

# DRAFT

## **City of St. James, Minnesota**

### **Tax Increment Financing District No. 1-8 Business Park Projects**

To be Adopted: June 3, 2025



**DDA**

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# Tax Increment Financing Plan for Tax Increment Financing District No. 1-8

## Introductory Statement

The primary purpose for this TIF District and Plan is to promote the development of a new business park in the City of St. James. The St. James Economic Development Authority is in the process of acquiring parcels to be developed to promote additional commercial development. Additionally, initial development is expected to include a new car wash/pet wash/laundromat.

## Section 1 Definitions

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

"City" means the City of St. James, Minnesota.

"County" means Watonwan County, Minnesota.

"County Board" means the County Board of Watonwan County.

"Developer" means any person undertaking construction or renovation in the Project Area including Crystal Clear Car Wash, LLC and BMP Investments, LLC.

"Development District" means Municipal Development District No. 1 in the City.

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

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

"School District" means the Independent School District No. 840 – St. James Public Schools.

"State" means the State of Minnesota.

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

"TIF District" means Tax Increment Financing District No. 1-8.

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

## Section 2 Statement of Need and Public Purpose

See the Development Program for Municipal Development District No. 1.

## Section 3 Statutory Authorization

The City is empowered under the provisions of the TIF Act to establish a tax increment financing district.

## Section 4 Statement of Objectives

The objectives of this tax increment financing plan are consistent with the objectives outlined in the Development Program.

## Section 5 Specific Development Expected to Occur in the TIF District

The St. James EDA is in the process of purchasing properties in the TIF District to promote additional commercial projects in the community. Crystal Clear Car Wash, LLC is intending to initially construct a new car wash/pet wash/laundromat within the TIF District.

## Section 6 Property to be Included in the TIF District

A map indicating the location of the TIF District as proposed is provided in Exhibit 1. Parcel identification number information is included in Exhibit 2. The area encompassed by the TIF District shall also encompass all street/highway rights-of-way, trail rights-of-way, and utility and drainage easements located upon or adjacent to said parcels located within the TIF District.

## Section 7 Estimated Sources and Uses of Funds (Public Costs)

The estimated costs of the proposed development in the TIF District, which are eligible for reimbursement with tax increments of the TIF District, and the projected sources of revenue available to fund these costs are summarized below.

**Estimated Project/Financing Costs** to be paid or financed with increment:

<u>Capital Costs:</u>	
Land Acquisition	50,000
Public Utilities & Streets	950,000
Site Improvements	124,689
	<u>\$1,124,689</u>
<u>Finance Costs:</u>	
Bond & Note Interest Expense	<u>200,000</u>
<u>Administrative Costs</u>	
Administration funded with TIF	<u>50,000</u>
<b>Total Uses of Funds</b>	<b>\$ 1,374,689</b>

### Estimated Tax Increment Revenues

Tax Increments	\$ 1,124,689
Investment Interest	250,000
Other	<u>0</u>
<b>Total Sources of Funds</b>	<b>\$ 1,374,689</b>

**Estimated Amount of Bonds to be issued** **\$ 1,174,689**

The City reserves the right to adjust the amount of capital line items listed above or to incorporate additional eligible items, so long as the total capital & administrative costs are not increased. Increasing the budget for financing costs, principal or interest will require a public hearing and formal TIF Plan modification process pursuant to Minnesota Statutes Section 469.175 Subd. 4. The City also reserves the right to fund any of the identified costs with any other legally available revenues, but anticipates that all costs will be primarily financed with tax increments. Therefore, the total estimated costs to be financed with tax increments, including capital costs, administrative costs and financing costs (interest) is \$1,174,689.

## Section 8 Estimated Impact on Other Taxing Jurisdictions

Exhibit 4 shows the estimated impact on other taxing jurisdictions if the projected Retained Captured Net Tax Capacity of the TIF District were hypothetically available to the other jurisdictions. The City believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

## Section 9 Fiscal and economic implications

M.S. Section 469.175 Subdivision 2(b) requires a specific description of the fiscal and economic implications of the proposed TIF District on city operations, plus an estimate of the total TIF to be generated over the life of the TIF District attributable to each taxing jurisdiction.

City Service Costs: The business park will be served by public streets and utilities. Additional public infrastructure and maintenance expenses will be required to build out this area which will serve multiple parcels that will be available for sale by the Economic Development Authority. The City intends to use tax increments generated by the projects to assist in funding the installation of public infrastructure that serves eligible parcels. Demands on other City services are expected to be handled without increased public costs, and City utilities are operated on a fee for service basis so usage revenues will cover increased costs. Impacts on police, fire and administrative

costs are expected to be negligible.

The City may finance some of the public improvements with tax increment bonds and provide assistance on a pay-as-you-go basis. The project may impact debt levels but is not expected to have an adverse impact on the City's current credit rating or capacity to borrow for future projects.

