable in 2023, is \$699,300. Upon establishment of the TIF District, it is estimated that the original net tax capacity of the TIF District will increase as a result of the property reclassifying as commercial-industrial.

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

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

Section O Original Tax Capacity Rate

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

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

It is anticipated the request for certification of the District will occur after June 30, 2023 and the local tax rates for taxes levied in 2023 and payable in 2024 will apply. The payable 2024 rates are not available at the time of drafting of the TIF Plan. For purposes of estimating the tax increment generated by the TIF District, the sum of the local tax rates for taxes levied in 2021 and payable in 2022 of 105.106% have been used and are shown below:

<u>Taxing Jurisdiction</u>	<u>2021/2022 Local Tax Rate</u>
City of Lino Lakes	40.154%
Anoka County	29.605%
ISD 12	31.074%
Other	<u>4.273%</u>
Total	105.106%

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

The Authority anticipates that the building construction will be completed by December 31, 2024, creating a total tax capacity for TIF District No. 1-14 of \$609,740 as of January 2, 2025. The captured tax capacity as of that date is estimated to be \$344,365 and the first full year of tax increment is estimated to be \$361,948 payable in 2026. A complete schedule of estimated tax increment from the TIF District is shown in Exhibit III.

The estimates shown in this TIF plan assume that commercial class rates remain at 1.5% of the estimated market value up to \$150,000 and 2.0% of the estimated market value over \$150,000 and assume 2% annual increases in market values.

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

For communities affected by the fiscal disparity provisions of Minnesota Statutes, Chapter 473F and Chapter 276A, the original net tax capacity of the TIF District shall be determined before the application of fiscal disparity. In subsequent years, the current net tax capacity shall either (a) be determined before the application of fiscal disparity or (b) exclude the product of any fiscal disparity increase in the TIF District (since the original net tax capacity was certified) times the appropriate fiscal disparity ratio. The method the Authority elects shall remain the same for the life of the TIF District, except that a single change may be made at any time from method (a) to method (b) above. The Authority elects method (b), or M.S. Section 469.177, Subdivision 3(b).

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

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

Section Q Use of Tax Increment

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

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

- (1) pay for the estimated public costs of the TIF District (see Section K) and County administrative costs associated with the TIF District (see Section T);
- (2) pay principal and interest on tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;

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

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

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

If there exists any type of agreement or arrangement providing for the developer, or other beneficiary of assistance, to repay all or a portion of the assistance that was paid or financed with tax increments, such payments shall be subject to all of the restrictions imposed on the use of tax increments. Assistance includes sale of property at less than the cost of acquisition or fair market value, grants, ground or other leases at less than fair market rent, interest rate subsidies, utility service connections, roads, or other similar assistance that would otherwise be paid for by the developer or beneficiary.

Section R Excess Tax Increment

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

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

Section S Tax Increment Pooling and the Five-Year Rule

At least 80% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District (see Section E for additional restrictions). No more than 20% of the tax increments may be spent on costs outside of the TIF District but within the boundaries of the Project Area, except to pay debt service on credit enhanced bonds. All administrative expenses are considered to have been spent outside of the TIF District. Tax increments are considered to have been spent within the TIF District if such amounts are:

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

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

The Authority anticipates that a portion of the tax increments may be spent outside of the TIF District (including allowable administrative expenses); and the Authority reserves the right to allow for tax increment pooling from the TIF District in the future.

Section T Limitation on Administrative Expenses

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

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

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

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

If after four years from certification of the TIF District no demolition, rehabilitation, renovation of property or other site preparation, including 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 Authority 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 Authority or owner of the parcel subsequently commences any of the above activities, the Authority shall certify to the County Auditor that such activity has commenced, and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

Section V Estimated Impact on Other Taxing Jurisdictions

Exhibit 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 Authority believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified, and the development therein becomes part of the general tax base.

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

1. The total amount of tax increment that will be generated over the life of the district is estimated to be \$3,457,300.
2. To the extent the facility in the proposed TIF District generates any public cost impacts on city-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the district, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the District. The City does not anticipate issuing tax increment revenue bonds in conjunction with this project but reserves the right to issue bonds as necessary to facilitate development.
3. 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 estimated to be \$1,022,131.
4. 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 estimated to be \$973,811.
5. No additional information has been requested by the county or school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district.

Section W Prior Planned Improvements

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

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District.

Section X Development Agreements

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

The Authority anticipates entering into an agreement with the Developer relating to the project.

Section Y Assessment Agreements

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

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

The Authority does not anticipate entering into an assessment agreement.

