

## AGENDA

### **REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF ST. LOUIS COUNTY, MINNESOTA**



**Tuesday, December 3, 2013, 9:30 A.M.**

**County Board Room, Second Floor  
St. Louis County Courthouse  
100 N. 5<sup>th</sup> Avenue West  
Duluth, Minnesota**

**CHRIS DAHLBERG, Chair  
Third District**

**FRANK JEWELL  
First District**

**ANGIE MILLER  
Second District**

**MIKE FORSMAN, Vice Chair  
Fourth District**

**PETE STAUBER  
Fifth District**

**KEITH NELSON  
Sixth District**

**STEVE RAUKAR  
Seventh District**

County Auditor  
Donald Dicklich

County Administrator  
Kevin Gray

County Attorney  
Mark Rubin

Clerk of the Board  
Phil Chapman

The St. Louis County Board of Commissioners welcomes you to this meeting. This agenda contains a brief description of each item to be considered. The Board encourages your participation. If you wish to speak on an item contained in the agenda, you will be allowed to address the Board when a motion is on the floor. If you wish to speak on a matter that does not appear on the agenda, you may do so during the public comment period at the beginning of the meeting. Except as otherwise provided by the Standing Rules of the County Board, no action shall be taken on any item not appearing in the agenda.

When addressing the Board, please sign in at the podium and state your name and address for the record. Please address the Board as a whole through the Chair. Comments to individual Commissioners or staff are not permitted. The St. Louis County Board promotes adherence to civility in conducting the business of the County. Civility will provide increased opportunities for civil discourse in order to find positive resolutions to the issue before the Board. Tools of civility include: pay attention, listen, be inclusive, do not gossip, show respect, be agreeable, apologize, give constructive criticism and take responsibility [County Board Resolution No. 560, adopted on September 9, 2003]. Speakers will be limited to five (5) minutes.

**\*\*In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify Property Management 72 hours prior to the meeting at (218)725-5085.\*\***

All supporting documentation is available for public review in the County Auditor's Office, 100 North 5th Avenue West - Room No. 214, St. Louis County Courthouse, Duluth, MN, during regular business hours 8:00 A.M. - 4:30 P.M., Monday through Friday. Agenda is also available on our website at <http://www.stlouiscountymn.gov/GOVERNMENT/BoardofCommissioners.aspx>

**AGENDA**  
**St. Louis County Board**  
**December 3, 2013**  
**Page 2**

9:30 A.M.      Moment of Silence  
                    Pledge of Allegiance  
                    Roll Call

***Employee and Retiree Longevity Recognition***

AT THIS TIME CITIZENS WILL BE ALLOWED TO ADDRESS THE BOARD ON ITEMS NOT ON THE AGENDA. [Speakers will be limited to 5 minutes each.]

FOR ITEMS LISTED ON THE BOARD AGENDA OR COMMITTEE OF THE WHOLE AGENDA, CITIZENS WILL BE ALLOWED TO ADDRESS THE BOARD AT THE TIME A MOTION IS ON THE FLOOR.

**CONSENT AGENDA**

Approval of business submitted on the consent agenda.

**REGULAR AGENDA**

**Finance & Budget Committee – Commissioner Raukar, Chair**

1.      City of Hibbing – Tax Increment Financing (Redevelopment) District No. 12 – Waiver Request. {13-521} [**Has not been to committee; requires consent of the Board to be considered.**]

**ADJOURNED:**

# **BOARD LETTER NO. 13 – 521**

## **FINANCE AND BUDGET COMMITTEE**

### **DECEMBER 3, 2013 BOARD AGENDA NO. 1**

**DATE:** December 3, 2013

**RE:** Waiver of Notice Period and  
Provision of Comments on  
Proposed Amendment of  
Hibbing TIF District

**FROM:** Kevin Z. Gray  
County Administrator

Donald Dicklich  
County Auditor

#### **RELATED DEPARTMENT GOAL:**

To consider a request that the County Board waive a required 30-day notice period set forth in Minn. Stat. § 469.175, Subd. 2.

#### **ACTION REQUESTED:**

The St. Louis County Board is requested to waive the 30-day notice period set forth in Minn. Stat. § 469.175, Subd. 2 by providing written comments on the proposed amendment of the tax increment financing plan of the City of Hibbing and Hibbing Economic Development Authority for Tax Increment Financing District No. 12.

#### **BACKGROUND:**

In October 2012, the City of Hibbing, along with the Hibbing Economic Development Authority, established Tax Increment Financing District No. 12 within the existing Redevelopment Project No. 1 for the development of a 101-unit hotel by Hibbing Hospitality, LLC. The City of Hibbing and the Hibbing Economic Development Authority now propose to amend the tax increment financing plan to accommodate a change in the proposed development. Instead of the Hibbing Hospitality project, the proposed amended tax increment financing plan provides for tax increment financing assistance to ZH, Inc. for the development of an 84-unit hotel. According to representatives for the City of Hibbing and the Hibbing Economic Development Authority, there is no relation between Hibbing Hospitality, LLC and ZH, Inc.

Minn. Stat. § 469.175, Subds. 2 and 4 provide that, when an economic development authority proposes to modify a tax increment financing plan to, among other things, increase the geographic area of the project or tax increment financing district, increase the amount of bonded indebtedness to be incurred or increase the portion of the captured net tax capacity to be retained by the authority, the economic development authority must provide a copy of the proposed amended tax incrementing financing plan and the authority's estimate of the fiscal and economic implications of the proposed

amended plan to the county auditor at least thirty days before the date set for the public hearing on the proposed amended plan. The county auditor must then distribute the materials to the county board. The county board may waive the 30-day notice provision by providing written comments on the proposal to the economic development authority.