TIF Attribution: The City projects TIF collections will total \$1,124,689 (before State Auditor's deductions) over the 9-year life of the TIF District. Of this total, \$549,460 is attributable to the City's share of the tax levy; \$420,420 from the County's share of tax levy, and approximately \$153,450 from the School District's share of tax levy. Exhibit 4 has a detailed allocation of total TIF collections to the City, County and School.

## **Section 10 Property to be acquired in the TIF District**

The City may acquire property located within the tax increment district for public right-of-way for the construction of public streets and infrastructure.

## **Section 11 Estimated Amount of Bonded Indebtedness**

The City reserves the right to fund all Project costs permitted by law using internal funding, general obligation bonds, pay-as-you-go financing or any other financing mechanism authorized by law. The maximum principal amount of bonds to be funded with tax increment revenue from TIF District No. 1-8 is \$1,174,689.

Internal Loans, including a negative balance in the TIF fund, must be authorized by resolution of the entity advancing the loan before money is transferred, advanced or spent. The resolution must include the terms and conditions for repayment of the loan to include, at a minimum, the principal amount of the loan, the interest rate and the maximum term. The interest rate to be charged on internal loans shall not exceed 4% based upon the limit of the greater of the rates specified under Minnesota Statutes 270C.40 or 549.09 as of the date this Plan is approved.

## **Section 12 Designation of TIF District as an Economic Development District**

Economic development districts are a type of tax increment financing district which consists of any project which the City finds to be in the public interest because:

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

The TIF District qualifies as an economic development district in that the proposed development described in this TIF Plan (see Section 5) meets all of the criteria listed above. Without establishment of the TIF District the proposed development would not occur within the City. The proposed development will also result in increased employment and enhancement of the tax base of both the City and the State.

## **Section 13 Original Net Tax Capacity**

The County Auditor will certify the Original Net Tax Capacity of the TIF District, which will be the total Net Tax Capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The Market Value of all property within the TIF District as of January 1, 2025 for taxes payable in 2026 is estimated at \$221,700. At this value, the Original Net Tax Capacity of the TIF District is estimated to be \$4,434 (see Exhibit 2). Each year the County Auditor will certify the amount that the Original Net Tax Capacity has increased or decreased as a result of:

1. Changes in the tax-exempt status of property;
2. Reductions or enlargements of the geographic area of the TIF District;

3. Changes due to stipulation agreements or abatements; or
4. Changes in classification rates

## Section 14 Original Local Tax Rate

The County Auditor shall certify the Original Local Tax Rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the Original Net Tax Capacity.

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

At the time this TIF Plan was prepared, the sum of all local tax capacity rates that apply to property in the TIF District for taxes levied in 2024 and payable in 2025 was 112.993%.

<u>Taxing Jurisdiction</u>	<u>Pay 2025 Local Tax Rate</u>
City of St. James	55.202%
Watonwan County	42.238%
Independent School District No. 840	15.417%
Other	.137%
Total	112.993%

The projected original local tax rate does not include the State of Minnesota property tax rate on commercial, industrial and seasonal recreation property which is *not* captured as tax increment.

Minnesota Statutes were amended in 2013 to exclude from TIF Districts that portion of the local school levy attributed to local operating costs. The tax increment projections do not exclude that portion of the school tax rate so the revenue and impact assumptions for School District No. 840 are slightly over-stated.

## Section 15 Projected Retained Captured Net Tax Capacity and Tax Increment

Each year the County Auditor will 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. It is the City's intention to retain 100% of the Captured Net Tax Capacity of the TIF District.

Exhibit 3 estimates the total amount of retained net captured tax capacity, gross tax increments, adjustments, and the net tax increment revenues which will be available annually and cumulatively over the life of the TIF District.

## Section 16 Statutory Duration of the TIF District

Economic development districts may remain in existence for eight years from the date of receipt of the first tax increment. This produces nine (9) annual collections of tax increments, with the first year of increment expected to be 2027 and that the final year will be 2035. Modifications of this plan (see Section 28) may not extend these limitations unless the City elects under certain circumstances to extend the duration of TIF District in order to recover eligible pollution cleanup costs incurred by the City (see M.S. Section 469.176, Subd. 1g for details).

## Section 17 Use of Tax Increments – Economic Development Districts

Revenue derived from tax increment from an economic development district must be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, in which at least 85 percent of the buildings and facilities (determined on the basis of square footage) are used for any of the following purposes:

1. the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;
2. warehousing, storage, and distribution of tangible personal property, excluding retail sales;

3. research and development related to the activities listed in clause (1) or (2);
4. telemarketing if that activity is the exclusive use of the property;
5. tourism facilities;
6. space necessary for and related to the activities listed in clauses (1) to (5) above; or
7. a workforce housing project that satisfies the requirements of 469.176, subdivision 4c, paragraph (d).