Section Z Modifications of the Tax Increment Financing Plan

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

- (1) the only modification is elimination of parcels from the TIF District; and
- (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the Authority 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 Authority must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

Section AA Administration of the Tax Increment Financing Plan

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

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

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

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

Section AB Filing TIF Plan, Financial Reporting and Disclosure Requirements

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

Map of
Tax Increment Financing (Economic Development) District No. 1-14



Proposed Tax Increment District
Clearwater Creek Business Park



9/7/2022

Projected Tax Increment Report

**City of Lino Lakes, Minnesota
 Tax Increment Financing (Economic Development) District No. 1-14
 Clearwater Creek Business Park Project
 Draft TIF Plan Exhibits: 451,000 SF 3 Bldgs valued at \$70/SF**

Annual Period Ending (1)	Total Market Value * (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity ** (4)	Less: Fiscal Disp. @ 42.1968% (5)	Retained Captured Net Tax Capacity (6)	Times: Tax Capacity Rate *** (7)	Annual Gross Tax Increment (8)	Less: State Aud. Deduction 0.360% (9)	Annual Revenue Net of OSA Deduction (10)	Less: Admin. Retainage 5.00% (11)	Less: Pooling Retainage 0.00% (12)	Annual Net Revenue (13)
12/31/23	699,300	13,986	13,986	0	0	105.106%	0	0	0	0	0	0
12/31/24	699,300	13,986	13,986	0	0	105.106%	0	0	0	0	0	0
12/31/25	18,816,000	375,570	13,986	152,577	209,007	105.106%	219,679	791	218,888	10,944	0	207,944
12/31/26	30,336,320	605,976	13,986	249,801	342,189	105.106%	359,662	1,295	358,367	17,918	0	340,449
12/31/27	32,553,046	650,311	13,986	268,509	367,816	105.106%	386,597	1,392	385,205	19,260	0	365,945
12/31/28	33,204,107	663,332	13,986	274,003	375,343	105.106%	394,508	1,420	393,088	19,654	0	373,434
12/31/29	33,868,189	676,614	13,986	279,608	383,020	105.106%	402,577	1,449	401,128	20,056	0	381,072
12/31/30	34,545,553	690,161	13,986	285,324	390,851	105.106%	410,808	1,479	409,329	20,466	0	388,863
12/31/31	35,236,464	703,979	13,986	291,155	398,838	105.106%	419,203	1,509	417,694	20,885	0	396,809
12/31/32	35,941,194	718,074	13,986	297,103	406,985	105.106%	427,766	1,540	426,226	21,311	0	404,915
12/31/33	36,660,017	732,450	13,986	303,169	415,295	105.106%	436,500	1,571	434,929	21,746	0	413,183
							\$3,457,300	\$12,446	\$3,444,854	\$172,240	\$0	\$3,272,614

* Total Taxable Value based on new estimated land and building value of \$70/square foot for 451,000 square feet between all buildings
 ** Original net tax capacity based on existing taxable land value of one property and calculated based on reclassification to commercial-industrial class rates
 *** Total Combined Local Tax Capacity Rate of City, County, School District and other taxing jurisdictions for taxes payable 2022

Estimated Impact on Other Taxing Jurisdictions Report

**City of Lino Lakes, Minnesota
 Tax Increment Financing (Economic Development) District No. 1-14
 Clearwater Creek Business Park Project
 Draft TIF Plan Exhibits: 451,000 SF 3 Bldgs valued at \$70/SF**

Taxing Jurisdiction	Without Project or TIF District		With Project and TIF District					
	2021/2022 Taxable Net Tax Capacity (1)	2021/2022 Local Tax Rate	2021/2022 Taxable Net Tax Capacity (1)	Projected Retained Captured Net Tax Capacity +	New Taxable Net Tax Capacity =	Hypothetical Adjusted Local Tax Rate (*)	Hypothetical Decrease In Local Tax Rate (*)	Hypothetical Tax Generated by Retained Captured N.T.C. (*)
City of Lino Lakes	29,439,929	40.154%	29,439,929	\$415,295	29,855,224	39.595%	0.559%	164,438
Anoka County	482,873,486	29.605%	482,873,486	415,295	483,288,781	29.580%	0.025%	122,843
ISD # 12	47,053,418	31.074%	47,053,418	415,295	47,468,713	30.802%	0.272%	127,920
Other (2)	---	4.273%	---	415,295	---	4.273%	---	---
Totals		105.106%				104.250%	0.856%	

*** Statement 1:** If the projected Retained Captured Net Tax Capacity of the TIF District was hypothetically available to each of the taxing jurisdictions above, the result would be a lower local tax rate (see Hypothetical Adjusted Tax Rate above) which would produce the same amount of taxes for each taxing jurisdiction. In such a case, the total local tax rate would decrease by 0.856% (see Hypothetical Decrease in Local Tax Rate above). The hypothetical tax that the Retained Captured Net Tax Capacity of the TIF District would generate is also shown above.

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

(1) Taxable net tax capacity = total net tax capacity - captured TIF - fiscal disparity contribution, if applicable.
 (2) The impact on these taxing jurisdictions is negligible since they represent only 4.07% of the total tax rate.