The City of Hibbing and the Hibbing Economic Development Authority, through their representative, provided the required materials to the County Auditor on November 25, 2013. A copy of the materials is attached hereto. To accommodate the schedule of the developer, who hopes to begin demolition of the existing structure on the project site on December 5, 2013, the City of Hibbing and the Hibbing Economic Development Authority have scheduled the hearing on the proposed amended plan to occur on December 4, 2013. Because the notice provided by the City of Hibbing and the Hibbing Economic Development Authority does not comply with the 30-day notice requirement set forth in Minn. Stat. § 469.175, Subd. 2, their representative has requested that the County Board waive the notice period requirement. As set forth in the statute, the County Board may waive the notice period requirement by submitting written comments to the City of Hibbing and the Hibbing Economic Development Authority.

**RECOMMENDATION:**

It is recommended that the St. Louis County Board review the proposed amendment to the tax increment financing plan for Tax Increment Financing District No. 12 and, if deemed appropriate, provide written comments thereon to the City of Hibbing and the Hibbing Economic Development Authority in order to waive the 30-day notice requirement set forth in Minn. Stat. § 469.175, Subd. 2.

**Waiver of Notice Period and Provision of Comments on  
Proposed Amendment of Hibbing TIF District**

BY COMMISSIONER \_\_\_\_\_

WHEREAS, In October 2012, the City of Hibbing, along with the Hibbing Economic Development Authority, established Tax Increment Financing District No. 12 within the existing Redevelopment Project No. 1 for the development of a 101-unit hotel by Hibbing Hospitality, LLC; and

WHEREAS, The City of Hibbing and the Hibbing Economic Development Authority now propose to amend the tax increment financing plan to accommodate a change in the proposed development; and

WHEREAS, The amended plan would allow ZH, Inc. to develop an 84-unit hotel, rather than Hibbing Hospitality, LLC developing a 101-unit hotel; and

WHEREAS, Because the proposed revisions to the tax increment financing plan constitute a modification that includes an enlargement of the TIF District, an increase in the amount of bonded indebtedness to be incurred and an increase in the portion of the captured net tax capacity to be retained by the City of Hibbing and the Hibbing Economic Development Authority, the City of Hibbing and the Hibbing Economic Development Authority were required to provide the County Auditor with a copy of the amended proposed TIF plan and their estimate of the fiscal and economic implications of the proposed amended plan at least 30 days before December 4, 2013, the date of the public hearing on the project; and

WHEREAS, The City of Hibbing and the Hibbing Economic Development Authority, through their representative, provided the required documents to the County Auditor on November 25, 2013, which did not comply with the statutory requirements for notice; and

WHEREAS, The City of Hibbing and the Hibbing Economic Development Authority have requested that the County Board waive the 30-day notice requirement; and

WHEREAS, The County Board can waive the 30-day notice requirement by submitting written comments on the proposed amended plan to the City of Hibbing and the Hibbing Economic Development Authority;

THEREFORE, BE IT RESOLVED, That the St. Louis County Board hereby waives the 30-day notice requirement set forth in Minn. Stat. § 469.175, Subd. 2 by submitting the following comments on the proposed amended plan to the City of Hibbing and the Hibbing Economic Development Authority:

---

---

---



\*\*\* SENT BY EMAIL \*\*\*

November 25, 2013

Mr. Don Dicklich, County Auditor  
County Board of Commissioners  
St. Louis County Courthouse  
100 N. 5th Avenue West Room #214  
Duluth, MN 55802

**RE: City of Hibbing, MN – Tax Increment Financing (Redevelopment) District No. 12 – Waiver Request**

Dear Board Members and Mr. Dicklich:

On behalf of the City of Hibbing, please find enclosed information regarding the proposed amendment of Tax Increment Financing (Redevelopment) District No. 12, within existing Housing Development and Redevelopment Project No. 1. The City Council will hold a public hearing on this matter at the Hibbing City Hall, on Wednesday, December 4, 2013, at 6:00 P.M.

**The City of Hibbing hereby requests that you waive the requirements of MN Statutes, Section 469.175 Subd. 2. The City requests that the County Auditor and County Board of Commissioners provide a written response granting such request prior to December 4, 2013.**

The need for the amended TIF District relates to a change in the proposed development. The original request in 2012 was from Island Investments that the City provide tax increment financing assistance related to public costs for the construction of a 100-unit hotel within the City.

As described in the attached amended TIF Plan, the City hereby amends the TIF plan to include the following major changes:

1. The Developer will be ZH, Inc. who has purchased the rights to the project, and is unrelated to, Island Investments;
2. The TIF District is to be enlarged to include two additional parcels directly north of the original site;

3. The TIF Plan budget will be increased to include approximately \$200,000 of additional TIF eligible expenses along with the increased TIF revenues and expenses and potential future development;
4. The TIF District will capture 100% of the captured net tax capacity.

### **Tax Increment Financing (Redevelopment) District No. 12**

See Exhibit IA. The City intends to enter into a contract with ZH, Inc., regarding the proposal to develop an 84-room Hampton Inn within the TIF District boundaries described in Exhibit IA. A draft copy of the amended TIF plan accompanies this notice. ZH, Inc. intends to begin demolition of the site immediately following the public hearing.

### **Housing Development and Redevelopment Project No. 1**

See Exhibit I. The boundaries of Housing Development and Redevelopment Project No. 1 are described in Exhibit I and will remain unchanged. The change to this document is limited to a change in the description of the project.

Pursuant to Minnesota Statutes, Section 469.175, subd. 2, the City Council would be pleased to meet with you to discuss the proposed amended TIF District prior to the public hearing. If you would like such a meeting, please contact Mr. Tom Dicklich at (218) 262-3486. Should you desire to submit written comments on the proposed amendment, please send them to Mr. Dicklich for receipt on or before December 4, 2013.

Should you have questions, you may either contact Mr. Dicklich or the undersigned.

Very truly yours,  
NORTHLAND SECURITIES, INC.