If the City has a population of 5,000 or less and is located five miles or more from a City having a population of 10,000 or more (a "Small City"), revenues derived from tax increment from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000 square feet of any separately owned commercial facility. These revenues may also be used if the revenues derived from increments are spent only to assist the facility directly or for administrative expenses, the assistance is necessary to develop the facility, and all of the increments, except those for administrative expenses, are spent only for activities within the district.

## **Section 18 Use of Tax Increments – General**

Each year the County Treasurer shall deduct an estimated 0.36% of the annual tax increment generated by the TIF District and pay such amount to the state 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 3 shows the projected deduction for this purpose over the anticipated life of the TIF District.

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

1. Pay for the estimated public costs of the TIF District (including administrative expenses, see Section 7) and City administrative costs associated with the TIF District (see Section 29);
2. Pay principal and interest on tax increment bonds, notes or other financial obligations issued to finance the public costs of the TIF District;
3. Accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the public costs of the TIF District;
4. Pay all or a portion of the County road costs as may be required by the County Board under M.S. Section 469.175, Subdivision 1a; or
5. Return excess tax increments to the County Auditor for redistribution to the City, County and School District in proportion to their local tax capacity rates.

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.

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, including social, recreational or conference facilities or a public park used as a commons area. Tax increments may be used to finance public parking facilities.

Tax increment may not be spent outside the TIF District on improvements, equipment, or other items whose primary purpose is decorative or aesthetic or if the materials used or design cost twice that of more commonly used equipment or improvements. This prohibition does not apply to improvements related to rehabilitating historic structures on national register or in a historic district listed on the national register.

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 sales 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 19 “Green Acres”**

The TIF District may not include parcels that qualified as “green acres” in any of the five (5) years preceding the request for certification, unless 85% of development in the district is restricted to qualified manufacturing or distribution facilities directly related to production of tangible personal property and paying at least 90% of its employees’ wages equal to or greater than 160% of the federal minimum wage; or the development in the district is a housing project.

## **Section 20 4-Year Knock-Down Rule**

If after four years from certification of the TIF District no demolition, rehabilitation, renovation, or 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 21 Tax Increment Pooling – 5-year Rule**

At least 80% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District. No more than 20% of the tax increments may be spent on costs outside of the TIF District, but within the boundaries of the Project Area. All administrative expenses are considered to have been spent outside of the TIF District. Revenues derived from tax increments paid by properties in the district 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 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
3. 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-

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

## **Section 22 Excess Tax Increment**

On December 31st of each year, the City must determine the amount of excess increments for the TIF District. Excess increments may only be used to:

1. prepay any outstanding tax increment Bonds;
2. discharge the pledge of tax increments on any outstanding Bonds;
3. pay amounts into an escrow account dedicated to the payment of any outstanding Bonds; or
4. return excess tax increments to the County Auditor for redistribution to the City, County and School District in proportion to their local tax capacity rates. 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 23    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 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 City 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 public costs authorized by the TIF Plan or (b) 10% of the total tax increments received.

## **Section 24    Prior Planned Improvements**

The City shall accompany its request for certification to the County Auditor 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.

The City has issued no building permits within the last 18 months for properties within the TIF District.

## **Section 25    Development Agreements**

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

## **Section 26    Business Subsidy Laws**

Minnesota Statutes 116J.994 requires a City providing financial assistance of between \$25,000-150,000 or a business subsidy worth \$150,000 or more to complete an approval process as described below. Housing projects and many redevelopment projects are exempt from the requirements.

For financial assistance of \$25,000-149,999:

1. Adopt criteria for awarding business subsidies following a public hearing.
2. Complete the Financial Assistance Report annually for two years

For a business subsidy of \$150,000 or more, the City must complete the following:

1. Adopt criteria for awarding business subsidies following a public hearing.
2. Conduct a public hearing on the subsidy, after providing at least 10 days published notice in the local newspaper.
3. Enter into a subsidy agreement which must include the following information and requirements:
  - a. A description of the subsidy.
  - b. A statement of the public purpose and goals of the subsidy.
  - c. Wage and job creation goals (or job retention goals, if job loss is imminent and demonstrable) to be achieved within 2 years of receiving the subsidy;
  - d. A description of the recipient's financial obligation if the goals are not met. The recipient must pay back the assistance with interest if goals are not met, although pro-rata to reflect partial fulfillment of goals is permitted.
  - e. A statement of why the subsidy is needed.

- f. A commitment from the recipient to continue operations at the site for at least 5 years;
- g. The name and address of the parent company of the recipient;
- h. A list of all other financial assistance to the project; and
- i. A requirement for the recipient to provide the City and the Department of Employment and Economic Development with annual information regarding goals for two years after receiving the subsidy or until the goals are achieved. The reports must be filed by March 1 for the prior year.