Market Value Analysis Report

City of Lino Lakes, Minnesota

Tax Increment Financing (Economic Development) District No. 1-14

Clearwater Creek Business Park Project

Draft TIF Plan Exhibits: 451,000 SF 3 Bldgs valued at \$70/SF

<u>Assumptions</u>			
	Present Value Date		08/01/23
	P.V. Rate - Gross T.I.		4.00%
<hr/>			
	Increase in EMV With TIF District		\$35,960,717
	Less: P.V of Gross Tax Increment		<u>2,692,001</u>
	Subtotal		\$33,268,716
	Less: Increase in EMV Without TIF		<u>0</u>
	Difference		\$33,268,716
<hr/>			
		Annual	Present
		Gross Tax	Value @
	Year	Increment	4.00%
	<hr/>	<hr/>	<hr/>
1	2025	219,679	201,782
2	2026	359,663	317,656
3	2027	386,598	328,312
4	2028	394,509	322,145
5	2029	402,578	316,090
6	2030	410,809	310,147
7	2031	419,204	304,313
8	2032	427,767	298,585
9	2033	436,501	292,963
		<hr/>	<hr/>
		\$3,457,326	\$2,692,001

Memo

To: Michael Grochala, City of Lino Lakes

From: Mikaela Huot, Director

Date: October 3, 2022

Subject: Financial Analysis for Tax Increment Financing (Economic Development)
District No. 1-14 (Clearwater Creek Industrial Business Park Project)

Executive Summary

The City of Lino Lakes received development interest from two perspective developers (Ryan Companies and MSP) for the construction of approximately 578,000 square feet of light industrial buildings that would comprise of manufacturing, warehousing, and distribution space. Since initial discussions with both developers, the City received an application for financial assistance from one of the development entities – Ryan Companies (the “developer”) for the construction of approximately 451,000 square feet of light industrial speculative building space between 3 buildings. MSP had been proposing an additional 127,000 square feet of light industrial space on property south of the Ryan Companies’ site and existing Distribution Alternatives building. Since initial development interest, it was determined that the MSP site is not proceeding on the same schedule as Ryan Companies and as a result, we are proceeding only with analysis of the Ryan Companies request for assistance and subsequent establishment of an Economic Development TIF District to facilitate their planned development. The developer has identified extraordinary site development and related costs that are barriers to constructing on the project site and maximizing building size and taxable valuations. Tax increment is a financing tool the City could consider for financing of a portion of the eligible costs associated with construction of the project, subject to additional due diligence analysis to assist with determining if the project meets the but-for test and would not proceed without public financial assistance.

Prior to establishing a tax increment financing district, there are findings that need to be made by the City that include: 1) determination that the project qualifies as a TIF district, 2) determination that the project as proposed would not proceed without public assistance (meeting the “but-for” test), and 3) the increased market value of the property to be developed is greater with tax increment than if no public assistance is provided. When reviewing requests for financial assistance it is important to understand how the level of financial assistance would impact the ability of the project to proceed as proposed and maximize new value created on the current project site.

Review of the operating proformas based on with assistance as pay-as-you-go and with no assistance provides the range of financial feasibility for this project and what the estimated financial gap would be without assistance. To understand viability of the project and need for an appropriate level of public assistance, we provided a sensitivity analysis to the proformas with adjustments made to the total project costs (including land/building acquisition, construction costs, soft costs, developer and other related items) and corresponding funding sources, as well as projected annual lease rates and operating expenses. The purpose of the sensitivity analysis is to test the level of assistance that may be needed using those assumptions to understand if the recommended level of assistance could be consistent with the City’s objectives resulting in reduced amount from what had been requested.

Based on the financial analysis and available financing assumptions, without financial assistance, the project does not appear to be feasible due to the significance of the extraordinary site development and soils correction

costs. Without assistance, the projected annual and cumulative rate of return to the developer is projected to be below industry standards for this type of project. The rate of return analysis indicates that the provided financing structure would not be financially viable without one or more of the following: 1) reduction in project costs 2) additional annual cash flow, and/or 3) additional funding sources. With annual public assistance, the project is projected to achieve marketable returns by providing additional cash flow to the project. The level of public assistance is expected to have a positive impact on what the projected returns for the project could be as compared to no assistance.

The purpose of this memorandum is to provide a summary of Baker Tilly's review of the development project costs, operating pro forma and other financial information as provided by the developer to assist the City with making a determination 1) if the project as proposed would be unlikely to proceed "but-for" the requested Tax Increment Financing (TIF) assistance, and 2) if assistance was necessary, to determine an appropriate level of public assistance that could be considered.

Developer Request for Assistance

The developer has requested assistance that includes 90% of incremental revenues for up to 9 years related to development of the project site to support approximately \$6.7M (\$5.9M excluding MSP property) in TIF eligible costs. The preliminary request includes an approximate \$67.1 million project funded through a combination of private debt and equity and public assistance through TIF. Typical extraordinary redevelopment costs that cannot be supported solely by the project alone could justify the need for public financial assistance and allow the project to proceed as proposed. Tax increment financing from the City provides an additional funding source to the project that allows the developer to obtain an appropriate level of upfront funding and meet minimum debt coverage and return metrics. A summary of the sources and uses of funds is illustrated in Table 1 below.