Nick M. Skarich  
Vice President

Enclosures

cc: Pat Garrity, City of Hibbing  
Tom Dicklich, City of Hibbing  
Mary Ippel, Briggs and Morgan

The County Auditor and County Board have received notice of the public hearing on December 4, 2013 regarding the adoption of an amended Tax Increment Financing Plan for Tax Increment District No. 12 in the City of Hibbing, and on behalf of the County Board, I hereby waive receipt of the foregoing notice 30 days in advance of such public hearing as per MN Statutes 469.175, Subd. 2.

---

Don Dicklich, County Auditor

***CITY OF HIBBING, MN***  
**&**  
***THE HIBBING ECONOMIC  
DEVELOPMENT AUTHORITY***

Redevelopment Plan for  
**HOUSING DEVELOPMENT AND  
REDEVELOPMENT PROJECT NO. 1**  
(adopted December 13, 1993)

**&**

Amended Tax Increment Financing Plan for  
**TAX INCREMENT FINANCING DISTRICT NO. 12**  
*(REDEVELOPMENT)*

***ZH, Inc.***

**Adopted: May 16, 2012**  
**Amendment Adopted: December 4, 2013**

**TIF PLAN DOCUMENTS**

**NORTHLAND  SECURITIES**

Northland Securities, Inc.  
45 South 7<sup>th</sup> Street - Suite 2000  
Minneapolis, MN 55402  
(800) 851-2920  
Member FINRA and SIPC

## TABLE OF CONTENTS

### **ARTICLE I – DEFINITIONS AND EXHIBITS**

Section 1.01	Definitions .....	1
Section 1.02	Introduction.....	2
Section 1.03	Exhibit Reference/Description .....	2

### **ARTICLE II – DEVELOPMENT PROGRAM**

Section 2.01	Summary of Changes and Existing Redevelopment Plan.....	3-4
--------------	---------------------------------------------------------	-----

### **ARTICLE III – TAX INCREMENT FINANCING PLAN**

Section 3.01	Statement of Need and Public Purpose.....	5
Section 3.02	Statutory Authority .....	5
Section 3.03	Statement Objectives .....	5
Section 3.04	Redevelopment District Designation.....	5-6
Section 3.05	Duration of the Tax Increment Financing District .....	6
Section 3.06	Specific Development Expected to Occur Within the TIF District.....	6
Section 3.07	Parcels(s) to be Included in the TIF District .....	7
Section 3.08	Property to be Acquired in the TIF District.....	7
Section 3.09	Findings and Need for Tax Increment Financing.....	7-8
Section 3.10	Estimated Sources of Revenue/Public Costs .....	8-9
Section 3.11	Estimated Amount of Bonded Indebtedness.....	9
Section 3.12	Original Net Tax Capacity.....	9
Section 3.13	Original Local Tax Capacity Rate .....	9-10
Section 3.14	Projected Retained Captured Net Tax Capacity and Projected Tax Increment ..	10
Section 3.15	Use of Tax Increment .....	10-11
Section 3.16	Excess Tax Increment.....	11
Section 3.17	County Road Costs .....	12
Section 3.18	Four-Year Rule - Limitations on Property Not Subject to Improvements .....	12
Section 3.19	Five-Year Rule - Tax Increment Pooling.....	12-13
Section 3.20	Limitations on Administrative Expenses.....	13
Section 3.21	Estimated Impact on Other Taxing Jurisdictions .....	14
Section 3.22	Prior Planned Improvements .....	15
Section 3.23	Development Agreements.....	15
Section 3.24	Assessment Agreements .....	15
Section 3.25	Modifications of the Tax Increment Financing Plan.....	15-16
Section 3.26	Administration of the Tax Increment Financing Plan .....	16
Section 3.27	Financial Reporting and Disclosure Requirements .....	17-20
Section 3.28	Business Subsidy Compliance .....	20-21

Map of the Redevelopment Project .....	EXHIBIT I
Map of the Tax Increment Financing District .....	EXHIBIT IA
Property Description.....	EXHIBIT IB
Sources and Uses Statement .....	EXHIBIT II
TIF District Assumptions Report.....	EXHIBIT III
Projected Tax Increment Report.....	EXHIBIT IV
Estimated Impact on Other Taxing Jurisdictions & MV Analysis Report .....	EXHIBIT V
Building Inspection.....	EXHIBIT VI
Redevelopment Plan .....	EXHIBIT VII

**Section 1.01 Definitions**

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

“Authority” means the Hibbing Economic Development Authority, its successors and assigns.

“Board” means the Board of Commissioners of the Authority, also referred to as the “Governing Body”.

“City” means the City of Hibbing, Minnesota; also referred to as a “Municipality”.

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

“County” means St. Louis County, Minnesota.

“Economic Development Authority Act” means Minnesota Statutes, Sections 469.090 through 469.108, as amended and supplemented from time to time.

“Housing and Redevelopment Authority Act” means Minnesota Statutes, Sections 469.001 through 469.047, as amended and supplemented from time to time.

“Land Use Regulations” means all federal, state and local laws, rules, regulations, ordinances and plans relating to or governing the use or development of land in the City, including but not limited to environmental, zoning and building code laws and regulations.

“Project Area” means the geographic area of the Redevelopment Project.

“Public Costs” means the costs set forth in Sections 3.10 and 3.15 of the Tax Increment Financing Plan, repayment of debt service on any Tax Increment Bonds, and any other eligible costs set forth in the Tax Increment Financing Plan, Redevelopment Plan, or Minnesota Statutes, Section 469.176, subdivision 4.

“Public Improvements” means the public improvements, if any, described in Section 2.03 of the Redevelopment Plan and Section 3.10 of the Tax Increment Financing Plan.

“Redevelopment Plan” means the Redevelopment Plan for the Redevelopment Project, as amended and supplemented from time to time.

“Redevelopment Project” means Housing Development and Redevelopment Project Area No. 1 in the City, created and established pursuant to and in accordance with the Housing and Redevelopment Authority Act and the Economic Development Authority Act as described in Section 2.02 of the Redevelopment Plan.

