CITY OF ALBERT LEA
PLANNING COMMISSION
ADVISORY BOARD

10/7/2014, 5:30 p.m.
City Council Chambers

AGENDA

A. CALL TO ORDER AND ROLL CALL

B. APPROVAL OF THE AGENDA

C. APPROVAL OF MINUTES
   1. PC Minutes from September 9, 2014

D. PUBLIC HEARINGS

   An ordinance to amend certain sections of the Albert Lea city code to adopt amendment to the floodplain ordinance to adopt revised floodplain maps and to come into compliance with the Department of Natural Resources' model ordinance.

E. NEW BUSINESS

   Consider a resolution finding that a modification to the development program for Development District No. 5 and a modification to the tax increment financing plan conforms to the general plans for the development and re-development of the city

F. OLD BUSINESS

G. COMMISSIONER COMMUNICATIONS

H. STAFF COMMUNICATIONS

I. ADJOURNMENT

CITY OF ALBERT LEA
PLANNING COMMISSION
ADVISORY BOARD
MEETING MINUTES

9/09/14 5:30 pm
City Center - Council Chambers

Members Present
Rick Mummert
John Severtson
Thayne Nordland
Jon Murray
David Gross
Pam Schmidt
Larry Baker, Ex-Officio

Members Absent
Jon Murray

Staff in Attendance
Doug Johnson, Building Official
Chad Adams, City Manager

Interested Parties- None

Vice Chair, David Gross called the meeting to order at 5:30 p.m.

Approval of the Agenda
John Severtson made a motion to approve the agenda and Thayne Nordland seconded the motion. The agenda was approved unanimously on a voice vote.

Approval of Minutes
A motion was made by Rick Mummert to approve the minutes from 8/5/14 and John Severtson seconded the motion. The minutes were approved unanimously on a voice vote.

Public Hearings- None

Old Business-None

New Business:
Consider consistency with the Comprehensive Plan for the requested establishment of a Tax Increment Finance District for the proposed St. John's Lutheran Home Continuing Care Community located at 1791 Country Club Road- PID344420010.

Reports prepared by Ehlers & Associate becomes part of these minutes by reference.

Chad Adams gave a back ground on the TIF process and the different types of TIF districts that are available. He also explained the details of the St Johns TIF application and that city staff agrees that it is consistent with the City of Albert Lea's Comprehensive plan. John Severtson asked Chad if St John's would be considered a housing development, Chad explained that everything but the Skilled Nursing portion would be considered housing development and eligible to be considered as a TIF District. David Gross indicated that if St. John's was going to happen that creating a TIF district is an important piece.

A motion was made by John Severtson and seconded by Thayne Nordland determined that a modification to the development program for development district No. 5 and a tax increment financing plan for tax increment financing district No. 5-24 conforms to the general plans for the development and redevelopment of the City. The motion was approved unanimously on a voice vote (6-0).

Commissioner Communications-None

Staff Communications:- Discuss sale of goods in the right-of-way. Chad Adams gave a brief background on pros and cons of sale of goods in the City right of way mainly in the downtown district. The City has received both good and bad comments about the sales in the City right of way. Dan Burden encourages sales on the sidewalk but to keep it close to the building and maintain the 4ft pathway in the center of the sidewalk. Also the City is looking at the outdoor seating being this was the first season that the City has allowed it maybe the City needs to look at other alternatives for example parklets, parklets would still allow for outdoor seating but would still maintain that 4ft pathway in the center of the sidewalk. This was discussion purposes only and the City will be seeking the commission's input in the future.

Adjournment

The meeting was adjourned at 5:59 p.m. on September 9, 2014 motion by Rick Mummert and seconded by Thayne Nordland.

Respectfully submitted,

Doug Johnson, Building Official

Approved:

Thayne Nordland
Planning Commission Secretary

WSB & Associates, Inc.

Infrastructure ■ Engineering ■ Planning ■ Construction

701 Xenia Avenue South
Suite 300
Minneapolis, MN 55416
Tel: 763-541-4800
Fax: 763-541-1700

Memorandum

To: ***Planning Commission, City of Albert Lea***
Doug Johnson, Building Official

From: ***Breanne Rothstein, Planner***
WSB & Associates, Inc.

Date: ***October 7, 2014***

Re: ***PUBLIC HEARING: Adopt Ordinance Amending Certain Section of the Albert Lea Code of Ordinances to amend the Floodplain Regulations***

Background

Over the past few years, FEMA has been working with the Minnesota Department of Natural Resources and local governments to update their floodplain maps. The City of Albert Lea's draft maps are complete and the city needs to consider adopting the revised FEMA Flood Insurance Rate Maps (FIRMs) to incorporate them into the city's zoning ordinance.

The DNR has made a series of suggested changes to the City Code of Ordinances regarding floodplain and flood hazard management. The suggestions were made in order to meet Federal and State requirements, which is required for the City to participate in the National Flood Insurance Program. The changes include adoption of the new FIRM maps and incorporation into the city's zoning map. The DNR is currently reviewing the draft ordinance for compliance with their regulations.

The majority of changes are small wording changes. Nothing in this proposed ordinance is considered a major policy change, but includes changes to reflect DNR suggestions for wording and regulation.

Staff Recommendation/Requested Motion

Staff recommends that the Planning Commission recommend approval of the enclosed ordinance.

ORDINANCE NO. XXX-XX

Introduced by Councilor_____

AN ORDINANCE AMENDING CERTAIN SECTIONS OF CITY CODE TO INCORPORATE REVISED FLOODPLAIN DISTRICTS AND REGULATIONS

THE CITY COUNCIL OF THE CITY OF ALBERT LEA ORDAINS:

Sec. 1. That Chapter 54, Article III, Section 54-126 (d), of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following underlined language and remove the following ~~strikethrough language~~:

(d) Land subject to poor drainage. The right is reserved to disapprove any subdivision which is subject to poor drainage. However, if the subdivider agrees to make such improvements as will make the area safe for residential, commercial or industrial occupancy, the subdivision may be approved subject, however, to the approval of the city planning commission and city council. No land shall be subdivided which is unsuitable for the reason of flooding, inadequate drainage, water supply, or sewage treatment facilities. All lots within the floodplain districts shall contain a building site ~~at or above the regulatory flood protection elevation~~ located outside of the floodplain district. All subdivisions shall have road access both to the subdivision and to the individual building sites no lower than two feet below the regulatory flood protection elevation. For all subdivisions in the floodplain, the floodway and flood fringe boundaries, the regulatory flood protection elevation and the required elevation of all access roads shall be clearly labeled on all required subdivision drawings and platting documents.

Sec. 2. That Chapter 74, Article I, Section 74-2, of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following underlined language and remove the following ~~strikethrough language~~:

Development – floodplain means any manmade change to improved or unimproved real estate, including buildings or other structures, mining, dredging, filling, grading, paving, excavation or drilling operations, or storage of equipment or materials.

Flood fringe means that portion of the floodplain outside of the floodway. Flood fringe is synonymous with the term "floodway fringe" used in the Flood Insurance Study for ~~the city of Albert Lea and~~ Freeborn County, Minnesota And Incorporated Areas. For lakes, the flood fringe shall be the floodplain above the ordinary high water level.

Floodplain zoning map means a portion of the zoning map adopted in accordance with section 74-3 as required therein. ~~The floodplain zoning map adopts by reference and incorporates therein the Flood Insurance Study for the city, dated November 3, 1981, and~~

~~the flood boundary and floodway maps. and flood insurance rate maps therein dated May 3, 1982.~~

Lowest Floor - floodplain means the lowest floor of the lowest enclosed area (including basement). An unfinished or flood resistant enclosure, used solely for parking of vehicles, building access, or storage in an area other than a basement area, is not considered a building's lowest floor.

Manufactured home means a structure, transportable in one or more sections, which in the traveling mode is eight body feet or more in width or 40 body feet or more in length or, when erected on site, is 320 or more square feet and which is built on a permanent chassis and is designed to be used as a dwelling, with or without a permanent foundation, when connected to the required utilities and includes the plumbing, heating, air conditioning and electrical systems contained therein, except that the term includes any structure which meets all the requirements and with respect to which the manufacturer voluntarily files a certification required by the secretary of the department of housing and urban development and complies with the standards established under this chapter. The term "manufactured home" does not include the term "recreational vehicle."

Regional flood means a flood which is representative of large floods known to have occurred generally in the state and reasonably characteristic of what can be expected to occur on an average frequency in the magnitude of the 1% chance or 100-year recurrence interval. Regional flood is synonymous with the term "base flood" used in the flood insurance study.

Regulatory flood protection elevation means an elevation no lower than one foot above the elevation of the regional flood plus any increases in flood elevation caused by encroachments on the floodplain that result from designation of a floodway. For water courses, the regulatory flood protection elevation shall be calculated by adding one foot to the base flood 1-percent-annual-chance-flood water surface elevations with floodway that are listed in the floodway data table of the Flood Insurance Study reports of the City of Albert Lea and Freeborn County, Minnesota And Incorporated Areas adopted in subsection 74-3(d)(2) of this chapter. For lakes, the regulatory flood protection elevation shall also be determined to the nearest one-tenth foot by adding one foot to the 100-year flood elevation as specified in the respective flood insurance study reports as adopted in subsection 74-3(d)(2).

Repetitive loss means flood related damages sustained by a structure on two separate occasions during a ten year period for which the cost of repairs at the time of each such flood event on the average equals or exceeds 25% of the market value of the structure before the damage occurred.

Substantial damage means damage of any origin sustained by a structure where the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the Freeborn County Assessor's Estimated Market Value of the structure before the damage occurred.

Substantial improvement means within any consecutive 365-day period, any reconstruction, rehabilitation, including normal maintenance and repair, repair after damage, addition, or other improvement of a structure, the cost of which equals or exceeds 50 percent of the ~~Freeborn County Assessor's Estimated Market~~ market value of the structure before the start of construction of the improvement. This term includes structures that have incurred substantial damage, regardless of the actual repair work performed. The term does not, however, include either:

(1) Any project for improvement of a structure to correct existing violations of state or local health, sanitary, or safety code specifications which have been identified by the city's designated code enforcement official and which are the minimum necessary to assure safe living conditions.

(2) Any alteration of an historic structure provided that the alteration will not preclude the structures continued designation as an historic structure. For purposes of this section, historic structure shall be as defined in CFR Part 59.1.

Sec. 3. That Chapter 74, Article I, Section 74-3 (d) (2) , of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following underlined language and remove the following ~~strikethrough language~~:

(2) A map entitled "Floodplain Zoning Map," which designates floodable areas and floodplain zones and includes by reference the ~~respective f~~Flood ~~I~~insurance ~~s~~Study~~ies~~ for ~~Albert Lea and~~ Freeborn County ~~and Incorporated Areas~~, ~~both dated November 3, 1981,~~ and the ~~flood boundary and floodway maps and~~ flood insurance rate maps ~~therein~~ 27047C0209C, 27047C0216C, 27047C0217C, 27047C0218C, 27047C0219C, 27047C0228C, 27047C0236C, 27047C0237C, 27047C0238C, 27047C0239C, 27047C0245C, 27047C0377C, 27047C0380C, and 27047C0381C, ~~dated May 3, 1982 respectively;~~ all of which are dated November 19, 2014, prepared by the Federal Emergency Management Agency, and declared to be a part of the official zoning map. The floodplain zoning map described in this subsection is an overlay zone to the general zoning map and takes precedence thereto.

Sec. 4. That Chapter 74, Article I of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following Section 74-30:

Sec. 74-30. - Severability.

If any section, clause, provision, or portion of this ordinance is adjudged unconstitutional or invalid by a court of law, the remainder of this ordinance shall not be affected and shall remain in full force.

Sec. 5. That Chapter 74, Article I of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following Section 74-31:

Sec. 74-31. - National Flood Insurance Program Compliance.

This ordinance is adopted to comply with the rules and regulations of the National Flood Insurance Program codified as 44 Code of Federal Regulations Parts 59 -78, as amended, so as to maintain the community's eligibility in the National Flood Insurance Program.

Sec. 6. That Chapter 74, Article II, Division 2, Section 74-90 (b) of the Code of Ordinances, City of Albert Lea, Minnesota, is hereby amended to add subsections (5) through (8) to add the following underlined language:

(5) Flood Insurance Notice - the Zoning Administrator shall notify the applicant for a variance that: 1) The issuance of a variance to construct a structure below the base flood level will result in increased premium rates for flood insurance up to amounts as high as $25 for $100 of insurance coverage; and 2) Such construction below the base or regional flood level increases risks to life and property. Such notification must be maintained with a record of all variance actions.