Table 1: Sources and Uses of Funds

Sources	Amount	Uses	Amount
First Mortgage	\$40,250,111	Land/Soft Costs	\$11,955,387
Equity	\$21,187,210	Site Work	\$13,847,328
		Offsite	\$1,846,051
TIF *	\$5,727,541	Shell Construction	\$29,328,000
		Transaction Costs	\$10,188,096
Total	\$67,164,862	Total	\$67,164,862

Tax increment financing has been requested as pay-as-you-go and would not be an upfront funding source. Developer would obtain separate TIF Note supported by City TIF resulting in estimated available TIF proceeds amount of approximately \$5.7M as requested. Actual TIF Note amount subject to approval.

Table 2: Estimated Total Tax Increment Eligible and Extraordinary Costs

	Identified Costs	Extraordinary Costs
Extraordinary Site Costs		
Soil Corrections/Lime Stabilization	\$1,000,000	\$1,000,000
Site Fill	\$2,500,000	\$200,000
Public Utility Relocation	\$300,000	\$300,000
Aggregate Piers	\$1,000,000	\$1,000,000
Subtotal Extraordinary Site Costs	\$4,800,000	\$2,500,000
Offsite 21 st Ave Road Extension		
Removals/Sitework	\$300,000	\$150,000
Utilities	\$300,000	\$100,000
Paving	\$200,000	\$100,000
Landscaping/Street Lighting	\$100,000	\$0
A&E/Mgmt/Inspections/Contingencies	\$200,000	\$50,000
Subtotal Offsite 21st Ave Road Extension	\$1,100,000	\$400,000
Total Ryan Project	\$5,900,000	\$2,900,000

Extraordinary Costs	\$2,900,000
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The range of public assistance is in part based on the financial parameters as further outlined below while considering what an appropriate level of public assistance may be for a redevelopment project while balancing the level of extraordinary costs and financial cash flow performance of the project and public policy guidelines. Considered parameters include the following:

- Return on Investment: *(City benefits)*
- Purchase price and other development costs: *(reasonable ranges and supported by project)*
- Public to private investment: *(public participation within 10% or less)*
- Public assistance (TIF) and private equity: *(public does not exceed private equity)*
- Extraordinary costs: *(as opposed to 'greenfield' or market)*
- Financial gap: *(limit on private debt and equity)*
- Term of collection (district): *(less than maximum term)*
- Other necessary public improvements: *(case by case basis to be determined)*

Tax Increment Analysis

The follow assumptions were used to estimate the amount of projected tax increment revenues (maximum term up to 9 years).

- Total project area
 - Parcel id: 24-31-22-31-0004 (Ryan)
 - Parcel id: 24-31-22-24-0009 (Ryan)
 - Parcel id: 24-31-22-24-0008 (Ryan)
 - Parcel id: 24-31-22-24-0002 (Ryan)
- Total estimated base value of \$699,300
 - Original net tax capacity \$13,986
- Estimated total taxable value upon completion
 - 451,000 total square feet
 - 189,000 SF (Ryan)
 - 147,000 SF (Ryan)
 - 115,000 SF (Ryan)
 - \$31,570,000 (Approximately \$70 per square foot)
- Incremental revenues based on new building construction value
- Maximum term of tax increment district
 - Economic Development
 - 9 total years (2025-2033)
- Construction commences in 2023 and completes in 2024
 - 60% assessed in January of 2024 for taxes payable in 2025
 - 100% assessed in January of 2025 for taxes payable in 2026
- Tax rates, class rates and future market values remain constant
 - Tax rates
 - City: 40.154%
 - County: 29.605%
 - School: 31.074%
 - Other: 4.273%
 - Total: 105.106%
 - Class rates
 - 1.50% commercial/industrial first \$150,000 value and 2% value above \$150,000
 - 2% annual market value inflator
 - 10% Administrative retainage
 - Maximum is 10%

Tax Increment Estimates

Based on the assumptions outlined above, the projected tax increment revenues to be generated from the project are shown in the chart on the following page:

Table 3: Projected Tax Increment Revenues

	Ryan Companies
Total Building Square Footage	451,000
Total Estimated Taxable Value	\$31,570,000
Projected Annual Tax Increment Revenues upon Completion (Full Buildout Year 2)	\$358,367
Less: City withheld for Admin (5%)	\$17,918
Projected Annual Net Revenues (95%) Year 2	\$340,449
Projected Total Gross Revenues over District Term	\$3,444,854
Less: City Retainage (5%)	\$172,240
Projected Total Net Revenues over District Term (95%)	\$3,272,614
Recommended Developer Assistance	\$2,900,000
Projected Surplus Increment	372,614

Financial Needs (Pro forma Analysis) including But-For

Upon approval of a TIF district and project, the City must make several findings, including the “but for” test: that the proposed redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. The developer has stated that but for the provision of tax increment financing, the project as proposed would not occur. Based on the developer’s stated position relative to the need for tax increment financing assistance, the City could make its “but for” finding and provide tax increment assistance. We recommend, however, that the City review the provided assumptions to consider if the project meets the but-for test and, if so, what an appropriate level and type of TIF assistance may be based on the information submitted by the developer.