“School District” means Independent School District No. 701, St. Louis County, Minnesota.

“State” means the State of Minnesota.

“TIF Act” means Minnesota Statutes, Sections 469.174 through 469.1791, both inclusive.

“TIF District” means Tax Increment Financing District No. 12, a redevelopment district.

“TIF Plan” means the tax increment financing plan for the TIF District.

**Section 1.02 Introduction**

The City of Hibbing, along with the Hibbing Economic Development Authority, has agreed to provide tax increment financing assistance to ZH, Inc. for public costs related to the development of an 84-unit hotel within the City. The project will be located on the former Ogle’s grocery store site adjacent to the Irongate Mall and will incur significant redevelopment costs. The project is also intended to be a catalyst for further development in the adjacent area. It has been stated, in writing, by ZH, Inc. to the City that the project will not be viable without public participation.

The City, through this document, will be establishing Tax Increment Financing (Redevelopment) District No. 12 within existing Housing Development and Redevelopment Project No. 1 as adopted December 13, 1993 (Exhibit VII). The Project Area boundaries are as described in the Redevelopment Plan and are also described in Exhibit I.

**Section 1.03 Exhibit Reference/Description**

- Exhibit I This is a map that describes the boundaries of the Project Area in which the Tax Increment Financing District will be established.
- Exhibit IA This is a map that describes the boundaries of the Tax Increment Financing District in which the project(s) generating the tax increment will be located.
- Exhibit IB This is a property description that identifies the parcels to be included within the boundaries of the TIF district.
- Exhibit II This is a sources and uses statement that line items the anticipated revenue sources for the project and the anticipated expenditures for those revenues.
- Exhibit III This report shows the various project and district assumptions for the tax increment financing district including applicable dates, original tax capacity information, projected project valuation, buildout, and various required elections.
- Exhibit IV This report shows the projected cash flow of the tax increment over a specified period of time. It reflects calculations used to determine “net” tax increment including various additions and deductions.
- Exhibit V This report shows the estimated impact on the respective taxing jurisdictions if the captured tax capacity was available immediately to the taxing jurisdictions (See Section 3.21). It also shows a comparative market value analysis of the property both with and without the establishment of the TIF district. (See Section 3.09(2)).

---

**REDEVELOPMENT PLAN**

**Section 2.01 - Summary of Changes and Existing Redevelopment Plan**

*The following is a summary of changes to the individual sections of the existing Redevelopment Plan that is included in Exhibit VII for reference purposes. The Redevelopment Plan included in Exhibit VII was adopted by the City and Authority on December 13, 1993 and was not prepared by Northland Securities, Inc.*

**Subsection 1.1 Definitions**

No change.

**Subsection 1.2 Statement of Findings and Public Purpose**

No change.

**Subsection 1.3 Statutory Authority**

No change.

**Subsection 1.4 Statement of Objectives**

No change.

**Subsection 1.5 List of Developments and Redevelopments**

Modified to include: Hotel Project – HEDA intends to assist a private developer in the acquisition and substantial redevelopment of the former Ogle’s grocery store site. The proposed ~~404~~ 84-unit hotel will be in newly created Tax Increment Financing (Redevelopment) District No. 12.

**Subsection 1.6 Environmental Controls**

No change.

**Subsection 1.7 Proposed Reuse of Property**

No change.

**Subsection 1.8 Administration and Maintenance of Housing Development and Redevelopment Project**

No change.

**Subsection 1.9 Rehabilitaion**

No change.

**Subsection 1.10 Relocation**

No change.

**Subsection 1.11 Boundaries of Housing Development and Redevelopment Projcet No. 1**

No change.

---

**Subsection 1.12    Parcels to be Acquired or May Be Acquired In whole or In Part Within the Housing Development and Redevelopment Project**

No change.

**Subsection 1.13    Modification of Redevelopment Plan and/or Housing Development and Redevelopment Project No. 1**

No change.

**Exhibit I-A-I.    MAP OF PROJECT**

No change.

---

**TAX INCREMENT FINANCING PLAN**

**Section 3.01 Statement of Findings and Public Purpose**

See Subsection 1.2 of the Redevelopment Plan for Housing Development and Redevelopment Project No. 1.

**Section 3.02 Statutory Authority**

See Subsection 1.3 of the Redevelopment Plan for Housing Development and Redevelopment Project No. 1.

**Section 3.03 Statement of Objectives**

See Subsection 1.4 of the Redevelopment Plan for Housing Development and Redevelopment Project No. 1.

**Section 3.04 Redevelopment District Designation**

Redevelopment districts are a type of tax increment financing district in which one or more of the following conditions exists and is reasonably distributed throughout the district:

- (1) parcels comprising at least 70% of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other improvements, and more than 50% of the buildings (not including outbuildings) are structurally substandard requiring substantial renovation or clearance (See Exhibit VI). A parcel is deemed “occupied” if at least 15% of the area of the parcel contains some type of improvement; or
- (2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used rail yards, rail storage facilities, or excessive or vacated railroad right-of-ways; or
- (3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:
  - (i) have or had a capacity of more than 1,000,000 gallons;
  - (ii) are located adjacent to rail facilities; and
  - (iii) have been removed or are unused, underused, inappropriately used, or infrequently used.
- (4) a qualifying disaster area.

For districts consisting of two or more noncontiguous areas, each area must individually qualify under the provisions listed above, as well as the entire area must also qualify as a whole.

The TIF District qualifies as a redevelopment district in that it meets all of the criteria listed in (1) above. The supporting facts and documentation for this determination will be retained by the City for the life of the TIF District and are available to the public upon request.

“Structurally substandard” is defined as buildings containing defects or deficiencies in structural elements, essential utilities and facilities, light and ventilation, fire protection (including egress), layout and condition of interior partitions, or similar factors. A building is not structurally substandard if it is in compliance with the building code applicable to a new building, or could be modified to satisfy the existing code at a cost of less than 15% of the cost of constructing a new structure of the same size and type.