(6) Submittal of Hearing Notices to the Department of Natural Resources (DNR). The Zoning Administrator shall submit hearing notices for proposed variances to the DNR sufficiently in advance to provide at least ten days' notice of the hearing. The notice may be sent by electronic mail or U.S. Mail to the respective DNR area hydrologist.

(7) Submittal of Final Decisions to the DNR. A copy of all decisions granting variances will be forwarded to the DNR within ten days of such action. The notice may be sent by electronic mail or U.S. Mail to the respective DNR area hydrologist.

(8) Record-Keeping. The Zoning Administrator shall maintain a record of all variance actions, including justification for their issuance, and must report such variances in an annual or biennial report to the Administrator of the National Flood Insurance Program, when requested by the Federal Emergency Management Agency.

Sec. 7. That Chapter 74, Article II, Division 2, Section 74-90 (c) of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to delete the following ~~strikethrough language~~:

~~(4) Flood insurance notice and recordkeeping. The zoning administrator shall notify the applicant for a variance that: 1) The issuance of a variance to construct a structure below the base flood level may result in increased premium rates for flood insurance; and 2) such construction below the 100-year or regional flood level increases risks to life and property. Such notification shall be maintained with a record of all variance actions. The city shall maintain a record of all variance actions, including justification for their issuance, and report such variances issued in its annual or biennial report submitted to the administrator of the National Flood Insurance Program.~~

Sec. 8. That Chapter 74, Article III, Division 15, Section 74-794 (c) (18) , of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following underlined language and remove the following ~~strikethrough language~~:

(18) Placement of new or replacement homes. The placement of new or replacement manufactured homes in existing manufactured home parks or on individual lots of record shall not be permitted. ~~that are located in floodplain districts will be treated as new structures and may be placed only if elevated in compliance with the applicable provisions of this chapter and chapter 54. If vehicular road access for preexisting manufactured home parks is not provided in accordance with this chapter and chapter 54, replacement manufactured homes will not be allowed until the property owners develop a flood warning emergency plan acceptable to the city shall not be allowed.~~

Sec. 9. That Chapter 74, Article III, Division 17, Section 74-870, of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following underlined language and remove the following ~~strikethrough language~~:

The floodway district shall include those areas designated as floodway on the ~~f~~Flood ~~boundary and floodway~~ Insurance Rate ~~m~~Maps adopted in subsection 74-3(d)(2). For lakes, the floodway district shall include those floodplain areas at and below the ordinary high water level.

Sec. 10. That Chapter 74, Article III, Division 17, Section 74-873, of the Code of Ordinances, City of Albert Lea, Minnesota is hereby adopted to remove the following ~~strikethrough language~~:

Land within the F-1 floodway district is subject to all of the requirements of the underlying zoning district. ~~Recreational vehicles are not allowed within the floodway.~~

Sec. 11. That Chapter 74, Article III, Division 17, Section 74-876 (1) and (2), of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following underlined language and remove the following ~~strikethrough language~~:

In the F-1 floodway district, conditional uses shall be reviewed in accordance with section 74-59, and in addition the following shall apply:

(1) Prior to granting a conditional use permit or processing an application for a conditional use permit, the applicant shall obtain all necessary state and federal permits ~~pertaining to flood protection measures~~ and make certification to the ~~city planner~~ Zoning Administrator that all necessary permits have been received.

(2) The applicant shall submit certification by a registered professional engineer, registered architect or registered land surveyor that the finished fill and the building elevations, if any, were accomplished in compliance with this chapter. ~~Where a nonconforming structure is extended or substantially altered, the conditional use permit conditions shall specifically state the manner in which the nonconforming use or structure differs from the provisions of this chapter.~~

Sec. 12. That Chapter 74, Article III, Division 18, Section 74-910, of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following underlined language and remove the following ~~strikethrough language~~:

The F-2 flood fringe district shall include those areas designated as ~~floodway fringe on the flood boundary and floodway~~ Zone AE and outside of the floodway on the Flood Insurance Rate ~~m~~Map~~s~~ adopted in subsection 74-3(d)(2) of this chapter. For lakes, the flood fringe district shall include those floodplain areas above the ordinary high water level.

Sec. 13. That Chapter 74, Article III, Division 18, Section 74-913 to amend (d) and add (e), (f), (g), and (h), of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following underlined language and remove the following ~~strikethrough language~~:

(d)~~Travel trailers and travel vehicles.~~ New recreational vehicle parks are prohibited in the flood fringe district.

~~(1) A travel trailer or travel vehicle that does not meet the following exemption criteria shall be subject to the provisions of this chapter:~~

~~a.A travel trailer and travel vehicle is exempt from the provisions of this chapter if it is placed in any of the following areas and further meets the following criteria:~~

~~1.It has current license required for highway use.~~

~~2.It is highway ready, meaning on wheels, or the internal jacking system is attached to the site only by quick-disconnect type utilities commonly used in campgrounds and trailer parks and the travel trailer/travel vehicle has no permanent structural additions attached to it.~~

~~3.The travel trailer or travel vehicle and associated use must be permissible in any underlying zoning district.~~

~~b.Areas exempted for placement of travel/recreational vehicles shall be as follows:~~

~~1.Individual lots or parcels of record.~~

~~2.Existing commercial/recreational vehicle parks or campgrounds.~~

~~3.Existing condominium-type associations.~~

~~(2) Travel trailers and travel vehicles exempted in this subsection lose this exemption when development occurs on the parcel exceeding $500.00 for a structural addition to the travel trailer/travel vehicle or an accessory structure such as a garage or storage building. The travel trailer/travel vehicle and all additions and accessory structures will then be treated as a new structure and shall be subject to the elevation/floodproofing requirements and the use of land restrictions specified in this chapter and chapter 54.~~

~~(3) New commercial travel trailer or travel vehicle parks or campgrounds and new residential-type subdivisions and condominium associations and the expansion of any existing similar use exceeding five units or dwelling sites shall be subject to the following conditional use permit requirements in section 74-914.~~

~~(4) Any new or replacement travel trailer or travel vehicle will be allowed in the flood fringe district, provided the trailer or vehicle and its contents are placed on fill~~

~~above the regulatory flood protection elevation and proper elevated road access to the site exists in accordance with the requirements of this chapter. Any fill placed in a floodway for the purpose of elevating a travel trailer shall be subject to the requirements of this chapter.~~

(e) *Fill*. Fill placed in the floodplain shall be properly compacted and the slopes shall be properly protected by use of riprap, vegetative cover or other applicable method.
(f) *Maintaining hydraulic capacity of stream channels*. Floodplain developments shall not adversely affect the hydraulic capacity of the channel and adjoining floodplain of any tributary watercourse or drainage system where a floodway or other encroachment limit has not been specified on the Floodplain Zoning Map.
(g) *Issuance of state and federal permits*. Prior to granting a permit or conditional use permit or processing an application for a permit or conditional use permit, the applicant shall obtain all necessary state and federal permits and make certification to the city planner that all necessary permits have been received.
(h) *Certification*. The applicant shall submit certification by a registered professional engineer, registered architect or registered land surveyor that the finished fill and the building elevations, if any, were accomplished in compliance with the provisions of this chapter. A registered professional engineer or architect shall certify that the floodproofing methods are adequate to withstand the flood depth, pressures, velocities, impact and uplift forces.

Sec. 14. That Chapter 74, Article III, Division 18, Section 74-915, of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add underlined language and delete items struck through:

In the F-2 flood fringe district, conditional uses shall be reviewed in accordance with section 74-59 and ~~in addition the following shall apply~~ the applicable provisions of Section 74-876:
~~(1) Prior to granting a conditional use permit or processing an application for a conditional use permit, the applicant shall obtain all necessary state and federal permits pertaining to floodproofing and flood protection measures and make certification to the city planner that all necessary permits have been received.~~
~~(2) The applicant shall submit certification by a registered professional engineer, registered architect or registered land surveyor that the finished fill and the building elevations, if any, were accomplished in compliance with the provisions of this chapter. A registered professional engineer or architect shall certify that the floodproofing methods are adequate to withstand the flood depth, pressures, velocities, impact and uplift forces. Where a nonconforming structure is extended or substantially altered, the conditional use permit conditions shall specifically state the manner in which the nonconforming use or structure differs from the provisions of this chapter.~~

Sec. 15. That Chapter 74, Article VIII, Section 74-1181, of the Code of Ordinances, City of Albert Lea, Minnesota is hereby amended to add the following underlined language and remove the following ~~strikethrough language~~:

A structure or the use of a structure or premises which was lawful before the passage or amendment of this section but which is not in conformity with the provisions of this section may be continued subject to the following conditions. Historic structures, as defined in section 74-2, shall be subject to the provisions of (1) through (6) below.

(1)~~No such use shall~~ A nonconforming, structure, or occupancy must not be expanded, changed, enlarged, or altered in a way that increases its nonconformity. Expansion or enlargement of uses, structures or occupancies within the Floodway District is prohibited.

(2) Any structural alteration or addition to a nonconforming structure or nonconforming use which would result in increasing the flood damage potential of the structure or use shall be protected to the regulatory flood protection elevation in accordance with any of the elevation on fill or floodproofing techniques allowable in the State Building Code, except as further restricted in (3) through ~~(5)~~ (6).

(3) The cost of any structural alterations or additions to any nonconforming structure over the life of the structure shall not exceed 50 percent of the market value of the structure. The cost of all structural alterations and additions must include all costs such as construction materials and a reasonable cost placed on all manpower or labor. If the cost of all previous and proposed alterations and additions exceeds 50 percent of the market value of the structure, then the structure must meet the standards in ordinance for new structures depending upon whether the structure is in the Floodway or Flood Fringe District, respectively.

(4) If any nonconforming use or structure is substantially damaged, as defined in section 74-2 of this chapter, it shall not be reconstructed, in accordance with state statute.

(5) If any nonconforming use or structure experiences a repetitive loss, as defined in Section 2.935 of this ordinance, it must not be reconstructed except in conformity with the provisions of this ordinance.

(6) ~~If a~~ A substantial improvement ~~occurs~~, as defined in section 74-2 of this chapter, from any combination of a building addition to the outside dimensions of the existing building or a rehabilitation, reconstruction, alteration, or other improvement to the inside dimension of an existing nonconforming building shall not be allowed.

Sec.16. That the reading of this Ordinance is waived by Council Consent.

Sec. 17. That a summary of this Ordinance is approved for publication.

Sec. 18. Effective Date. This Ordinance shall take effect thirty (30) days following its final passage and adoption.

That the motion for the adoption of the foregoing Ordinance was duly seconded by Councilor ____ and upon a vote being taken thereon, the following voted in favor thereof: Councilors and the following voted against the same:

Introduced, read the first time on _____, 2014
Introduced, read the second time on _____, 2014

_____
Mayor Vern Rasmussen, Jr.

Filed and attested to _____, 2014

PLANNING COMMISSION
CITY OF ALBERT LEA, MINNESOTA

RESOLUTION NO. _____

RESOLUTION OF THE CITY OF ALBERT LEA PLANNING COMMISSION FINDING THAT A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 5 AND A MODIFICATION TO THE TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 5-22 CONFORM TO THE GENERAL PLANS FOR THE DEVELOPMENT AND REDEVELOPMENT OF THE CITY.

WHEREAS, the City of Albert Lea (the "City") has proposed to adopt a Modification to the Development Program for Development District No. 5 (the "Development Program Modification") and a Modification to the Tax Increment Financing Plan for Tax Increment Financing District No. 5-22 (the "TIF Plan") therefor (the Development Program Modification and the TIF Plan are referred to collectively herein as the "Modifications") and has submitted the Modifications to the City Planning Commission (the "Commission") pursuant to Minnesota Statutes, Section 469.175, Subd. 3, and

WHEREAS, the Commission has reviewed the Modifications to determine their conformity with the general plans for the development and redevelopment of the City as described in the comprehensive plan for the City.

NOW, THEREFORE, BE IT RESOLVED by the Commission that the Modifications conform to the general plans for the development and redevelopment of the City as a whole.