Following thorough evaluation of the project as provided allows the City to be prepared to make an informed “but-for” decision based on the likelihood of the project needing assistance, as well as the appropriate level of assistance. To complete this analysis, we reviewed the developer’s provided operating proforma and constructed similar ten-year project proformas, showing a result if the project received financial assistance as pay-as-you-go (reimbursement for TIF eligible costs) and showing a result if the project did not receive assistance. Our analysis of the proformas include a review of the development budget, projected operating revenues and expenditures, and the project’s capacity to support annual debt service on outstanding debt. The purpose of evaluating the operating proformas is to understand the potential cash flow performance through initial development of the project and the annual operations of the project over a 10-year period to assist with determining if the project is financially feasible and in need of public participation.

Measuring project feasibility is typically accomplished by analyzing a combination of 1) projected rate of return – both annual and cumulative and 2) estimated debt coverage ratio (DCR). Rate of return analysis illustrates the projected return to the investor using the available cash flow after payment of operating expenses and debt as a measurement to the initial equity investment. Industry standards for development types indicate the level of investment a developer is willing to make based on projected returns from the project. Should the projected annual and cumulative returns fall below those standards, the project would require a reduced level of equity participation and/or increased cash flow to be feasible. Debt Coverage Ratio (DCR) is a calculation detailing the ratio by which operating income exceeds the debt payments for the project. If the DCR is greater than 1.0 it indicates the project has operating income that is greater than the debt-service payment by some margin; conversely if the DCR is less than 1.0, it indicates the project is incapable of meeting its debt-service payment and would need to seek additional revenue sources in order to pay its debt. Typical lending standards will require a DCR of greater than 1.0 as a measure of cushion in the event actual revenues and expenses are different than projected.

Review of the operating proformas based on with assistance as pay-as-you-go and with no assistance provides the range of financial feasibility for this project and what the estimated gap would be without assistance. It is important to note that certain assumptions were made based on the developer’s provided information and market industry standards to understand the project performance. Adjustments made to those assumptions

assist in understanding potential impacts on performance and what a required level of assistance (number of years and total amounts) may be.

To understand viability of the project and need for an appropriate level of public assistance, we provided a sensitivity analysis to the proformas with adjustments made to the total project costs (including land/building acquisition, construction costs, soft costs, developer and other related construction management fees and contingency) and corresponding funding sources, as well as projected annual lease rates and operating expenses. Realizing any adjustments are all subject to market conditions. The purpose of the sensitivity analysis is to test the level of assistance that may be needed using those assumptions to understand if the recommended level of assistance could be consistent with the City's objectives resulting in less assistance than what has been requested.

Conclusion

The developer has requested financial assistance for the construction of approximately 578,000 square feet of light industrial speculative building space (451,000 square feet constructed by Ryan and an additional 127,000 square feet to be constructed by MSP). The developer has identified extraordinary site development and related costs associated with constructing on the project site. Through submission of the tax increment financing request and supporting financial information, the developer has indicated that the project would not occur as proposed without financial assistance from the City due to below market rates of return.

Based on the financial analysis and available financing assumptions, without financial assistance, the project would not appear to be feasible. Without assistance, the projected annual and cumulative rate of return is below industry standards for this type of project. The rate of return analysis indicates that the provided financing structure would not be financially viable without one or more of the following: 1) reduction in project costs 2) additional annual cash flow, and/or 3) additional funding sources. With annual public assistance the project is projected to achieve marketable returns. There are ranges of what would be considered market returns and are generally subject to the project type, market indicators, investor demands and financing structure. The level of public assistance is expected to have an impact on what the projected returns for the project could be.

Considered parameters for level of public assistance include the following:

- Return on Investment: *(City benefits)*
- Purchase price and other development costs: *(reasonable ranges and supported by project)*
- Public to private investment: *(public participation within 10% or less)*
- Public assistance (TIF) and private equity: *(public does not exceed private equity)*
- Extraordinary costs: *(as opposed to 'greenfield' or market)*
- Financial gap: *(limit on private debt and equity)*
- Term of collection (district): *(less than maximum term)*
- Other necessary public improvements: *(case by case basis to be determined)*

Identified Extraordinary Costs (Ryan Development)	\$2,900,000
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The developer has requested tax increment financing from the City as a method of providing additional cash flow revenues required to achieve financial feasibility. The request is for 90% of the tax increments generated over the maximum 9-year term of the TIF District. The project will be privately financed through debt and equity and the increment would provide additional annual revenues to support a secondary TIF mortgage, enhance cash flow and increase the developer's return. We typically review both the annual (upon stabilization) and long-term (10-15-year period) investment returns to understand financial performance and verification of need for public assistance, as well as identifying those costs considered TIF-eligible as extraordinary to the project.

Due to timing for anticipated construction between the Ryan development (451,000 square feet to the north of the existing Distribution Alternatives (DA) project) and MSP development (127,000 square feet to the south of DA), two separate tax increment financing districts are anticipated to be created and certified. We are focusing solely on the Ryan development with this analysis and proposed establishment of an Economic Development Tax Increment Financing District.

Thank you for the opportunity to be of assistance to the City of Lino Lakes. Please contact me at 651-368-2533 or mikaela.huot@bakertilly.com with any questions or to discuss.