A city may not find that a building is structurally substandard without an interior inspection, unless it can not gain access to the property and there exists evidence which supports the structurally substandard finding.

Such evidence includes recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence.

A parcel is deemed to be occupied by a structurally substandard building if the following conditions are met:

- (1) the parcel was occupied by a substandard building within a three-year period prior to the parcel's inclusion in the district; and
- (2) if the substandard building was demolished or removed within the three year period, such demolition or removal was performed or financed by the City, or was performed by a developer under a development agreement with the City. In addition, the City must have found by resolution before such demolition or removal occurred that the building was structurally substandard and that the City intended to include the parcel in the TIF District.

In the case of (2) above, the County Auditor shall certify the original net tax capacity of the parcel to be the greater of (a) the current tax capacity of the parcel, or (b) a computed tax capacity of the parcel using the estimated market value of the parcel for the year in which the demolition or removal occurred, and the appropriate classification rate(s) for the current year.

At least 90 percent of the tax increment from a redevelopment district must be used to finance the cost of correcting conditions that allow designation as a redevelopment district. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of land, removal of hazardous substances, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the City may be included in the qualifying costs.

### **Section 3.05 Duration of the TIF District**

Redevelopment districts may remain in existence 25 years from the date of receipt of the first tax increment. Modifications of this plan shall not extend this limitation.

The City reserves the right to allow the TIF District to remain in existence the maximum duration allowed by law (projected to be through the year 2039) but currently intends to decertify the TIF District at an earlier date. All tax increments from taxes payable in the year the TIF District is decertified shall be paid to the City.

### **Section 3.06 Specific Development Expected to Occur Within the TIF District**

See Exhibit IA & IB. The City intends to enter into a development agreement with ZH, Inc. regarding their proposal to develop 84-unit hotel within the City. The construction is expected to be completed by early-2015. This would result in the first tax increments being available in taxes payable 2016. The benefits to the City include replacement of a former grocery store (vacant for approximately 10 years), an increase in tax base and potential ancillary developments including proposed restaurants. It has been stated, in writing, by ZH, Inc. to the City that the project will not be viable without public participation. The proposed development is within the TIF District boundaries described in Exhibit IA & IB. No contracts have been entered into for the proposed development at this time.

The entire project should be 100% assessed and on the tax rolls as of January 2, 2016 for taxes payable in 2017.

**Section 3.07 Parcel(s) to be Included in the TIF District**

The property to be included in the TIF District includes three parcels within the City (see Exhibits IA and IB). The proposed boundaries of the TIF District are reflected on a map attached as Exhibit IA. The following parcel identification number(s) (PID#’s) and corresponding legal description(s), along with adjacent rights-of-way, will be included in the TIF District:

**See Exhibit IB for the PID#’s and legal description of the parcels.**

**Section 3.08 Property to be Acquired in the TIF District**

ZH, Inc. will be purchasing all of the parcels within the TIF district. None of the parcels are owned by the City. The City reserves the right to reimburse the developer for TIF eligible costs as specified in Section 3.10 and Exhibit II.

**Section 3.09 Findings and Need for Tax Increment Financing**

Pursuant to Minnesota Statutes, the City and the Authority make the following findings in conjunction with the approval of this tax increment financing plan:

- (1) Tax Increment Financing District No. 12 is a Redevelopment district as defined in Minnesota Statutes, Section 469.174, Subd. 10. The reasons and supporting facts for this determination will be documented in writing and retained and made available to the public by the City and Authority until the district has been terminated. The determination is described in Section 3.04 of this TIF Plan.
- (2) The proposed development or redevelopment, in the opinion of the City and Authority, 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 TIF District permitted by the TIF Plan;

The reasons supporting this finding are that:

- (i) This finding is supported by the fact that the redevelopment proposed in this TIF Plan meets the City’s objectives for redevelopment. The District is currently occupied by a vacant grocery store and has been designated substandard. Redevelopment will require demolition and site clearance. The high cost of acquisition and preparation of the site represents a substantial financial risk to ZH, Inc., which has represented to the City and Authority in writing that it would not be feasible to undertake the proposed redevelopment without tax increment financing assistance. The TIF is intended to mitigate the risk by providing assistance for land acquisition costs related to the property. Therefore, the City and Authority reasonably conclude that the proposed redevelopment of the District is not financially feasible or likely to occur in the foreseeable future without the assistance described in this Plan.
- (ii) This finding is based on the fact that the land in the District is now fully developed, with a substandard use. Any increase in market value without tax increment assistance would only occur if the existing owners made substantial improvements, or sold their property for redevelopment through large-scale improvements similar to those proposed in this Plan. The City has evidence to support the expectation that the existing owners will not make improvements on their own. Further, there has been little interest in comprehensive redevelopment in this area without public intervention. This is further supported by the fact

that the property has sat vacant for approximately the last ten years. Therefore, the City and Authority reasonably determine that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

The above findings are stated in monetary terms in Exhibit V, which can be summarized as follows:

- a. The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is \$0 (for the reasons described above).
  - b. If all development which is proposed to be assisted with tax increment were to occur in the District, the total increase in market value would be up to \$3,500,000.
  - c. The present value of tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be \$1,056,064.
  - d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$2,443,936 (the amount in clause b less the amount in clause c) without tax increment assistance.
- (3) The Tax Increment Financing Plan for Tax Increment Financing District No. 12 conforms to the general plan for development or redevelopment of the City of Hibbing as a whole.

The reasons for supporting this finding are that:

- a. Tax Increment Financing District No. 12 is properly zoned; and
  - b. The Tax Increment Financing Plan will generally compliment and serve to implement policies adopted in the City's comprehensive plan.
- (4) The Tax Increment Financing Plan will afford maximum opportunity, consistent with the sound needs of the City of Hibbing as a whole, for the development or redevelopment of Housing Development and Redevelopment Project No. 1, as modified, by private enterprise.