Dated: October 7, 2014

_____
Chair

ATTEST:

_____
Secretary

As of October 1, 2014
Draft for Planning Commission

Modification to the Development Program for Development District No. 5

and the

Modification to the Tax Increment Financing Plan

for Tax Increment Financing District No. 5-22 (an economic development district)

within

Development District No. 5

City of Albert Lea
Freeborn County
State of Minnesota

Date Adopted: April 9, 2012:
Modification #1 Public Hearing: October 27, 2014

EHLERS

Prepared by: EHLERS & ASSOCIATES, INC.
3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105
651-697-8500 fax: 651-697-8555 www.ehlers-inc.com

Table of Contents
(for reference purposes only)

Section 1 - Modification to the Development Program
for Development District No. 5 1-1
Foreword 1-1

Section 2 - Tax Increment Financing Plan
for Tax Increment Financing District No. 5-22 2-1
Subsection 2-1. Foreword 2-1
Subsection 2-2. Statutory Authority 2-1
Subsection 2-3. Statement of Objectives 2-1
Subsection 2-4. Development Program Overview 2-1
Subsection 2-5. Description of Property in the District and Property To Be Acquired . 2-2
Subsection 2-6. Classification of the District 2-2
Subsection 2-7. Duration and First Year of Tax Increment of the District 2-3
Subsection 2-8. Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity Value/Increment and Notification of Prior Planned Improvements 2-3
Subsection 2-9. Sources of Revenue/Bonds to be Issued 2-5
Subsection 2-10. Uses of Funds 2-5
Subsection 2-11. Business Subsidies 2-6
Subsection 2-12. County Road Costs 2-7
Subsection 2-13. Estimated Impact on Other Taxing Jurisdictions 2-7
Subsection 2-14. Supporting Documentation 2-9
Subsection 2-15. Definition of Tax Increment Revenues 2-9
Subsection 2-16. Modifications to the District 2-10
Subsection 2-17. Administrative Expenses 2-10
Subsection 2-18. Limitation of Increment 2-11
Subsection 2-19. Use of Tax Increment 2-12
Subsection 2-20. Excess Increments 2-12
Subsection 2-21. Requirements for Agreements with the Developer 2-12
Subsection 2-22. Assessment Agreements 2-13
Subsection 2-23. Administration of the District 2-13
Subsection 2-24. Annual Disclosure Requirements 2-13
Subsection 2-25. Reasonable Expectations 2-13
Subsection 2-26. Other Limitations on the Use of Tax Increment 2-14
Subsection 2-27. Summary 2-14

Appendix A
Project Description A-1

Appendix B
Map of Development District No. 5 and the District B-1

Appendix C
Description of Property to be Included in the District C-1

Appendix D
Estimated Cash Flow for the District D-1

Appendix E
Minnesota Business Assistance Form E-1

Appendix F
Findings Including But/For Qualifications F-1

Appendix G
Original TIF Plan G-1

Section 1 - Modification to the Development Program for Development District No. 5

Foreword

The following text represents a Modification to the Development Program for Development District No. 5. This modification represents a continuation of the goals and objectives set forth in the Development Program for Development District No. 5. Generally, the substantive changes include the modification of Tax Increment Financing District No. 5-22.

For further information, a review of the Development Program for Development District No. 5 is recommended. It is available from the Finance Director at the City of Albert Lea. Other relevant information is contained in the Tax Increment Financing Plans for the Tax Increment Financing Districts located within Development District No. 5.

Section 2 - Tax Increment Financing Plan for Tax Increment Financing District No. 5-22

Subsection 2-1. Foreword

The City of Albert Lea (the "City"), staff and consultants have prepared the following information to expedite the modification of Tax Increment Financing District No. 5-22 (the "District"), an economic development tax increment financing district, located in Development District No. 5. This document modifies the Tax Increment Financing Plan for TIF District No. 5-22, which was adopted by the City on April 9, 2012.

Subsection 2-2. Statutory Authority

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

This document contains the modified Tax Increment Financing Plan (the "TIF Plan") for the District. The TIF Plan for the establishment of the District can be found in Appendix G. Other relevant information is contained in the Modification to the Development Program for Development District No. 5.

Subsection 2-3. Statement of Objectives

The District currently consists of two parcels of land and adjacent and internal rights-of-way. The District is being modified to include six additional parcels of land and adjacent and internal rights-of-way. The District is being modified to facilitate a 93,600 square foot expansion to an existing manufacturing facility and improve stormwater infrastructure in the City. Please see Appendix A for further District information. The City has not entered into an agreement at the time of preparation of this TIF Plan, but the City anticipates entering into an agreement with Mrs. Gerry's Kitchen, Inc. Development is likely to occur in the Fall 2014. This modification to the TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 5.

The activities contemplated in the Modification to the Development Program and the modification to the TIF Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of Development District No. 5 and the District.

Subsection 2-4. Development Program Overview

1. Property to be Acquired - Selected property located within the District may be acquired by the City and is further described in this TIF Plan.

2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.

3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.

4. The City may perform or provide for some or all necessary acquisition, construction,

relocation, demolition, and required utilities and public street work within the District.

5. The City proposes both public and private infrastructure within the District. The proposed reuse of private property within the District will be for an expanded manufacturing facility, and there will be continued operation of Development District No. 5 after the capital improvements within Development District No. 5 have been completed.

As of the date of this modification, the Authority has entered into contracts with the following developers for the following development activities:

Mrs. Gerry's Kitchen, Inc. dated November 1, 2012 for site improvements.

Subsection 2-5. Description of Property in the District and Property To Be Acquired

The District encompasses all property and adjacent rights-of-way and abutting roadways identified by the parcels listed in Appendix C of this TIF Plan. Please also see the map in Appendix B for further information on the location of the District.

The City may acquire any parcel within the District including interior and adjacent street rights of way. Any properties identified for acquisition will be acquired by the City only in order to accomplish one or more of the following: storm sewer improvements; provide land for needed public streets, utilities and facilities; carry out land acquisition, site improvements, clearance and/or development to accomplish the uses and objectives set forth in this plan. The City may acquire property by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs.

The District is being modified to add 6 parcels to the District and encompasses all property and adjacent rights-of-way and abutting roadways identified by the parcels listed in Appendix C of this TIF Plan (both existing parcels and the 5 PID numbers for the modified area). Please also see the map in Appendix B for further information on the location of the District.

Subsection 2-6. Classification of the District

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

> *"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; or*
> *(2) it will result in increased employment in the state; or*
> *(3) it will result in preservation and enhancement of the tax base of the state.*

The District is in the public interest because it will meet the statutory requirement from clauses 1, 2 and 3.

Pursuant to *M.S., Section 469.176, Subd. 4c,* revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more

than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

(1) The manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;
(2) Warehousing, storage, and distribution of tangible personal property, excluding retail sales;
(3) Research and development related to the activities listed in items (1) or (2);
(4) Telemarketing if that activity is the exclusive use of the property; or
(5) Tourism facilities;
(6) Space necessary for and related to the activities listed in items (1) to (5)

In meeting the statutory criteria the City relies on the following facts and findings:

The facilities in the District meet the conditions of Purposes 1, 2, and 6.

The District is being modified to assist in the expansion of a manufacturing facility for perishable salads and side dishes.

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

Subsection 2-7. Duration and First Year of Tax Increment of the District

Pursuant to *M.S., Section 469.175, Subd. 1, and M.S., Section 469.176, Subd. 1*, the duration of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 8 years after receipt of the first increment by the City. The date of receipt by the City of the first tax increment was in 2014. Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2022, or when the TIF Plan is satisfied. The City reserves the right to decertify the District prior to the legally required date.

Subsection 2-8. Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity Value/Increment and Notification of Prior Planned Improvements

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District is based on the market values placed on the property by the assessor in 2011 for taxes payable 2012.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2014) the amount by which the original value has increased or decreased as a result of:

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

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

The original local tax rate for the District is the local tax rate for taxes payable 2012. The ONTC and the Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 5, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. The City requests 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2014. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

The actual original local tax rate for the TIF District is 150.179%, which is the rate for taxes payable in 2012. The rate for taxes payable in 2014 is lower, as shown in the charts below, so the lower rate is used for purposes of tax increment projections in the Modification.

For the parcels in the District as certified:

Project Estimated Tax Capacity upon Completion (PTC)	**$91,003**	
Original Estimated Net Tax Capacity (ONTC)	**$28,732**	
Estimated Captured Tax Capacity (CTC)	**$62,271**	
Original Local Tax Rate	**1.38072**	Pay 2014
Estimated Annual Tax Increment (CTC x Local Tax Rate)	**$85,979**	
Percent Retained by the City	**100%**	

The cashflow estimates a 2% inflation factor over the term of the District. Tax capacities are based on estimates in the last year of the district when all development is completed.

For the parcels to be added to the District as modified:

Project Estimated Tax Capacity upon Completion (PTC)	**$284,068**	
Original Estimated Net Tax Capacity (ONTC)	**$201,601**	
Estimated Captured Tax Capacity (CTC)	**$82,467**	
Original Local Tax Rate	**1.38072**	Pay 2014
Estimated Annual Tax Increment (CTC x Local Tax Rate)	**$113,864**	
Percent Retained by the City	**100%**	

The cashflow estimates a 2% inflation factor over the term of the District. Tax capacities are based on estimates in the last year of the district when all development is completed.

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

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

Subsection 2-9. Sources of Revenue/Bonds to be Issued

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

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

SOURCES OF FUNDS	TOTAL
Tax Increment	$1,192,049
Interest	$119,205
TOTAL	**$1,311,254**

The City may issue bonds (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of $1,098,668. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

Subsection 2-10. Uses of Funds

Currently under consideration for the District is a proposal to facilitate a 93,600 square foot expansion to an existing manufacturing facility and improve stormwater infrastructure in the City. The City has determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described. The City has studied the feasibility of the development or redevelopment of property in and around the District. To facilitate the modification and development or redevelopment of the District, this TIF Plan authorizes the use of tax increment financing to pay for the cost of certain eligible expenses. The estimate of public costs and uses of funds associated with the District is outlined in the following table.

USES OF TAX INCREMENT FUNDS	TOTAL
Land/Building Acquisition	$100,000
Site Improvements/Preparation	$100,000
Utilities	$350,000
Other Qualifying Improvements	$429,463
Administrative Costs (up to 10%)	$119,205
PROJECT COST TOTAL	$1,098,668
Interest	$212,586
PROJECT AND INTEREST COSTS TOTAL	**$1,311,254**

The total project cost, including financing costs (interest) listed in the table above does not exceed the total projected tax increments for the District as shown in Subsection 2-9.

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

Subsection 2-11. Business Subsidies

Pursuant to *M.S., Section 116J.993, Subd. 3*, the following forms of financial assistance are not considered a business subsidy:

(1) A business subsidy of less than $150,000;
(2) Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
(3) Public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
(4) Redevelopment property polluted by contaminants as defined in *M.S., Section 116J.552, Subd. 3;*
(5) Assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50% of the total cost;
(6) Assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
(7) Assistance for housing;
(8) Assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under *M.S., Section 469.174, Subd. 23*;
(9) Assistance for energy conservation;
(10) Tax reductions resulting from conformity with federal tax law;
(11) Workers' compensation and unemployment compensation;

(12) Benefits derived from regulation;
(13) Indirect benefits derived from assistance to educational institutions;
(14) Funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501 (c) (3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
(15) Assistance for a collaboration between a Minnesota higher education institution and a business;
(16) Assistance for a tax increment financing soils condition district as defined under *M.S., Section 469.174, Subd. 19*;
(17) Redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
(18) General changes in tax increment financing law and other general tax law changes of a principally technical nature;
(19) Federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
(20) Funds from dock and wharf bonds issued by a seaway port authority;
(21) Business loans and loan guarantees of $150,000 or less;
(22) Federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and
(23) Property tax abatements granted under *M.S., Section 469.1813* to property that is subject to valuation under Minnesota Rules, chapter 8100.

The City will comply with *M.S., Sections 116J.993 to 116J.995* to the extent the tax increment assistance under this TIF Plan does not fall under any of the above exemptions.

Subsection 2-12. County Road Costs

Pursuant to *M.S., Section 469.175, Subd. 1a*, the county board may require the City to pay for all or part of the cost of county road improvements if the proposed development to be assisted by tax increment will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs and if the road improvements are not scheduled within the next five years under a capital improvement plan or within five years under another county plan.

If the county elects to use increments to improve county roads, it must notify the City within forty-five days of receipt of this TIF Plan. In the opinion of the City and consultants, the proposed development outlined in this TIF Plan will have little or no impact upon county roads, therefore the TIF Plan was not forwarded to the county 45 days prior to the public hearing. The City is aware that the county could claim that tax increment should be used for county roads, even after the public hearing.

Subsection 2-13. Estimated Impact on Other Taxing Jurisdictions

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

IMPACT ON TAX BASE			
	2013/Pay 2014 Total Net Tax Capacity	**Estimated Captured Tax Capacity (CTC) Upon Completion**	**Percent of CTC to Entity Total**
Freeborn County	39,535,195	144,738	**0.3661%**
City of Albert Lea	9,638,193	144,738	**1.5017%**
Albert Lea ISD No. 241	19,325,428	144,738	**0.7490%**

IMPACT ON TAX RATES				
	Pay 2014 Extension Rates	**Percent of Total**	**CTC**	**Potential Taxes**
Freeborn County	0.486530	35.24%	144,738	**70,419**
City of Albert Lea	0.620500	44.94%	144,738	**89,810**
Albert Lea ISD No. 241	0.249300	18.06%	144,738	**36,083**
Other	0.024390	1.77%	144,738	**3,530**
Total	1.380720	100.00%		**199,843**

The estimates listed above display the captured tax capacity when all construction is completed. The rate for taxes payable in 2014 is lower than the certified Pay 2012 rate, so the lower rate is used for purposes of tax impact projections in the TIF Plan modification. The total net capacity for the entities listed above are based on actual Pay 2014 figures. The parcels to be included in the District as modified will be certified under the actual Pay 2015 rates, which are unavailable at this time.