Definition of Economic Development District

MN Statutes 469.174, Subd. 12.

Economic development district means a type of tax increment financing district which consists of any project, or portions of a project, which the authority finds to be in the public interest because:

1. it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality;
2. it will result in increased employment in the state;
3. it will result in preservation and enhancement of the tax base of the state; or
4. it satisfies the requirements of a workforce housing project under section [469.176](#), subdivision 4c, paragraph (d).

MN Statutes 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 clause (1) or (2);
4. telemarketing if that activity is the exclusive use of the property;
5. tourism facilities;
6. space necessary for and related to the activities listed in clauses (1) to (5); or
7. a workforce housing project that satisfies the requirements listed below.

A project qualifies as a workforce housing project under this subdivision if:

(1) increments from the district are used exclusively to assist in the acquisition of property; construction of improvements; and provision of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs for rental housing developments in the municipality;

(2) the governing body of the municipality made the findings for the project required by section [469.175, subdivision 3](#), paragraph (f); and

(3) the governing bodies of the county and the school district, following receipt, review, and discussion of the materials required by section [469.175, subdivision 2](#), for the tax increment financing district, have each approved the tax increment financing plan, by resolution.

The maximum term of an economic development district is eight years after receipt of first increment for a total collection term of 9 years.

Projected Tax Increment Report

**City of Lino Lakes, Minnesota
 Tax Increment Financing (Economic Development) District No. 1-14
 Clearwater Creek Business Park Project
 Draft TIF Plan Exhibits: 451,000 SF 3 Bldgs valued at \$70/SF**

Annual Period Ending (1)	Total Market Value * (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity ** (4)	Less: Fiscal Disp. @ 42.1968% (5)	Retained Captured Net Tax Capacity (6)	Times: Tax Capacity Rate *** (7)	Annual Gross Tax Increment (8)	Less: State Aud. Deduction 0.360% (9)	Annual Revenue Net of OSA Deduction (10)	Less: Admin. Retainage 5.00% (11)	Less: Pooling Retainage 0.00% (12)	Annual Net Revenue (13)
12/31/23	699,300	13,986	13,986	0	0	105.106%	0	0	0	0	0	0
12/31/24	699,300	13,986	13,986	0	0	105.106%	0	0	0	0	0	0
12/31/25	18,816,000	375,570	13,986	152,577	209,007	105.106%	219,679	791	218,888	10,944	0	207,944
12/31/26	30,336,320	605,976	13,986	249,801	342,189	105.106%	359,662	1,295	358,367	17,918	0	340,449
12/31/27	32,553,046	650,311	13,986	268,509	367,816	105.106%	386,597	1,392	385,205	19,260	0	365,945
12/31/28	33,204,107	663,332	13,986	274,003	375,343	105.106%	394,508	1,420	393,088	19,654	0	373,434
12/31/29	33,868,189	676,614	13,986	279,608	383,020	105.106%	402,577	1,449	401,128	20,056	0	381,072
12/31/30	34,545,553	690,161	13,986	285,324	390,851	105.106%	410,808	1,479	409,329	20,466	0	388,863
12/31/31	35,236,464	703,979	13,986	291,155	398,838	105.106%	419,203	1,509	417,694	20,885	0	396,809
12/31/32	35,941,194	718,074	13,986	297,103	406,985	105.106%	427,766	1,540	426,226	21,311	0	404,915
12/31/33	36,660,017	732,450	13,986	303,169	415,295	105.106%	436,500	1,571	434,929	21,746	0	413,183
							\$3,457,300	\$12,446	\$3,444,854	\$172,240	\$0	\$3,272,614

* Total Taxable Value based on new estimated land and building value of \$70/square foot for 451,000 square feet between all buildings

** Original net tax capacity based on existing taxable land value of one property and calculated based on reclassification to commercial-industrial class rates

*** Total Combined Local Tax Capacity Rate of City, County, School District and other taxing jurisdictions for taxes payable 2022

**ECONOMIC DEVELOPMENT ADVISORY COMMITTEE
AGENDA ITEM 3B**

STAFF ORIGINATOR: Harrison Maxwell, Community Development Intern
EDAC MEETING DATE: October 6, 2022
TOPIC: 2020 Census Data Report

BACKGROUND

In 2022, the US Census Bureau released the 2020 Decennial Census results. Staff has been reviewing relevant data pertaining to The City of Lino Lakes. Attached is a report that highlights the demographic trends captured by the 2020 US Census.

EDAC CONSIDERATION

None required. Discussion only.

ATTACHMENTS

1. 2020 Census Data Report

Lino Lakes 2020 Decennial Census Results

What data is available from the Decennial Census?

Data Available as of October 25, 2021

- Population by census block
- Race
- Hispanic or Latino origin
- Occupied and Vacant Housing units

Additional Data to be Released in 2022

- Gender
- Age
- Ethnicity
- Housing tenure (rent, own)
- Household type (family, non-family)
- Family type (married-couple, female householder no husband present, etc.)