The reasons supporting this finding are that:

The project to be assisted by the District will result in the preservation and enhancement of the tax base and the redevelopment of a substandard area, and will provide employment opportunities in the City.

**Section 3.10 Estimated Sources of Revenue/Public Costs**

The estimated sources of revenue, along with the estimated public costs of the TIF District, are itemized and attached as Exhibit II. Such costs are eligible for reimbursement from tax increments, and other listed sources of revenue from the TIF District.

The City and Authority reserve the right to administratively adjust the amount of any of the items in Exhibit II or to incorporate additional eligible items, so long as the total estimated public cost (uses) is not increased.

The City anticipates providing financial assistance to the proposed development through the issuance of taxable general obligation TIF bonds. As tax increments are collected from the TIF District in future years, a portion of these taxes will be utilized for debt service on the above-referenced bonds. The bond proceeds are intended assist TIF eligible costs within the district.

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

**Section 3.11 Estimated Amount of Bonded Indebtedness**

The City anticipates issuing tax increment bonds to finance the estimated public costs of the TIF District, and reserves the right to issue such bonds in an amount not to exceed \$850,000.

**Section 3.12 Original Net Tax Capacity**

Upon or after adoption of the tax increment plan, the County Auditor, upon request of the City, shall certify the original net tax capacity of the TIF District. This value will be equal to the total net tax capacity of all property in the TIF District as certified by the Commissioner of Revenue plus any amount determined under M.S. Section 469.177 subd. 4. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

For projection proposes, this will be based on the Estimated Market Value of all property within the TIF District as of January 2, 2011, for taxes payable in 2012 which is currently \$754,400. Following establishment of the TIF District it is estimated that the original net tax capacity of the TIF District will be \$14,338. Reclassification and/or replatting of property will be incorporated into this calculation.

As per M.S. Section 469.177, subd.1, each year the County Auditor shall certify the amount that the original net tax capacity has increased or decreased as a result of, including but not limited to:

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

**Section 3.13 Original Tax Capacity Rate**

At the time of the initial certification of the original net tax capacity for the tax increment financing district, the County Auditor shall certify the original local tax capacity rate that applies to the TIF District. This is the sum of all the local tax rates that apply to the property in the TIF District. This rate certified is the rate in effect for the same taxes payable year as the certified original net tax capacity.

The tax generated by the extension of the lesser of (a) the local taxing district tax rates or (b) the original local tax capacity rate, to the retained captured net tax capacity of the TIF District is the tax increment.

The sum of all local tax rates that apply to property in the TIF District, for taxes levied in 2012 and payable in 2013, is 144.895%. The County Auditor shall certify this amount as the original tax capacity rate of the TIF District. For purposes of estimating the tax increment generated by the TIF District, the sum of the local tax rates for taxes levied in 2012 and payable in 2013, 144.895% are as shown below:

<u>Taxing Jurisdiction</u>	<u>2012/2013 Local Tax Rate</u>
City of Hibbing	79.947%
St. Louis County	57.645%
Independent School District No. 701	6.098%
Other	1.205%
Total	<u>144.895%</u>

**Section 3.14 Projected Retained Captured Net Tax Capacity and Projected Tax Increment**

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

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

Pursuant to MN Statutes Chapter 276A, the original net tax capacity of the TIF District shall be determined before the application of fiscal disparity. In subsequent years, the current net tax capacity shall either (a) be determined before the application of fiscal disparity or (b) exclude the product of any fiscal disparity increase in the TIF District multiplied by the appropriate fiscal disparities ratio. The method the Authority elects shall remain the same for the duration of the TIF District, except that the governing body may elect to change its election from the method of computation in paragraph (a) to the method in paragraph (b). The City elects method (a).

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

**Section 3.15 Use of Tax Increment**

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

The City and Authority have determined that it will use the remaining tax increment generated by the portion of the captured net tax capacity specified above (See Section 3.14) for any of the following purposes:

- (1) pay for the estimated public costs of the TIF District (see Section 3.10) and administrative costs associated with the TIF District (see Section 3.20);
- (2) pay principal and interest on tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (3) accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (4) pay all or a portion of the county road costs as may be required by the County Board under M.S. Section 469.175, Subdivision 1a (see Section 3.17); or
- (5) return excess tax increments to the County Auditor for redistribution to the City, County and School District.

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

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

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

**Section 3.16 Excess Tax Increment**

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

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

**Section 3.17 County Road Costs**

The County Board may require the City to pay all, or a portion of, the cost of county road improvements out of increment revenues, if the following conditions occur:

- (1) the proposed development will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs; and
- (2) the road improvement or other road costs are not scheduled for construction within five years under the county capital improvement plan, or another formally adopted county plan and in the opinion of the county, would not reasonably be expected to be needed within the reasonably foreseeable future if the TIF plan were not implemented.

If the county elects to use tax increments to finance the road improvements, the county must notify the City and municipality within 45 days after receipt of the proposed TIF plan under subdivision 2 and the county and municipality must comply with the terms in M.S. Section 469.175, subd. 2(b).

**Section 3.18 Four-Year Rule - Limitation on Property Not Subject to Improvements**

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

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

**Section 3.19 Five-Year Rule - Tax Increment Pooling**

90% of the tax increments (net of administrative expenses) from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District (see Section 3.04 for additional restrictions). All administrative expenses are considered to have been spent outside of the TIF District. Tax increments are considered to have been spent within the TIF District if such amounts are:

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

- (4) used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district; or
- (5) in the case of a housing district, used for a housing project, as defined in section 469.174, subdivision 11.

Beginning with the sixth year following certification of the TIF District, at 100% of the tax increments must be used to pay outstanding bonds or make contractual payments obligated within the first five years. When outstanding bonds have been defeased and sufficient money has been set aside to pay for such contractual obligations, the TIF District must be decertified.