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

(1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is $1,192,049;

(2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is not expected. With any addition of new residents or businesses, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment.

The probable impact of the District on fire protection is not expected to be significant. Typically new buildings generate few calls, if any, and are of superior construction.

The impact of the District on public infrastructure, specifically storm sewer, is anticipated. Future development of the area will require expanded storm water infrastructure. It is anticipated that the tax increment generated from the commercial/industrial development in the area will pay for the expense of the expanded storm water infrastructure. The development is not expected to significantly impact any traffic movements in the area. The current infrastructure for sanitary sewer and water will be able to handle the additional volume generated from the proposed development. Based on the development plans, there are no additional costs associated with street maintenance, sweeping,

plowing, lighting and sidewalks.

The probable impact of any District general obligation tax increment bonds on the ability to issue debt for general fund purposes is expected to be minimal. It is not yet determined if the City will issue a pay-as-you-go note to the developer for the infrastructure expenses, or if the City will bear those expenses through an interfund loan or issuance of a general obligation bond and pay the obligation with tax increment. If the City issues general obligation bonds, it is anticipated that the impact on the City's ability to issue future debt would be minimal, and there would be no impact on the City's debt limit since tax increment would be pledged to pay the debt service.

(3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is $215,284;

(4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is $420,078;

(5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S. Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

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

Subsection 2-14. Supporting Documentation

Pursuant to *M.S. Section 469.175, Subd. 1 (a), clause 7* the TIF Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S. Section 469.175, Subd. 3, clause (b)(2)* and the findings are required in the resolution approving the District. Following is a list of reports and studies on file at the City that support the City's findings:

- Application for Tax Increment Financing submitted by Mrs. Gerry's dated September 9, 2014.

Subsection 2-15. Definition of Tax Increment Revenues

Pursuant to *M.S., Section 469.174, Subd. 25*, tax increment revenues derived from a tax increment financing district include all of the following potential revenue sources:

1. Taxes paid by the captured net tax capacity, but excluding any excess taxes, as computed under *M.S., Section 469.177*;
2. The proceeds from the sale or lease of property, tangible or intangible, to the extent the property was purchased by the City with tax increments;
3. Principal and interest received on loans or other advances made by the City with tax increments;
4. Interest or other investment earnings on or from tax increments;
5. Repayments or return of tax increments made to the City under agreements for districts for which the request for certification was made after August 1, 1993.

Subsection 2-16. Modifications to the District

In accordance with *M.S., Section 469.175, Subd. 4*, any:

1. Reduction or enlargement of the geographic area of the District, if the reduction does not meet the requirements of *M.S., Section 469.175, Subd. 4(e)*;
2. Increase in amount of bonded indebtedness to be incurred;
3. A determination to capitalize interest on debt if that determination was not a part of the original TIF Plan;
4. Increase in the portion of the captured net tax capacity to be retained by the City;
5. Increase in the estimate of the cost of the District, including administrative expenses, that will be paid or financed with tax increment from the District; or
6. Designation of additional property to be acquired by the City,

shall be approved upon the notice and after the discussion, public hearing and findings required for approval of the original TIF Plan.

Pursuant to *M.S., Section 469.175 Subd. 4(f)*, the geographic area of the 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. If an economic development district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of *M.S., Section 469.174, Subd. 12* must be documented in writing and retained. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcel(s) from the District and (2) (A) the current net tax capacity of the parcel(s) eliminated from the District equals or exceeds the net tax capacity of those parcel(s) in the District's original net tax capacity or (B) the City agrees that, notwithstanding *M.S., Section 469.177, Subd. 1*, the original net tax capacity will be reduced by no more than the current net tax capacity of the parcel(s) eliminated from the District.

The City must notify the County Auditor of any modification to the District. Modifications to the District in the form of a budget modification or an expansion of the boundaries will be recorded in the TIF Plan.

Subsection 2-17. Administrative Expenses

In accordance with *M.S., Section 469.174, Subd. 14*, administrative expenses means all expenditures of the City, *other than*:

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

For districts for which the request for certification were made before August 1, 1979, or after June 30, 1982, and before August 1, 2001, administrative expenses also include amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants. Pursuant to *M.S., Section*

469.176, Subd. 3, tax increment may be used to pay any **authorized and documented** administrative expenses for the District up to but not to exceed 10 percent of the total estimated tax increment expenditures authorized by the TIF Plan or the total tax increments, as defined by *M.S., Section 469.174, Subd. 25, clause (1)*, from the District, whichever is less.

For districts for which certification was requested after July 31, 2001, no tax increment may be used to pay any administrative expenses for District costs which exceed ten percent of total estimated tax increment expenditures authorized by the TIF Plan or the total tax increments, as defined in *M.S., Section 469.174, Subd. 25, clause (1)*, from the District, whichever is less.

Pursuant to *M.S., Section 469.176, Subd. 4h*, tax increments may be used to pay for the County's actual administrative expenses incurred in connection with the District and are not subject to the percentage limits of *M.S., Section 469.176, Subd. 3*. The county may require payment of those expenses by February 15 of the year following the year the expenses were incurred.

Pursuant to *M.S., Section 469. 177, Subd. 11*, the County Treasurer shall deduct an amount (currently .36 percent) of any increment distributed to the City and the County Treasurer shall pay the amount deducted to the State Commissioner of Management and Budget for deposit in the state general fund to be appropriated to the State Auditor for the cost of financial reporting of tax increment financing information and the cost of examining and auditing authorities' use of tax increment financing. This amount may be adjusted annually by the Commissioner of Revenue.

Subsection 2-18. Limitation of Increment

The tax increment pledged to the payment of bonds and interest thereon may be discharged and the District may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or redemption date.

Pursuant to *M.S., Section 469.176, Subd. 6*:

> *if, after four years from the date of certification of the original net tax capacity of the tax increment financing district pursuant to M.S., Section 469.177, no demolition, rehabilitation or renovation of property or other site preparation, including qualified improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel and the original net tax capacity of that parcel shall be excluded from the original net tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation or renovation or other site preparation on that parcel including qualified improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district. For purposes of this subdivision, qualified improvements of a street are limited to (1) construction or opening of a new street, (2) relocation of a street,*

and (3) substantial reconstruction or rebuilding of an existing street.

The City or a property owner must improve parcels within the District by approximately April 2016 and report such actions to the County Auditor.

Subsection 2-19. Use of Tax Increment

The City hereby determines that it will use 100 percent of the captured net tax capacity of taxable property located in the District for the following purposes:

1. To pay the principal of and interest on bonds issued to finance a project;
2. to finance, or otherwise pay the capital and administration costs of Development District No. 5 pursuant to *M.S., Sections 469.124 to 469.133*;
3. To pay for project costs as identified in the budget set forth in the TIF Plan;
4. To finance, or otherwise pay for other purposes as provided in *M.S., Section 469.176, Subd. 4*;
5. To pay principal and interest on any loans, advances or other payments made to or on behalf of the City or for the benefit of Development District No. 5 by a developer;
6. To finance or otherwise pay premiums and other costs for insurance or other security guaranteeing the payment when due of principal of and interest on bonds pursuant to the TIF Plan or pursuant to *M.S., Chapter 462C. M.S., Sections 469.152 through 469.165*, and/or *M.S., Sections 469.178*; and
7. To accumulate or maintain a reserve securing the payment when due of the principal and interest on the tax increment bonds or bonds issued pursuant to *M.S., Chapter 462C, M.S., Sections 469.152 through 469.165*, and/or *M.S., Sections 469.178*.

These revenues shall not be used to circumvent any levy limitations applicable to the City nor for other purposes prohibited by *M.S., Section 469.176, Subd. 4.*

Tax increments generated in the District will be paid by Freeborn County to the City for the Tax Increment Fund of said District. The City will pay to the developer(s) annually an amount not to exceed an amount as specified in a developer's agreement to reimburse the costs of land acquisition, public improvements, demolition and relocation, site preparation, and administration. Remaining increment funds will be used for City administration (up to 10 percent) and for the costs of public improvement activities outside the District.

Subsection 2-20. Excess Increments

Excess increments, as defined in *M.S., Section 469.176, Subd. 2*, shall be used only to do one or more of the following:

1. Prepay any outstanding bonds;
2. Discharge the pledge of tax increment for any outstanding bonds;
3. Pay into an escrow account dedicated to the payment of any outstanding bonds; or
4. Return the excess to the County Auditor for redistribution to the respective taxing jurisdictions in proportion to their local tax rates.

The City must spend or return the excess increments under paragraph (c) within nine months after the end of the year. In addition, the City may, subject to the limitations set forth herein, choose to modify the TIF Plan in order to finance additional public costs in Development District No. 5 or the District.

Subsection 2-21. Requirements for Agreements with the Developer

The City will review any proposal for private development to determine its conformance with the

Development Program and with applicable municipal ordinances and codes. To facilitate this effort, the following documents may be requested for review and approval: site plan, construction, mechanical, and electrical system drawings, landscaping plan, grading and storm drainage plan, signage system plan, and any other drawings or narrative deemed necessary by the City to demonstrate the conformance of the development with City plans and ordinances. The City may also use the Agreements to address other issues related to the development.

Pursuant to *M.S., Section 469.176, Subd. 5*, no more than 10 percent, by acreage, of the property to be acquired in the District as set forth in the TIF Plan shall at any time be owned by the City as a result of acquisition with the proceeds of bonds issued pursuant to *M.S., Section 469.178* to which tax increments from property acquired is pledged, unless prior to acquisition in excess of 10 percent of the acreage, the City concluded an agreement for the development of the property acquired and which provides recourse for the City should the development not be completed.

Subsection 2-22. Assessment Agreements

Pursuant to *M.S., Section 469.177, Subd. 8*, the City may enter into a written assessment agreement in recordable form with the developer of property within the District which establishes a minimum market value of the land and completed improvements for the duration of the District. The assessment agreement shall be presented to the County Assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land upon which the improvements are to be constructed and, so long as the minimum market value contained in the assessment agreement appears, in the judgment of the assessor, to be a reasonable estimate, the County Assessor shall also certify the minimum market value agreement.

Subsection 2-23. Administration of the District

Administration of the District will be handled by the Finance Director.

Subsection 2-24. Annual Disclosure Requirements

Pursuant to *M.S., Section 469.175, Subds. 5, 6, and 6b* the City must undertake financial reporting for all tax increment financing districts to the Office of the State Auditor, County Board and County Auditor on or before August 1 of each year. *M.S., Section 469.175, Subd. 5* also provides that an annual statement shall be published in a newspaper of general circulation in the City on or before August 15.

If the City fails to make a disclosure or submit a report containing the information required by *M.S., Section 469.175 Subd. 5 and Subd. 6,* the OSA will direct the County Auditor to withhold the distribution of tax increment from the District.

Subsection 2-25. Reasonable Expectations

As required by the TIF Act, in establishing the District, the determination has been made that the anticipated development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the TIF Plan. In making said determination, reliance has been placed upon written representation made by the developer to such effects and upon City staff awareness of the feasibility of developing the project site(s) within the District. A comparative analysis

of estimated market values both with and without establishment of the District and the use of tax increments has been performed as described above. Such analysis is included with the cashflow in Appendix D, and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the District and the use of tax increments.

Subsection 2-26. Other Limitations on the Use of Tax Increment

1. General Limitations. All revenue derived from tax increment shall be used in accordance with the TIF Plan. The revenues shall be used to finance, or otherwise pay the capital and administration costs of Development District No. 5 pursuant to *M.S., Sections 469.124 to 469.133*. Tax increments may not be used to circumvent existing levy limit law. No tax increment may be used for 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. This provision does not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure.

2. Pooling Limitations. At least 80 percent of tax increments from the District must be expended on activities in the District or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities within said district or to pay, or secure payment of, debt service on credit enhanced bonds. Not more than 20 percent of said tax increments may be expended, through a development fund or otherwise, on activities outside of the District except to pay, or secure payment of, debt service on credit enhanced bonds. For purposes of applying this restriction, all administrative expenses must be treated as if they were solely for activities outside of the District.