Other Census Bureau Data Sources

- American Community Survey (ACS) – Annual. Based on surveys sent to sample of population. Includes topics such as education, employment, internet access, and transportation.
- Population Estimates Profile (PEP) – Annual. Utilizes current data on births, deaths, and migration to calculate population change since the most recent decennial census and produce a time series of estimates of population, demographic components of change, and housing units.

Population is Growing; Number of Households is Growing

- From 2010 to 2020, **Lino Lakes' total population increased by 9.9%**, from 19,784 to 21,748.
- The percent of **occupied housing units increased by 23.6% from 2010 to 2020**, from 5,887 to 7,275.
- The percent of **renter-occupied housing units increased by 90.5% from 2010 to 2020**, from 306 to 583.

Lino Lakes is Growing Older

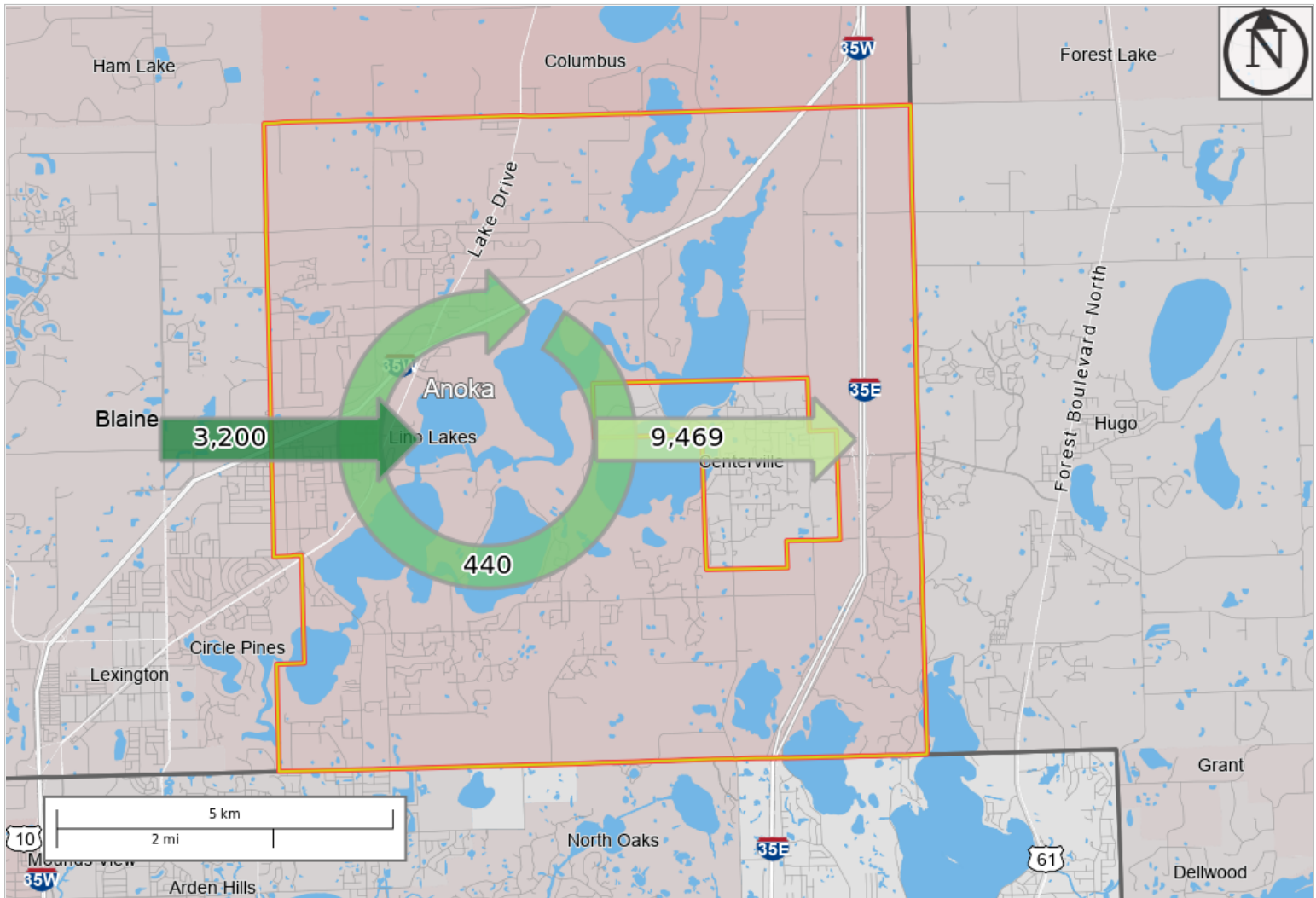
- From 2010 to 2020, **the total population of individuals in the age range of under 5 to 19 years decreased by 7.2%**, from 32.9% of the City's population to 25.7%.
- From 2010 to 2020, **the total population of individuals in the age range of 45 to 49 years of decreased by 2.9%**, from 11.1% of the City's population to 8.2%.
- From 2010 to 2020, **the total population of individuals in the age range of 50 to 54 years of increased by 3.9%**, from 5.1% of the City's population to 9.0%.
- From 2010 to 2020, **Householders of occupied housing units in the age range of 55 to 65 years increased by 12.2%**, from 15.3% of the City's population to 27.5%.
- From 2010 to 2020, **the total population of individuals in the age range of 55 to 85 years and older increased by 15.2%**, from 13.2% of the City's population to 28.4%.