The City and Authority may also elect to increase by up to ten percentage points the permitted amount of expenditures for activities located outside of the geographic area of the district. As permitted by M.S. Section 469.176, subdivision 4k, the expenditures, including the prior permitted expenditures, need not be made within the geographic area of the project if the expenditures:

- (1) are used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in Section 42 of the Internal Revenue Code;
- (2) do not exceed the qualified basis of the housing, as defined under Section 42 (c) of the Internal Revenue Code, less the amount of any credit allowed under Section 42 of the Internal Revenue Code; and
- (3) be used to:
  - a) acquire and prepare the site of the housing;
  - b) acquire, construct, or rehabilitate the housing; or
  - c) make public improvements directly related to the housing.

**Section 3.20 Limitation on Administrative Expenses**

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

- (1) amounts paid for the purchase of land;
- (2) amounts paid for materials and services, including architectural and engineering services directly connected with the proposed development within the TIF District;
- (3) relocation benefits paid to, or services provided for, persons or businesses residing or located within the TIF District; or
- (4) amounts used to pay interest on, fund a reserve for, or sell at a discount, tax increment bonds.

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

**Section 3.21 Estimated Impact on Other Taxing Jurisdictions**

The City and Authority believe that, because the development would not have occurred without the tax increment assistance, TIF District No. 12 has no impact on other taxing jurisdictions. However, assuming the development would have occurred without tax increment assistance, making the anticipated captured tax capacity available to other jurisdictions, the hypothetical impacts on other jurisdictions are presented in Exhibit V. A positive impact on other taxing jurisdictions will occur in full when the TIF District is decertified and the development therein becomes part of the general tax base.

Additional fiscal and economic impacts of TIF District No. 12, pursuant to Section 469.175, subd. 2 of the TIF Act, are listed below.

1. The total amount of gross tax increment that will be generated over the life of the district is estimated to be \$2,434,248

2. The probable impact of the district on city-provided services such as police and fire protection, public infrastructure, and the impact of any general obligation tax increment bonds attributable to the district upon the ability to issue other debt for general fund purposes, is minimal. Likewise, residential housing developed in recent years has not created a substantial increase in service calls from police. Public infrastructure costs, such as traffic impacts, water and sewer usage, and street maintenance, are estimated to increase at a reasonable rate, as compared with the TIF District's previous commercial use.

The City plans to issue general obligation tax increment bonds with debt service 100% supported by tax increments, and therefore there should be no effect on the ability of the City to issue other bonds. Therefore, there will be no impact of any general obligation tax increment bonds attributable to the district upon the ability to issue other debt for general fund purposes.

3. The amount of tax increments over the life of the district that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is estimated to be \$102,446.

4. The amount of tax increment over the life of the district that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is estimated to be \$968,436.

5. Neither the County nor the School District has requested additional information regarding size, timing, or type of development in the TIF District. If the City receives such a request, the City will provide the information requested.

6. The taxing jurisdictions will all realize the increase in taxes resulting from 100% of the captured tax capacity of the TIF District upon decertification of the TIF District.

**Section 3.22 Prior Planned Improvements**

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

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

**Section 3.23 Development Agreements**

No more than 10%, by acreage, of the property to be acquired within a project containing a housing district may be purchased by the City with the proceeds of bonds issued pursuant to M.S. 469.178 to which tax increment from the property being acquired is pledged unless prior to acquisition the City has entered into an agreement for development which provides recourse for the property should the development or redevelopment not be completed.

**The City intends to enter into an agreement for development.**

**Section 3.24 Assessment Agreements**

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

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

**The City intends to enter into an assessment agreement.**

**Section 3.25 Modifications of the Tax Increment Financing Plan**

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

- (1) the only modification is elimination of parcels from the TIF District; and
- (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

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

**Section 3.26 Administration of the Tax Increment Financing Plan**

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

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

- (1) prior to December 31, the City shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to insure that the new value will be recorded in a timely manner.
- (2) if the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.
- (3) as per M.S. Section 469.177, subd.1, each year the County Auditor shall certify the amount of the original net tax capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following, including but not limited to:
  - a) the value of property that changes from tax-exempt to taxable shall be added to the original net tax capacity of the TIF District. The reverse shall also apply;
  - b) the original net tax capacity may be modified by any approved enlargement or reduction of the TIF District;
  - c) if laws governing the classification of real property cause changes to the percentage of taxable market value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the original net tax capacity and the retained captured net tax capacity of the TIF District.

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

**Section 3.27 Financial Reporting and Disclosure Requirements**

The State Auditor shall enforce the provisions of the TIF Act and shall have full responsibility for financial and compliance auditing of the City's use of tax increment financing. On or before August 1 of each year, the City must annually submit to the State Auditor, County Auditor and to the governing body of the municipality a report which shall:

- (1) provide full disclosure of the sources and uses of public funds in the TIF District;
- (2) permit comparison and reconciliation of the accounts and financial reports;
- (3) permit auditing of the funds expended on behalf of the TIF District; and
- (4) be consistent with generally accepted accounting principles.