3. Five Year Limitation on Commitment of Tax Increments. Tax increments derived from the District shall be deemed to have satisfied the 80 percent test set forth in paragraph (2) above only if the five year rule set forth in *M.S., Section 469.1763, Subd. 3*, has been satisfied; and beginning with the sixth year following certification of the District, 80 percent of said tax increments that remain after expenditures permitted under said five year rule must be used only to pay previously committed expenditures or credit enhanced bonds as more fully set forth in *M.S., Section 469.1763, Subd. 5*.

Subsection 2-27. Summary

The City of Albert Lea is modifying the District to preserve and enhance the tax base, and provide employment opportunities in the City. The TIF Plan for the District was prepared by Ehlers & Associates, Inc., 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, telephone (651) 697-8500.

Appendix A

Project Description

Tax Increment Financing District No. 5-22 is being modified to increase the boundaries and the budget and to provide for assistance to a proposed expansion by Mrs. Gerry's, located in the City of Albert Lea. The TIF District was established on April 9, 2012.

Mrs. Gerry's is a manufacturer of perishable salads and side dishes. The business is proposing a 93,600 SF expansion to facilitate growth in the mashed potato and side dish business. It is anticipated that the expansion will result in the creation of 20 jobs and increased production from the facility.

Expanded storm water infrastructure is needed for expansion and future development in the Northaire Industrial Park. Tax increment will be used to assist with the expense of the additional storm water infrastructure and site development for Mrs. Gerry's.

Construction is anticipated to begin in the fall of 2014 and be completed by September 2015.

It has not been determined if the City will issue a pay-as-you-go note to the developer for the infrastructure and site improvements or if the City will finance the storm water expansion with a general obligation bond or interfund loan to be reimbursed with tax increment.

Appendix B

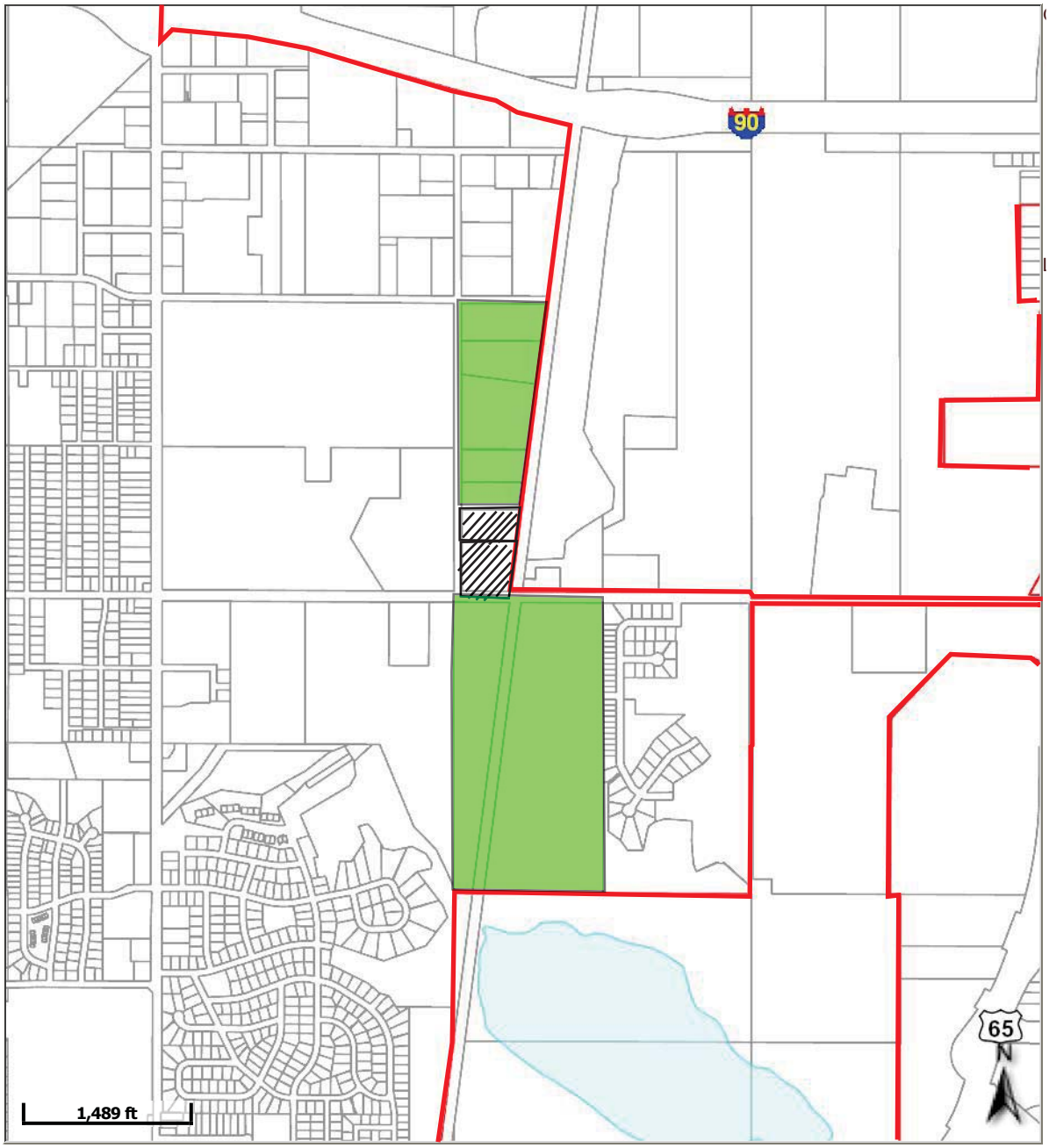
Map of Development District No. 5 and the District

Tax Increment Financing District No. 5-22

Development District No. 5

City of Albert Lea

Freeborn County, MN



Original Parcels in the District

Parcels to be Added to the District

City Boundaries

Appendix C

Description of Property to be Included in the District

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

Parcels in the District as Certified:

Parcel Numbers	Address	Owner
34.278.0010	2110 Y H Hanson Ave	Vogt
34.278.0020	Vogt	

Parcels to be added to the District as modified:

Parcel Numbers	Address	Owner
34.318.0020	1650 Hammer Rd	Schlede
34.278.0030		Vogt
34.318.0030		Blumer
34.278.0040	2200 Y H Hanson Ave	Mcb Properties Ltd Ptshp
34.278.0070		Hormel
34.278.0080	2410 Y H Hanson Ave	Hormel

Appendix D

Estimated Cash Flow for the District

EHLERS
LEADERS IN PUBLIC FINANCE

TIF District No. 5-22: Mrs. Gerry's - No Inflation

City of Albert Lea, MN

Development of Mrs. Gerry's, as certified on April 26, 2012

ASSUMPTIONS AND RATES

DistrictType:	**Economic Development**	
District Name/Number:	**TIF 5-22**	
County District #:	**N/A**	
First Year Construction or Inflation on Value	**2013**	
Existing District - Specify No. Years Remaining	**8**	
Inflation Rate - Every Year:	**2.00%**	
Interest Rate:	**5.00%**	
Present Value Date:	**1-Aug-13**	
First Period Ending	1-Feb-14	
Tax Year District was Certified:	**Pay 2012**	
Cashflow Assumes First Tax Increment For Development:	2014	
Years of Tax Increment	9	
Assumes Last Year of Tax Increment	2022	
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	**NA**	
Incremental or Total Fiscal Disparities	**NA**	
Fiscal Disparities Contribution Ratio	**NA**	
Fiscal Disparities Metro-Wide Tax Rate	**NA**	
Maximum/Frozen Local Tax Rate:	150.179%	Pay 2012
Current Local Tax Rate: (Use lesser of Current or Max.)	138.072%	Pay 2014
State-wide Tax Rate (Comm./Ind. only used for total taxes)	52.1600%	Pay 2014
Market Value Tax Rate (Used for total taxes)	0.24802%	Pay 2014

Tax Rates

Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First	$150,000	1.50%
Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		
First	$100,000	0.75%
Over	$100,000	0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		
First	$500,000	1.00%
Over	$500,000	1.25%
Homestead Residental Class Rate (Hmstd. Res.)		
First	$500,000	1.00%
Over	$500,000	1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/ Phase
	34.278.0010					1,412,200	100%	1,412,200	Pay 2012	C/I Pref.	27,494	C/I Pref.	27,494	
	34.278.0020					61,900	100%	61,900	Pay 2012	C/I	1,238	C/I	1,238	
				0	0	1,474,100		**1,474,100**			**28,732**		**28,732**	

Note:

1. Base values are based upon review of County Certificatin of the TIF District dated April 26, 2012.

EHLERS
LEADERS IN PUBLIC FINANCE

TIF District No. 5-22: Mrs. Gerry's - No Inflation

City of Albert Lea, MN

Development of Mrs. Gerry's, as certified on April 26, 2012

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2013	Percentage Completed 2014	Percentage Completed 2015	Percentage Completed 2016	First Year Full Taxes Payable
	Manufacturing		-		3,921,000	C/I Pref.	77,670	#DIV/0!	100%	100%	100%	100%	2015
TOTAL					3,921,000		77,670						
Subtotal Residential				0	0		0						
Subtotal Commercial/Ind.				0	3,921,000		77,670						

Note:

1. Market values are based upon review of Freeborn County website for Pay 2014 market values.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Manufacturing	77,670	0	77,670	107,241	0	40,513	9,725	157,478	#DIV/0!
TOTAL	77,670	0	77,670	107,241	0	40,513	9,725	157,478	

Note:

1. Taxes and tax increment will vary signficantly from year to year depending upon values, rates, state law, fiscal disparities and other factors which cannot be predicted.
2. FOR ECONOMIC DEVELOPMENT DISTRICT USE THIS NOTE, OTHERWISE DELETE AS APPROPRIATE. If tax increment in received in ____,then the district will be one year shorter.

WHAT IS EXCLUDED FROM TIF?

Total Property Taxes	157,478
less State-wide Taxes	(40,513)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(9,725)
less Base Value Taxes	(39,671)
Annual Gross TIF	67,570

MARKET VALUE BUT / FOR ANALYSIS

Current Market Value - Est.	1,474,100
New Market Value - Est.	3,921,000
Difference	2,446,900
Present Value of Tax Increment	530,778
Difference	1,916,122
Value likely to occur without Tax Increment is less than:	1,916,122

EHLERS
LEADERS IN PUBLIC FINANCE

TIF District No. 5-22: Mrs. Gerry's - No Inflation
City of Albert Lea, MN
Development of Mrs. Gerry's, as certified on April 26, 2012

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities NA	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
							-	-	-	-				02/01/14
100%	77,670	(28,732)	-	48,938	138.072%	67,570	33,785	(122)	(3,366)	30,297	28,837	0.5	2014	08/01/14
							33,785	(122)	(3,366)	30,297	56,971	1	2014	02/01/15
100%	79,223	(28,732)	-	50,491	138.072%	69,714	34,857	(125)	(3,473)	31,259	85,289	1.5	2015	08/01/15
							34,857	(125)	(3,473)	31,259	112,917	2	2015	02/01/16
100%	80,808	(28,732)	-	52,076	138.072%	71,902	35,951	(129)	(3,582)	32,240	140,717	2.5	2016	08/01/16
							35,951	(129)	(3,582)	32,240	167,839	3	2016	02/01/17
100%	82,424	(28,732)	-	53,692	138.072%	74,134	37,067	(133)	(3,693)	33,240	195,121	3.5	2017	08/01/17
							37,067	(133)	(3,693)	33,240	221,737	4	2017	02/01/18
100%	84,073	(28,732)	-	55,341	138.072%	76,410	38,205	(138)	(3,807)	34,261	248,502	4.5	2018	08/01/18
							38,205	(138)	(3,807)	34,261	274,613	5	2018	02/01/19
100%	85,754	(28,732)	-	57,022	138.072%	78,731	39,366	(142)	(3,922)	35,302	300,862	5.5	2019	08/01/19
							39,366	(142)	(3,922)	35,302	326,470	6	2019	02/01/20
100%	87,469	(28,732)	-	58,737	138.072%	81,099	40,550	(146)	(4,040)	36,363	352,206	6.5	2020	08/01/20
							40,550	(146)	(4,040)	36,363	377,313	7	2020	02/01/21
100%	89,218	(28,732)	-	60,486	138.072%	83,515	41,757	(150)	(4,161)	37,446	402,538	7.5	2021	08/01/21
							41,757	(150)	(4,161)	37,446	427,148	8	2021	02/01/22
100%	91,003	(28,732)	-	62,271	138.072%	85,979	42,989	(155)	(4,283)	38,551	451,865	8.5	2022	08/01/22
							42,989	(155)	(4,283)	38,551	475,980	9	2022	02/01/23
	Total						**689,054**	**(2,481)**	**(68,657)**	**617,916**				
		Present Value From	**08/01/2013**	**Present Value Rate**	**5.00%**		**530,778**	**(1,911)**	**(52,887)**	**475,980**				