Inflow/Outflow Report

All Private Jobs for All Workers in 2019

Inflow/Outflow Counts of All Private Jobs for Selection Area in 2019

All Workers



Map Legend

Selection Areas

📍 Analysis Selection

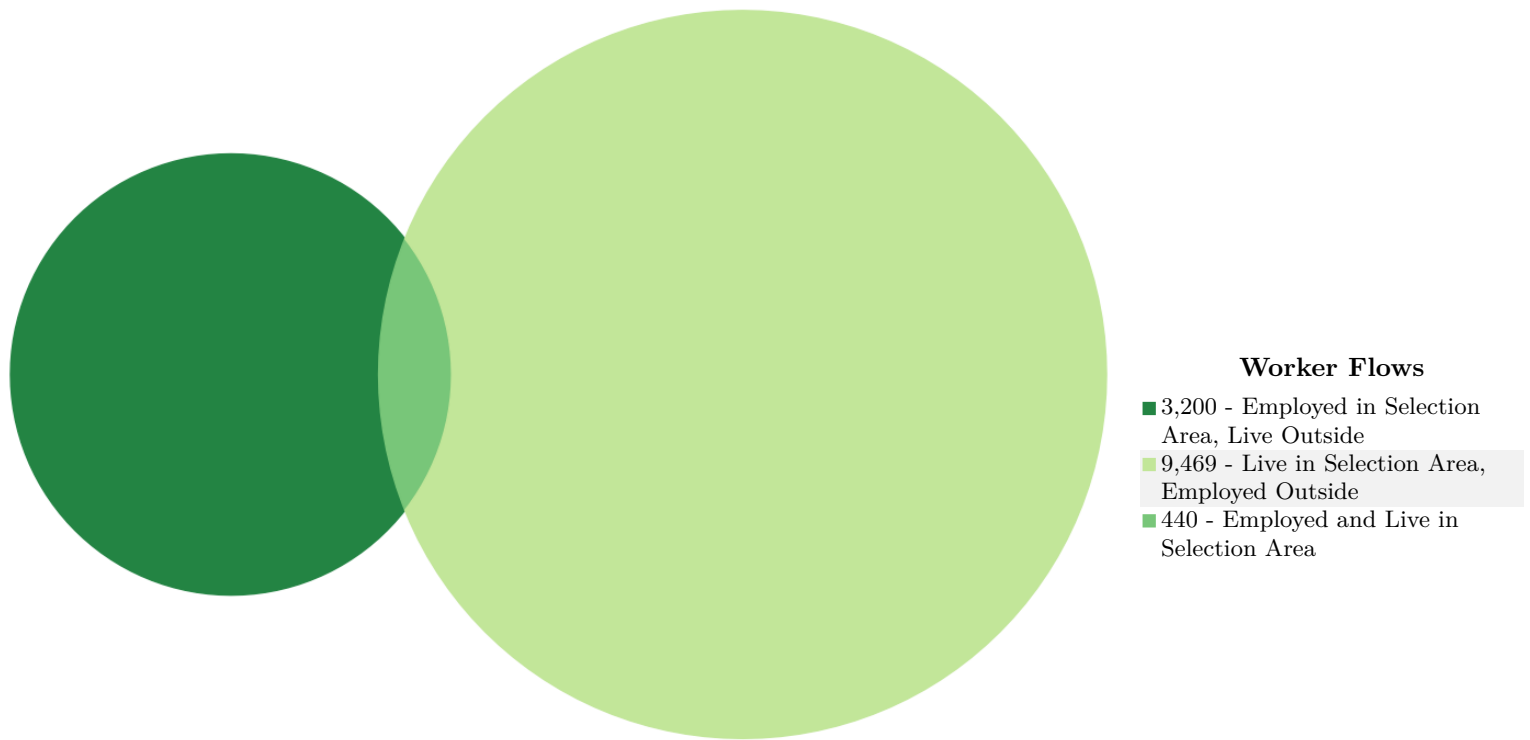
Inflow/Outflow

- Employed and Live in Selection Area
 - Employed in Selection Area, Live Outside
 - Live in Selection Area, Employed Outside
- Note: Overlay arrows do not indicate directionality of worker flow between home and employment locations.



Inflow/Outflow Counts of All Private Jobs for Selection Area in 2019

All Workers



Inflow/Outflow Counts of All Private Jobs for Selection Area in 2019

All Workers

Worker Totals and Flows	2019	
	Count	Share
Employed in the Selection Area	3,640	100.0
Employed in the Selection Area but Living Outside	3,200	87.9
Employed and Living in the Selection Area	440	12.1
Living in the Selection Area	9,909	100.0
Living in the Selection Area but Employed Outside	9,469	95.6
Living and Employed in the Selection Area	440	4.4