The report shall include, among other items, the following information:

- (1) the original net tax capacity of the district and any subdistrict under 469.177, subdivision 1;
- (2) the net tax capacity for the reporting period of the district and any subdistrict;
- (3) the captured net tax capacity of the district;
- (4) any fiscal disparity deduction from the captured net tax capacity under section 469.177, subdivision 3;
- (5) the captured net tax capacity retained for tax increment financing under 469.177, subdivision 2, paragraph (a), clause (1);
- (6) any captured net tax capacity distributed among affected taxing districts under 469.177, subdivision 2, paragraph (a), clause (2);
- (7) the type of district;
- (8) the date the municipality approved the tax increment financing plan and the date of approval of any modification of the tax increment financing plan, the approval of which requires notice, discussion, a public hearing, and findings under subdivision 4, paragraph (a);
- (9) the date the City first requested certification of the original net tax capacity of the district and the date of request for certification regarding any parcel added to the district;
- (10) the date the county auditor first certified the original net tax capacity of the district and the date of certification of the original net tax capacity of any parcel added to the district;
- (11) the month and year in which the City has received or anticipates it will receive the first increment from the district;
- (12) the date the district must be decertified;
- (13) for the reporting period and prior years of the district, the actual amount received from, at least, the following categories:
  - a) tax increments paid by the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1), but excluding any excess taxes;

- b) tax increments that are interest or other investment earnings on or from tax increments;
  - c) tax increments that are proceeds from the sale or lease of property, tangible or intangible, purchased by the City with tax increments;
  - d) tax increments that are repayments of loans or other advances made by the City with tax increments;
  - e) bond or loan proceeds;
  - f) special assessments;
  - g) grants;
  - h) transfers from funds not exclusively associated with the district; and
  - i) the market value homestead credit paid to the City under M.S. Section 273.1384;
- (14) for the reporting period and for the prior years of the district, the amount budgeted under the tax increment financing plan, and the actual amount expended for, at least, the following categories:
- a) acquisition of land and buildings through condemnation or purchase;
  - b) site improvements or preparation costs;
  - c) installation of public utilities, parking facilities, streets, roads, sidewalks, or other similar public improvements;
  - d) administrative costs, including the allocated cost of the City; and
  - e) public park facilities, facilities for social, recreational, or conference purposes, or other similar public improvements; and
  - f) transfers to funds not exclusively associated with the district;
- (15) the amount of any payments for activities and improvements located outside of the district that are paid for or financed with tax increments;
- (16) the amount of payments of principal and interest that are made during the reporting period on any non-defeased:
- a) general obligation tax increment financing bonds;
  - b) other tax increment financing bonds; and
  - c) notes and pay-as-you-go contracts;
- (17) the principal amount, at the end of the reporting period, of any non-defeased:

- a) general obligation tax increment financing bonds;
  - b) other tax increment financing bonds; and
  - c) notes and pay-as-you-go contracts;
- (18) the amount of principal and interest payments that are due for the current calendar year on any non-defeased:
- a) general obligation tax increment financing bonds;
  - b) other tax increment financing bonds; and
  - c) notes and pay-as-you-go contracts;
- (19) if the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a). the amount of increased property taxes imposed on other properties in the municipality that approved the tax increment financing plan as a result of the fiscal disparities contribution;
- (20) the estimate, if any, contained in the tax increment financing plan of the amount of the cost of the project, including administrative expenses, that will be paid or financed with tax increment;
- (21) any additional information the state auditor may require.

The City must also annually publish in a newspaper of general circulation in the City an annual statement for each tax increment financing district showing:

- (1) the original net tax capacity of the district and any subdistrict under 469.177, subdivision 1;
- (2) the net tax capacity for the reporting period of the district and any subdistrict;
- (3) the captured net tax capacity of the district;
- (4) the month and year in which the City has received or anticipates it will receive the first increment from the district;
- (5) the date the district must be decertified;
- (6) the amount of principal and interest payments that are due for the current calendar year on any non-defeased obligations;
- (7) if the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a). the amount of increased property taxes imposed on other properties in the municipality that approved the tax increment financing plan as a result of the fiscal disparities contribution;
- (8) the amounts of tax increment received and expended in the reporting period;
- (9) and any additional information the City deems necessary.

The annual statement must inform readers that additional information regarding each district may be obtained from the City, and must explain how the additional information may be requested. The City must publish the annual statement for a year no later than August 15 of the next year. The City must identify the newspaper of general circulation in the municipality to which the annual statement has been or will be submitted for publication and provide a copy of the annual statement to the county board, county auditor, the school board, the state auditor, and the governing body of the municipality on or before August 1 of the year in which the statement must be published.

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

**Section 3.28 Business Subsidy Compliance**

The City, or other local government agency, must comply with the business subsidies law when providing business subsidies to private entities. The requirements are specified in Minnesota Statutes, Sections 116J.993 to 116J.995. The City must adopt business subsidy criteria prior to granting a business subsidy. The requirements include:

- (1) the grantor must adopt the criteria following a public hearing;
- (2) the criteria may not be adopted on a case-by-case basis;
- (3) the criteria must set specific minimum requirements that recipients must meet in order to be eligible to receive business subsidies;
- (4) the criteria must include a specific wage floor for the wages to be paid for the jobs created. The wage floor may be stated as a specific dollar amount or a formula that will generate a specific dollar amount;
- (5) a grantor may deviate from its criteria by documenting in writing the reason for deviation and attaching a copy of the document to its next annual report to the Department of Employment and Economic Development;
- (6) a copy of the criteria must be submitted to the Department of Employment and Economic Development.

In addition, the City must enter into a subsidy agreement with the recipient of the subsidy. For subsidies greater than \$150,000 the grantor must provide public notice and a hearing on the subsidy. The subsidy agreement must include:

- (1) a description of the subsidy, including the amount and type of subsidy, and type of district if the subsidy is tax increment financing;
- (2) a statement of the public purpose for the subsidy;
- (3) measurable, specific, and tangible goals for the subsidy;
- (4) a description of the financial obligation of the recipient if the goals are not met;
- (5) a statement of why the subsidy is needed;

- (6) a commitment to continue operations in the jurisdiction where the subsidy is used for at least five years after the benefit date;
- (7) the name and address of the parent corporation of the recipient, if any; and
- (8) a list of all financial assistance by all grantors for the project.

The statute provides specific requirements in the event the subsidy agreement goals are not met by the recipient. Recipients are required to report to the grantor specific information as defined in statute. The grantor is also required, as specified in the statute, to report specific information annually to the Department of Employment and Economic Development.

**The City of Hibbing and the Hibbing Economic Development Authority have adopted a Business Subsidy Policy and intend to comply with the requirements of Minnesota Statutes 116J.993 to 116J.995.**