TIF District No. 5-22: Mrs. Gerry's - No Inflation

City of Albert Lea, MN

Expansion of Mrs. Gerry's: 93,600 SF addition to manufacturing facility and storm water infrastructure for future development

ASSUMPTIONS AND RATES

DistrictType:	**Economic Development**	
District Name/Number:	**TIF 5-22**	
County District #:	**N/A**	
First Year Construction or Inflation on Value	**2014**	
Existing District - Specify No. Years Remaining	**7**	
Inflation Rate - Every Year:	**2.00%**	
Interest Rate:	**3.00%**	
Present Value Date:	**1-Feb-15**	
First Period Ending	1-Aug-15	
Tax Year District was Certified:	**Pay 2014**	
Cashflow Assumes First Tax Increment For Development:	2016	
Years of Tax Increment	7	
Assumes Last Year of Tax Increment	2022	
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	**NA**	
Incremental or Total Fiscal Disparities	**NA**	
Fiscal Disparities Contribution Ratio	**NA**	
Fiscal Disparities Metro-Wide Tax Rate	**NA**	
Maximum/Frozen Local Tax Rate:	138.072%	Pay 2014
Current Local Tax Rate: (Use lesser of Current or Max.)	138.072%	Pay 2014
State-wide Tax Rate (Comm./Ind. only used for total taxes)	52.1600%	Pay 2014
Market Value Tax Rate (Used for total taxes)	0.24802%	Pay 2014

Tax Rates

Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First	$150,000	1.50%
Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		
First	$100,000	0.75%
Over	$100,000	0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		
First	$500,000	1.00%
Over	$500,000	1.25%
Homestead Residental Class Rate (Hmstd. Res.)		
First	$500,000	1.00%
Over	$500,000	1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/ Phase
Gerry's	34.278.0030	Vogt Trust		78,800	0	78,800	100%	78,800	Pay 2014	C/I Pref.	1,182	C/I Pref.	1,182	
storm	34.318.0030	Blumer Trust		98,600	0	98,600	100%	98,600	Pay 2014	Ag Non-Homestead	986	Exempt	-	
storm	34.318.0030	Blumer Trust		98,600	0	98,600	100%	98,600	Pay 2014	C/I Pref.	1,479	C/I Pref.	1,479	
Ind.	34.278.0040	MCB		413,500	5,027,300	5,440,800	100%	5,440,800	Pay 2014	C/I Pref.	108,066	C/I Pref.	108,066	
Ind.	34.278.0070	Hormel		137,300	0	137,300	100%	137,300	Pay 2014	C/I Pref.	2,060	C/I Pref.	2,060	
Ind.	34.278.0080	Hormel		229,500	3,604,400	3,833,900	100%	3,833,900	Pay 2014	C/I Pref.	75,928	C/I Pref.	75,928	
	34.318.0020	Schlede		309,500	372,300	681,800	100%	681,800	Pay 2014	Ag Non-Homestead	6,818	C/I Pref.	12,886	
				1,365,800	9,004,000	10,369,800		**10,369,800**			**196,519**		**201,601**	

Note:

1. **Base values are based upon review of County website on Sept. 23, 2014.**

EHLERS
LEADERS IN PUBLIC FINANCE

TIF District No. 5-22: Mrs. Gerry's - No Inflation

City of Albert Lea, MN

Expansion of Mrs. Gerry's: 93,600 SF addition to manufacturing facility and storm water infrastructure for future development

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2014	Percentage Completed 2015	Percentage Completed 2016	Percentage Completed 2017	First Year Full Taxes Payable
	Mrs. Gerry's	14	14	93,600	1,315,300	C/I Pref.	25,556	50%	100%	100%	100%	2017
	Stormwater		-		49,300	Exempt	0	0%	0%	100%	100%	2018
	Industrial		-		1,500,000	C/I Pref.	29,250	0%	0%	0%	100%	2019
	MCB		-		5,440,800	C/I Pref.	108,066	100%	100%	100%	100%	2016
	Hormel		-		3,971,200	C/I Pref.	78,674	100%	100%	100%	100%	2016
	Industrial		-		681,800	C/I Pref.	12,886	100%	100%	100%	100%	2016
TOTAL					**12,958,400**		**254,432**					
Subtotal Residential				**0**	**49,300**		**0**					
Subtotal Commercial/Ind.				**93,600**	**12,909,100**		**254,432**					

Note:

1. Market values are based upon estimates from County Assessor dated 9/22/2014.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Mrs. Gerry's	**25,556**	**0**	**25,556**	**35,286**	**0**	**13,330**	**3,262**	**51,878**	**0.55**
Stormwater	**0**	**0**	**0**	**0**	**0**	**0**	**122**	**122**	**#DIV/0!**
Industrial	**29,250**	**0**	**29,250**	**40,386**	**0**	**15,257**	**3,720**	**59,363**	**#DIV/0!**
MCB	**108,066**	**0**	**108,066**	**149,209**	**0**	**56,367**	**13,494**	**219,070**	**#DIV/0!**
Hormel	**78,674**	**0**	**78,674**	**108,627**	**0**	**41,036**	**9,849**	**159,512**	**#DIV/0!**
Industrial	**12,886**	**0**	**12,886**	**17,792**	**0**	**6,721**	**1,691**	**26,204**	**#DIV/0!**
TOTAL	**254,432**	**0**	**254,432**	**351,299**	**0**	**132,712**	**32,139**	**516,151**	

Note:

1. Taxes and tax increment will vary signficantly from year to year depending upon values, rates, state law, fiscal disparities and other factors which cannot be predicted.

2. First increment was received in 2014. District will decertify in 2022.

WHAT IS EXCLUDED FROM TIF?

Total Property Taxes	**516,151**
less State-wide Taxes	**(132,712)**
less Fiscal Disp. Adj.	**0**
less Market Value Taxes	**(32,139)**
less Base Value Taxes	**(278,354)**
Annual Gross TIF	**72,946**

MARKET VALUE BUT / FOR ANALYSIS

Current Market Value - Est.	10,369,800
New Market Value - Est.	12,958,400
Difference	2,588,600
Present Value of Tax Increment	428,518
Difference	2,160,082
Value likely to occur without Tax Increment is less than:	**2,160,082**

EHLERS
LEADERS IN PUBLIC FINANCE

TIF District No. 5-22: Mrs. Gerry's - No Inflation
City of Albert Lea, MN
Expansion of Mrs. Gerry's: 93,600 SF addition to manufacturing facility and storm water infrastructure for future development

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities NA	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
							-	-	-	-				08/01/15
							-	-	-	-				02/01/16
100%	212,404	(201,601)	-	10,804	138.072%	14,917	7,458	(27)	(743)	6,688	6,396	0.5	2016	08/01/16
							7,458	(27)	(743)	6,688	12,698	1	2016	02/01/17
100%	229,175	(201,601)	-	27,574	138.072%	38,072	19,036	(69)	(1,897)	17,071	28,544	1.5	2017	08/01/17
							19,036	(69)	(1,897)	17,071	44,156	2	2017	02/01/18
100%	233,758	(201,601)	-	32,158	138.072%	44,401	22,200	(80)	(2,212)	19,908	62,094	2.5	2018	08/01/18
							22,200	(80)	(2,212)	19,908	79,766	3	2018	02/01/19
100%	267,683	(201,601)	-	66,083	138.072%	91,242	45,621	(164)	(4,546)	40,911	115,547	3.5	2019	08/01/19
							45,621	(164)	(4,546)	40,911	150,798	4	2019	02/01/20
100%	273,037	(201,601)	-	71,436	138.072%	98,634	49,317	(178)	(4,914)	44,225	188,343	4.5	2020	08/01/20
							49,317	(178)	(4,914)	44,225	225,332	5	2020	02/01/21
100%	278,498	(201,601)	-	76,897	138.072%	106,173	53,087	(191)	(5,290)	47,606	264,561	5.5	2021	08/01/21
							53,087	(191)	(5,290)	47,606	303,210	6	2021	02/01/22
100%	284,068	(201,601)	-	82,467	138.072%	113,864	56,932	(205)	(5,673)	51,054	344,046	6.5	2022	08/01/22
							56,932	(205)	(5,673)	51,054	384,278	7	2022	02/01/23
	Total						**507,302**	**(1,826)**	**(50,548)**	**454,928**				
		Present Value From	**02/01/2015**	**Present Value Rate**	**3.00%**		**428,518**	**(1,543)**	**(42,698)**	**384,278**				

Appendix E

Minnesota Business Assistance Form
(Minnesota Department of Employment and Economic Development)

A Minnesota Business Assistance Form (MBAF) should be used to report and/or update each calendar year's activity by April 1 of the following year.

Please see the Minnesota Department of Employment and Economic Development (DEED) website at http://www.deed.state.mn.us/Community/subsidies/MBAFForm.htm for information and forms.

Appendix F

Findings Including But/For Qualifications

To be added prior to the public hearing

But-For Analysis for the Modification	
Current Market Value	10,369,800
New Market Value - Estimate	12,958,400
Difference	2,588,600
Present Value of Tax Increment	428,518
Difference	2,160,082
Value Likely to Occur Without TIF is Less Than:	**2,160,082**

Appendix G

Original TIF Plan as Established

TAX INCREMENT FINANCING DISTRICT NO. 5-22
(Mrs. Gerry's Kitchen, Inc. Expansion Project)

ALBERT LEA, MINNESOTA

April 9, 2012

Prepared by
Advance Resources for Development, Inc.
201 N. Broad St. Suite 310
Mankato, MN 56001-3569

TABLE OF CONTENTS

	Page
INTRODUCTION	1
OVERVIEW	1
DEFINITIONS	1
PURPOSE OF TAX INCREMENT FINANCING PLAN	2
TAX INCREMENT FINANCING PLAN	3
RELATIONSHIP OF TIF DISTRICT TO DEVELOPMENT DISTRICT	3
DESCRIPTION OF DEVELOPMENT PROPOSAL	3
PARCELS INCLUDED IN DISTRICT	3
BOUNDARY DESCRIPTION OF DISTRICT	3
FINDINGS	3
STATEMENT OF OBJECTIVES FOR DEVELOPMENT DISTRICT NO. 5	5
DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 5	7
TAX INCREMENT DISTRICT DEVELOPMENT ACTIVITIES	7
PROCEDURE FOR MODIFYING APPROVED TAX INCREMENT PLAN	7
RELOCATION POLICY	7
PROPERTY ACQUISITION AND DISPOSITION	7
NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS	8
METHOD OF FINANCE	8
FINANCIAL PLAN	8
ESTIMATE OF PUBLIC COST	8
ESTIMATE OF MARKET VALUE AND TAX INCREMENT	8
FINANCING ASSUMPTIONS	9
SOURCES OF REVENUE	10
LIMITATION ON USE OF TAX INCREMENT	10
TIF BUSINESS SUBSIDY	10
IMPACT OF THE USE OF TAX INCREMENT ON TAXING JURISDICTIONS	11
NOTICES, RESOLUTIONS, TRANSMITTALS AND CERTIFICATIONS	Follows Page 12

1. FEBRUARY 27, 2012 RESOLUTION OF THE CITY COUNCIL CALLING FOR A PUBLIC HEARING ON TAX INCREMENT FINANCING DISTRICT NO. 5-22

2. MARCH 9, 2012 TRANSMITTAL OF FISCAL AND ECONOMIC INFORMATION AND TAX INCREMENT PLAN TO CLERK OF SCHOOL DISTRICT NO. 241

3. MARCH 9, 2012 TRANSMITTAL OF FISCAL AND ECONOMIC INFORMATION AND TAX INCREMENT PLAN TO FREEBORN COUNTY AUDITOR

4. MARCH 30, 2012 NOTICE OF A PUBLIC HEARING AND AFFIDAVIT OF PUBLICATION FOR APRIL 9, 2012, PUBLIC HEARING

5. APRIL 9, 2012 RESOLUTION OF THE CITY COUNCIL APPROVING AND ADOPTING TAX INCREMENT FINANCING DISTRICT NO. 5-22

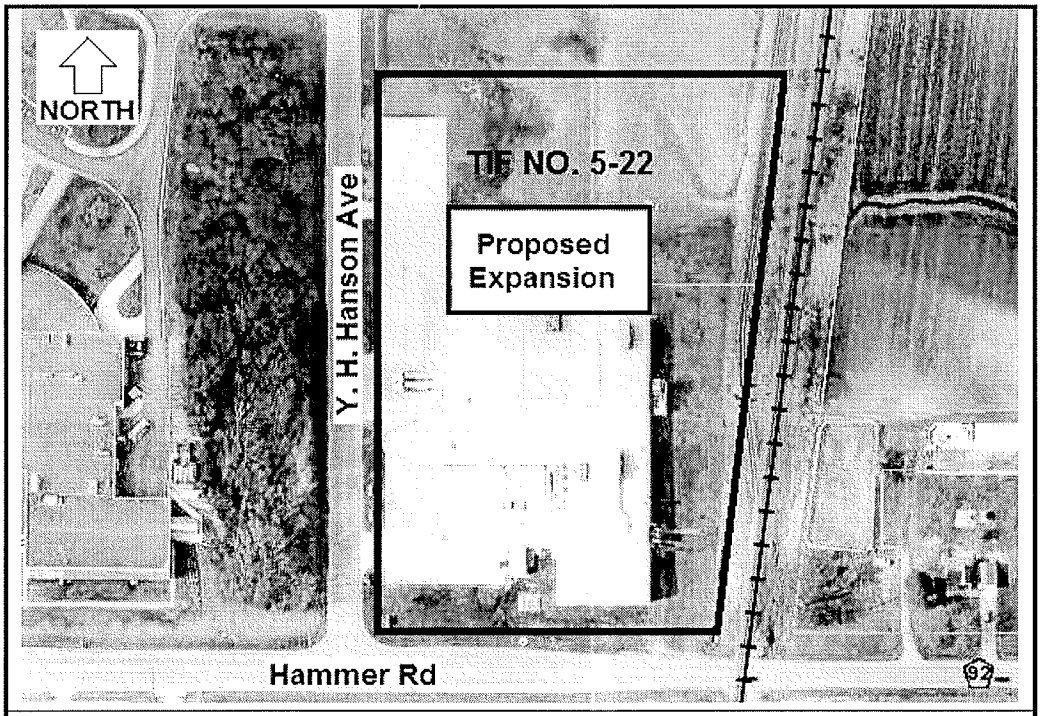
6. APRIL 26, 2012 REQUEST FOR CERTIFICATION OF TAX INCREMENT FINANCING DISTRICT NO. 5-22

7. APRIL 26, 2012 CERTIFICATION OF ORIGINAL TAX CAPACITY AND ORIGINAL LOCAL TAX RATE FOR TAX INCREMENT FINANCING DISTRICT NO. 5-22

INTRODUCTION

OVERVIEW

The City has received a request from Mrs. Gerry's Kitchen, Inc. (the Company) to expand its operations on Lots 1 and 2, Block 1, Albert Lea Industrial Park North (refer to map below). Mrs. Gerry's Kitchen, Inc. is a Minnesota based company. Mrs. Gerry's Kitchen, Inc. started business on December 4, 1973, in Albert Lea, Minnesota. It initially occupied an 1,100-ft.^{2} building and housed production of 70,000 pounds in its first year. Today, the Company has progressed through production additions, plant expansions, and sales coverage area to place the Company as a leading manufacturer of salads through the Upper Midwest. The Company's production facility now occupies 85,000-ft.^{2}. The Company's offerings total over 100 and cover a range of categories including salads, entrees, dips, desserts and mashed potatoes. The Company's distribution includes a 17-state area, utilizing a direct sales force to assure proper customer service and satisfaction. The Company proposes to expand its Albert Lea operations by constructing a 36,400-ft.^{2} plant expansion.



TAX INCREMENT FINANCING DISTRICT NO. 5-22
Mrs. Gerry's Kitchen, Inc. Expansion Project

DEFINITIONS

For the purpose of this Tax Increment Financing Plan, the following terms shall have the meanings specified below, unless the context otherwise requires.

"City" means the City of Albert Lea, Minnesota.

"Council" means the City Council of Albert Lea, Minnesota.

"County" means the County of Freeborn, State of Minnesota.

"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; or

(2) it will result in increased employment in the state; or

(3) it will result in preservation and enhancement of the tax base of the state.

"Project" means development district as defined in Minnesota Statutes, section 469.125, subdivision 9.

"Tax Increment Financing District No. 5-22" or "District" means a contiguous or noncontiguous geographic area within a project delineated in the tax increment financing plan, as provided by Minnesota Statutes, section 469.175, subdivision 1, for the purpose of financing redevelopment, housing or economic development in municipalities through the use of tax increment generated from the captured net tax capacity in the tax increment financing district.

"Tax Increment Financing Plan" or "Plan" means the plan for Tax Increment Financing District No. 5-22 prepared pursuant to the provisions of Minnesota Statutes, sections 469.174 to 469.179, which provides a statement of objectives, the development program, development activities, project timing, budget estimates, estimated impact on affected taxing jurisdictions, identification of studies or analysis used to determine need for financing and identification of parcels to be included in the District.

PURPOSE OF TAX INCREMENT FINANCING PLAN

The District is established pursuant to Minnesota Statutes, Chapter 469, in order to give the City Council the authority to use tax increment financing as a funding source. Under Chapter 469, a tax increment district must be established as a housing district, a redevelopment district, a renewal and renovation district, a soils condition district or an economic development district. This area qualifies as an "economic development" district, pursuant to Minnesota Statutes, section 469.174, subdivision 12; consequently, it will have duration of eight years from the date of receipt by the authority of the first tax increment.

Formation of the District improves the quality of life in the community by financing eligible Project costs, which results in job retention/creation and enhancement of the tax base. In order to accomplish this development, the City Council proposes to create Tax Increment Financing District No. 5-22.

TAX INCREMENT FINANCING PLAN

RELATIONSHIP OF TAX INCREMENT DISTRICT TO DEVELOPMENT DISTRICT

Development District No. 5 was formed in order to promote development and redevelopment of certain property, secure additional residential, commercial and industrial development opportunities, increase property subject to taxation, provide public improvements to development properties, and designate methods for the financing of activities in the Development District.

Development District law authorizes the use of tax increment funds to pay for these Project activities and improvements. When using tax increment funds, it is necessary to establish a tax increment financing district according to Minnesota Statutes, sections 469.174 to 469.179, inclusive. Approval of this Plan results in the formation of Tax Increment Financing District No. 5-22, the purpose of which is to finance the development activities authorized by the creation of Development District No. 5.

DESCRIPTION OF DEVELOPMENT PROPOSAL

Currently, the Company is planning an approximate 36,400-ft.^{2} plant expansion to accommodate its growing business. The City's use of tax increment financing will be provided via the "pay-as-you-go" method of reimbursing eligible project costs. Under the "pay-as-you-go" program, the Company pays certain qualified costs such as property acquisition, building rehabilitation, site work, sewer, water, roads, sidewalks and landscaping. These costs are then reimbursed to the Company on a yearly basis in an amount not to exceed an agreed upon percentage of the tax increment collected from the District. This "buy down" will occur over the life of the District or until all agreed upon costs have been reimbursed. The intent of this method is to apply all the savings from the "pay-as-you-go" tax increment financing to reduce the project cost.

PARCELS INCLUDED IN DISTRICT

The following parcels are located in the District: R 34.278.0010 and R 34.278.0020.

BOUNDARY DESCRIPTION OF DISTRICT

The following property is included in the District: Lots 1 and 2, Block 1, Albert Lea Industrial Park North.

FINDINGS

Minnesota Statues, section 469.175, subdivision 3, requires that prior to municipality approval of a tax increment financing plan the statutory findings of Minnesota Statutes, section 469.175, subdivision 3, must be made and the reasons for those findings must be set forth in writing along with supporting facts for each determination. The findings and supporting facts for the District are as follows:

1. FINDING. That the proposed tax increment financing district is an economic development district.

SUPPORTING FACTS. Minnesota Statutes, Chapter 469, provides for four types of districts -- a redevelopment district, renewal and renovation district, a housing district and an economic development district--

each serving a well-defined need and each having different qualifying standards. Tax Increment Financing District No. 5-22 qualifies as an "Economic Development District". Minnesota Statutes, section 469.174, subdivision 12, defines "Economic Development District". This definition is also set forth on page 2 of this Plan.

The District qualifies as an "Economic Development District" pursuant to the above statute because project activities will result in increased employment and preservation and enhancement of the tax base of the state. Upon inclusion in the District, Mrs. Gerry's Kitchen, Inc. will construct 36,400-ft.^{2} plant expansion in the District, which will increase the tax base and create additional jobs.

2. FINDING. That, in the opinion of the City:

(i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and

(ii) 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 this Plan.

SUPPORTING FACTS. *The proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.* The financing for the plant expansion will be made available through Company equity and debt. The Company will be reimbursed for all or a portion of its cost, for site improvements, via pay-as-you-go tax increment financing. The City supports this finding based on the facts that the costs to build, equip and operate the proposed facility are not financially viable without public financial assistance. To address the situation the City authorizes tax increment financing as its component of the project's financing package. Development proposed in this Plan meets City objectives for development in the Project area. Accordingly, the City is supportive of the Company's project and request for tax increment financing. Tax increment financing is an essential component of the project's financing package, which improves community economic development by combining public and private resources to reduce project costs. The development is only feasible through assistance, in part, from tax increment financing.

Furthermore, 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 this Plan. A comparative analysis, of estimated market values both with and without District formation and the use of tax increments, has been performed as described above. If all development proposed to be assisted with tax increment were to occur in the District, the total increased market value would be up to $745,946. The estimated present value of tax increments from the District is $150,542. It is the City's finding that no development with a market value of greater than $595,404 would occur without tax increment assistance in the District within eight years (refer to Table 1 on page 9). This finding is based upon evidence from general past experience that industry is hampered in its efforts to secure sufficient conventional bank financing, and that in order to move forward, funding sources in the form of subordinated financing must be secured. The City Council believes this project qualifies for a public/private financing package and the use of tax increment financing and is prepared to commit this resource to it.

3. FINDING. That the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

SUPPORTING FACTS. The tax increment financing plan conforms to the general plan of the City of Albert Lea for the following reasons:

A. The City supports the project because it retains employment and strengthens the tax base through planned development within the District.

B. The project conforms to the City's comprehensive plan and zoning ordinance.

4. FINDING. That the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

SUPPORTING FACTS. The City of Albert Lea, in approving Development District No. 5, has prepared a blueprint for the development and redevelopment of the community. The Project plan encourages cooperation with private enterprise. Information contained in the Project report along with other City plans and reports has been used in the preparation of this Plan. Based upon the objective of cooperation and upon the guidance provided by City plans and ordinances, the City has determined Project costs that will be paid for by tax increment revenues. As the Financial Plan contained on pages 8 through 12 of this Plan indicates, the City intends to concentrate the use of tax increment revenue on those improvements, which would not reasonably be expected to occur solely through private action or are not affordable by private enterprise. Private enterprise will be responsible for repayment of the vast majority of the expenses and activities normally associated with land development.

STATEMENT OF OBJECTIVES FOR DEVELOPMENT DISTRICT NO. 5

The City Council of Albert Lea, Minnesota, determines that it is necessary, desirable, and in the public interest to establish, designate, develop, and administer a development district in the City pursuant to the provisions of Minnesota Statues, section 469.124 to 469.134, inclusive. The City Council further determines that the funding of the necessary activities and improvements in the Development District may be financed through tax increment financing, as well as other appropriate sources. Prior to involving itself in financing Project activities or a development, the City Council shall determine financial feasibility of the Project or development. Any public or private activity when funded by the City shall demonstrate the need for such financing and how said financing is going to be repaid if it is a loan. In the case of a grant or tax increment financing, the benefits to the community, such as job opportunities, housing opportunities, increased tax base or removal of blighting conditions, shall be demonstrated.

The City Council seeks to achieve the following objectives through this Plan:

1. Encourage the retention, expansion and development of commercial and industrial enterprises within the City.

2. Remove structurally substandard buildings for which rehabilitation is not feasible.

3. Acquire and remove economically or functionally obsolete or underutilized buildings.

4. Acquire land and/or buildings that are vacant or underused, including public or semi-public properties already devoted to a public use, which are underutilized or inappropriately used.

5. Acquire property of irregular form and shape or inadequate size, which has prevented normal development.

6. Eliminate blighting influences, which impede potential development.

7. Encourage the rehabilitation of remaining intensive businesses.

8. Achieve a high standard of buildings that remain in the Project area.

9. Assist with land assembly for new and expanding residential, commercial and industrial development.

10. Provide development sites of such size and character to assure the development of the Project area.

11. Eliminate or correct physical deterrents to the development of land.

12. Provide adequate streets, utilities and other public improvements and facilities to enhance the area for both new and existing development.

13. Achieve a high level of design and landscaping quality to enhance the physical environment.

14. Accomplish convenient and adequate parking to serve the needs of the area.

15. Create effective buffers, screens and/or transitions between residential and nonresidential uses to minimize the potential blighting effects of divergent land uses.

16. Encourage the further development of housing opportunities for low and moderate-income persons.

17. Encourage a variety of housing types and prices through innovative financing programs and land use mixes.

18. Preserve and enhance the quality of life in Albert Lea by providing adequate, decent, safe, sanitary and affordable housing stock.

19. Combine elements of the comprehensive City plan with these Project objectives.

20. Improve the financial base of the City.

21. Provide maximum opportunity, consistent with the needs of the City, for development by private enterprise.

22. Provide increased employment opportunities and as much as possible seek businesses which would employ the unemployed and underemployed.

DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 5

Minnesota Statutes, section 469.175, subdivision 1(2) requires "A statement as to the development program for the project, including the property within the project, if any, which the City intends to acquire". The Development Program for Development District No. 5 is delineated in a report entitled "Development District No. 5" adopted October 10, 1988, and amended July 8, 1991, copies of which are on file in the City clerk's office. By this reference, said development program is incorporated as part of this Plan.

TAX INCREMENT DISTRICT DEVELOPMENT ACTIVITIES

Development activities to be financed in whole or in part as a result of the implementation of this Plan include:

1. The City will use tax increments, generated by new development in the District, to reimburse the Company for all or a portion of the cost of site improvements. The reimbursement of tax increment will occur via a development agreement between the City and the Company, with execution expected in April 2012.

2. The Company will construct a 36,400-ft.^{2} plant expansion, in the District, in 2012.

The above activities and improvements are within the boundaries of Tax Increment Financing District No. 5-22. For the purposes of budgeting in this Plan, the anticipated construction start is April 2012 with completion by December 31, 2012.

The above activities are, at the time of preparation of this Plan, the only activities proposed for the Development District because of the formation of the District. The City anticipates that an agreement with the Company will be entered into following approval of the Plan.

PROCEDURE FOR MODIFYING AN APPROVED TAX INCREMENT PLAN

The District may be modified, provided the modification shall be approved by the City Council under provisions of the Minnesota Statutes, section 469.175, subdivision 4.

RELOCATION POLICY

The City does not envision that the relocation of persons or businesses will be required to implement this Plan. However, if in the future the City determines that relocation is required, the City shall implement procedures that comply with the Uniform Relocation Act and any person or business affected shall be treated according to those laws, rules and regulations.

PROPERTY ACQUISITION AND DISPOSITION

The Plan does not anticipate that any property will be acquired to implement the development. If future development activities require the use of tax increment funds for property acquisitions, the Plan shall be modified and the City will follow its policies and procedures for property acquisition.

NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS

Minnesota Statutes, section 469.177, subdivision 4 requires that the request for certification of original tax capacity be accompanied by a listing of properties within the tax increment district for which building permits have been issued in the 18 months preceding approval of the tax increment financing plan. The City has researched records for the properties within the District and determined that no building permits have been issued in the 18 months immediately preceding approval of the Plan. Based on the information it is estimated the most recent tax capacity is estimated at 28,732.

METHOD OF FINANCE

The Council elects to use tax increment financing, pursuant to Minnesota Statutes, Chapter 469, to finance all or part of the costs of the Project. By electing this method of financing, the Council is not precluding the use of other methods provided by State law.

FINANCIAL PLAN

ESTIMATE OF PUBLIC COST

The following is an estimate of public cost, including cost of District indebtedness, source of revenue, most recent tax capacity and estimate of captured tax capacity.

1. Activities. Activities within the Project area will consist of site improvements and administration. The estimated cost for undertaking these activities is:

A. Site improvements	$135,000
B. Administration	20,257
C. 5.00% interest	47,316
TOTAL USES OF FUNDS	**$202,573**

2. Source of Funds. The City proposes to use pay-as-you-go tax increment financing to reimburse the Company for eligible project expenses. Based upon current information it is planned that tax increment in the following amount will become available to repay the Total Uses of Funds:

A. Tax increments	$202,573
TOTAL SOURCE OF FUNDS	**$202,573**

The above represents an estimate of the cost of the Project activities, including administrative expenses, and the sources of revenue to finance or otherwise pay public costs. The City reserves the right to amend individual line items insofar as total estimated tax increment expenditures are not increased. If such an increase is proposed, the City shall seek a public hearing on the increase pursuant to Minnesota Statutes, section 469.175, subdivision 4.

ESTIMATE OF MARKET VALUE AND TAX INCREMENT

Table 1 shows the estimate of market value and tax increment used to establish the Plan budget.

TABLE 1: TAX INCREMENT CALCULATIONS						
Local Tax Rate = 151.415% (Albert Lea, Payable 2012 Estimate) Property Classification: Industrial Completion: 100% by January 1, 2013 Estimated Completion Market Value: $2,220,046						
YEAR TAXES PAYABLE	BASE TAX CAPACITY	PROJECT TAX CAPACITY	CAPTURED TAX CAPACITY	ANNUAL TIF	LESS ADMIN. OF 10.0%	NET ANNUAL TIF
2012	28,732	0	0	0	0	0
2013	28,732	0	0	0	0	0
2014	28,732	43,651	14,919	22,508	2,251	20,257
2015	28,732	43,651	14,919	22,508	2,251	20,257
2016	28,732	43,651	14,919	22,508	2,251	20,257
2017	28,732	43,651	14,919	22,508	2,251	20,257
2018	28,732	43,651	14,919	22,508	2,251	20,257
2019	28,732	43,651	14,919	22,508	2,251	20,257
2020	28,732	43,651	14,919	22,508	2,251	20,257
2021	28,732	43,651	14,919	22,508	2,251	20,257
2022	28,732	43,651	14,919	22,508	2,251	20,257
TOTALS				$202,573	$20,257	**$182,316**
Present Value of TIF Discounted at 5.00% Equals						**$135,000**

FINANCING ASSUMPTIONS

Tax increment will be used to finance activities in the Project area. The following information and assumptions were used to calculate financing costs for the activities in the Project area.

1. Construction of the facilities expansion within the District will commence in April 2012.

2. Financing of the Project activities will be undertaken in 2012.

3. The first tax increment will be collected from the District as a result in 2014 payable from 2013 property tax assessments. The Company has demonstrated a need for up to nine years of tax increment to fund Project costs. Table 1, shows the benefit of tax increment to the Company's project. The District may continue through 2022 to meet the obligations of this Plan.

4. The pay 2012 local tax rate of 151.415% and pay 2012 tax values were used to calculate the estimate of increment in this Plan. The facilities expansion will be classified "class 3", real estate. The 2012 classification rate for class 3 has a class rate of 1.5% of the $150,000 of market value and 2.0% of the remaining market value.

5. This Plan proposes to use nine years of tax increment to meet pay Project costs. It is anticipated that annual tax increments in 2014 through 2022, resulting from formation of the District, will be the sole source of funds used to finance the Project area activities. The City estimates that up to $202,573 of increment may be collected to reimburse project costs.

6. Increment revenues will finance site improvements. All tax increment generated by the formation of this District will finance the activities of this Plan. The City elects to use 100% of the available tax increment over the total life of the District to finance activities in the Development District.

7. The City may use annual tax increments in 2014 through 2022 to service Project costs. "Project costs" means all expenditures of the City or reimbursement of eligible Company costs for the purchase of land or amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the District, including interest thereon. Project costs also include all administrative expenses as defined in Minnesota Statutes, section 469.174, subdivision 14. Based upon an annual debt service as per Table 1, the City would be able to finance project costs of $135,000, interest thereon of $47,316 and administrative costs of $20,257. The first increment would be available to the City in 2014 and may continue through 2022.

SOURCES OF REVENUE

The proposed source of revenue of $202,573 increment receipts from the District will finance public costs associated with the Project Area and District. The tax increment revenues will be generated because of the taxation of the land and improvements in the District. Tax increment financing refers to a funding technique that uses increases in net tax capacity and the property taxes attributed to new development to finance, or assist in the financing of public development costs.

The tax increments generated in the District are from the 36,400-ft.^{2}, Mrs. Gerry's Kitchen, Inc. expansion project. The City proposes to use pay-as-you-go tax increment financing to reimburse the Company for eligible project expenses and itself for administrative costs.

LIMITATION ON USE OF TAX INCREMENT; ECONOMIC DEVELOPMENT DISTRICTS

Pursuant to Minnesota Statutes, section 469.176, subdivision 4c, "(a) 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) qualified border retail facilities; or
(7) space necessary for and related to the activities listed in clauses (1) to (6)."

TIF BUSINESS SUBSIDY

Pursuant to Minnesota Statues 116J.993, subdivision 3 the financial assistance offered pursuant to this Plan must comply with the provisions of the Business Subsidy law. In order to satisfy the provisions of the Minnesota Statues 116J.993 to 116J.985 (The Business Subsidies Act) the Company's business subsidy shall not exceed $135,000, which is the amount of the Tax Increment Revenue Note issued by the City to finance the cost of site improvements. The business subsidy is needed because project construction is not sufficiently feasible for the Company to undertake without the business subsidy. The District is an economic development tax increment financing district and the public purpose of the business subsidy is to develop property in order to maintain the tax

base of the City. The City has determined that the purpose of the business subsidy (tax increment assistance) to be in aid of the Company's plans to develop property that increases the tax base of the City.

IMPACT OF THE USE OF TAX INCREMENT ON TAXING JURISDICTIONS

Minnesota Statutes, section 469.175, subdivision 1(6), requires, "statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict".

Table 2 shows the impact of tax increment financing on the tax capacity of the affected taxing jurisdictions assuming (1) none of the increment would be available, and (2) the increment would be available to the tax jurisdictions.

TABLE 2
ALBERT LEA, MINNESOTA
TAX INCREMENT FINANCING DISTRICT NO. 5-22

	WITHOUT PROJECT		
	2012 Tax Capacity	Ad Valorem Taxes Generated	2012 Tax Rate
City	9,387,508	$5,460,244	58.165%
County	30,366,001	$19,094,749	62.882%
School	16,838,873	$4,864,750	28.890%
RDC	17,161,689	$253,650	1.478%
TOTALS			**151.415%**

	WITH PROJECT							
	2012 Tax Capacity	Projected Captured Tax Capacity	Projected Tax Capacity	Ad Valorem Tax Generated	Adjusted Local Tax Rate	Tax Rate Impact	Projected Captured Tax Capacity	Projected Increment Income
City	9,387,508	14,919	9,402,427	$5,460,244	58.073%	0.092%	14,919	$8,678
County	30,366,00	14,919	30,380,92	$19,094,74	62.851%	0.031%	14,919	$9,381
School	16,838,87	14,919	16,853,79	$4,864,750	28.864%	0.026%	14,919	$4,310
RDC	17,161,68	14,919	17,176,60	$253,650	1.477%	0.001%	14,919	$221
TOTALS					151.265%	0.150%		$22,589

Statement 1: The current tax capacity times the local tax rate produces current taxes generated. If the captured tax capacity were available to each taxing jurisdiction, the result would be a lower or adjusted local tax rate to produce the same amount of taxes. Thus, with the addition of captured value of 14,919 the overall local tax rate would be reduced by 0.150% to a level of 151.265%. The captured tax capacity times the original local tax rate of 151.415% would generate $22,589 in increment income, which represents the loss of new tax revenues if the development had occurred without inclusion in a tax increment district.

Statement 2: If no captured tax capacity is available to each of the taxing jurisdictions without creation of the District, there is no impact on the taxes heretofore levied and therefore no impact on local tax rates. The captured tax capacity at the original local tax rate would generate $22,589 in increment income annually.

NOTICES, RESOLUTIONS, TRANSMITTALS AND CERTIFICATIONS

1. FEBRUARY 27, 2012 RESOLUTION OF THE CITY COUNCIL CALLING FOR A PUBLIC HEARING ON TAX INCREMENT FINANCING DISTRICT NO. 5-22

2. MARCH 9, 2012 TRANSMITTAL OF FISCAL AND ECONOMIC INFORMATION AND TAX INCREMENT PLAN TO CLERK OF SCHOOL DISTRICT NO. 241

3. MARCH 9, 2012 TRANSMITTAL OF FISCAL AND ECONOMIC INFORMATION AND TAX INCREMENT PLAN TO FREEBORN COUNTY AUDITOR

4. MARCH 30, 2012 NOTICE OF A PUBLIC HEARING AND AFFIDAVIT OF PUBLICATION FOR APRIL 9, 2012, PUBLIC HEARING

5. APRIL 9, 2012 RESOLUTION OF THE CITY COUNCIL APPROVING AND ADOPTING TAX INCREMENT FINANCING DISTRICT NO. 5-22

6. APRIL 26, 2012 REQUEST FOR CERTIFICATION OF TAX INCREMENT FINANCING DISTRICT NO. 5-22

7. APRIL 26, 2012 CERTIFICATION OF ORIGINAL TAX CAPACITY AND ORIGINAL LOCAL TAX RATE FOR TAX INCREMENT FINANCING DISTRICT NO. 5-22