## **Section 27 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 a reasonable 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, and if the project is valued below the minimum market value, also approved by the County and School District.

## **Section 28 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 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 Project Area or 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 Project Area or 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 29 Certification and Administration of the Tax Increment Financing Plan**

Upon adoption of the TIF Plan, the City must submit a copy of such plan to the State Auditor's Office and the Department of Revenue. The City must 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 must 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 must 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 will 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 July 1, 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. Each year the County Auditor shall certify the amount of the Original Net Tax Capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:
  - a. the value of property that changes from tax-exempt to taxable shall be added to the Original Net Tax Capacity of the TIF District. The reverse shall also apply;
  - b. the Original Net Tax Capacity may be modified by any approved enlargement or reduction of the TIF District;
  - c. if laws governing the classification of real property cause changes to the percentage of Estimated Market Value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the Original Net Tax Capacity and the Retained Captured Net Tax Capacity of the TIF District.

The County Auditor shall notify the City of all changes made to the Original Net Tax Capacity of the TIF District.

### **Section 30 Financial Reporting and Disclosure Requirements**

The City is responsible for information and financial reporting on the activities of the TIF District. These responsibilities include:

1. Prepare and Publish an Annual Statement. No later than August 1 of each year, the City must prepare and publish an annual statement which includes at least the following information:
  - a. tax increment received and expended in that year
  - b. Original Net Tax Capacity
  - c. captured Net Tax Capacity
  - d. amount of outstanding bonded indebtedness
  - e. increments paid to other government bodies
  - f. administrative costs
  - g. increments paid directly or indirectly outside of the district
  - h. if a fiscal disparities contribution is computed under section 469.177, Subd. 3(a), the increase in property tax imposed on other properties in the municipality as a result of the fiscal disparities contribution in the manner prescribed by the commissioner of revenue.

A copy of the annual statement must also be provided to the State Auditor, county board and county auditor, and the municipality.

2. Prepare an Annual Report. (469.175 Subds. 5 and 6) The State Auditor enforces the provisions of the TIF Act and has full responsibility for financial and compliance auditing of the City's use of tax increment financing. The State Auditor's office provides detailed tax increment reporting forms for use in complying with annual reporting requirements. On or before August 1 of each year, the City and/or the City must prepare a status and financial report for the TIF District and submit it to the state auditor, the county board, the county auditor, and the governing body of the municipality, if the municipality is not also the City.
3. Prepare a Minnesota Business Assistance Form. (116J.994) By April 1, the City must submit a report to the Department of Employment and Economic Development on wage and job goals and progress made in achieving them. A reporting form is provided by the Department, and must be submitted for each business which has received TIF assistance.

### **Section 31 Findings and Need for Tax Increment Financing**

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

1. The TIF District qualifies as an economic development district;  
See Section 12 of this document for the reasons and facts supporting this finding.

2. The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and the increased market value of the site that could reasonably be expected to occur without the use of tax increment would be less than the increase in 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 above finding is based communications and discussions with the Developer stating that without the use of tax increment financing the Project would not be constructed in the City of St. James. TIF assistance is required to reduce the cost of constructing necessary public improvements to serve the project and project area.*

- 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 **\$500,000**.*
  - b. *If the proposed development to be assisted with tax increment occurs in the TIF District, the total increase in market value would be approximately **\$7,630,000**. (See Exhibit 3)*
  - c. *The present value of tax increments from the TIF District for the maximum duration of the district permitted by the TIF Plan is estimated to **\$853,214**. (See Exhibit 5)*
  - d. *Even if some development other than the proposed development were to occur, the City finds that no alternative would occur that would produce a market value increase greater than the amount in clause "b" less the amount in clause "c" without tax increment assistance.*
3. The TIF Plan conforms to the general plan for development or redevelopment of the City as a whole.  
The reasons and facts supporting this finding are that the zoning of the property is guided for commercial development as a permitted use.
4. The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of the Project Area by private enterprise.

The reasons and facts supporting this finding are that the development activities are necessary so that development and redevelopment by private enterprise can occur within the Development District.

## Exhibits

Map of Financing District and Project Area .....	Exhibit 1
Parcels and Valuations .....	Exhibit 2
Tax Increment Projections .....	Exhibit 3
Statement of Fiscal and Economic Impacts .....	Exhibit 4
Market Value Analysis .....	Exhibit 5

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***City of St. James***

## ***Tax Increment Financing District No. 1-8***



## Municipal Development District No. 1

**The boundaries of Municipal Development District No. 1 are coterminous with the City Limits**

**City of Saint James, MN**  
**Tax Increment District No. 1-8**  
**Business Park Projects**

**PARCELS AND VALUATIONS**

PIN #	Owner	2025/2026 Valuations		
		Land	Building	Total M.V.
200242800	St James Vet MN Holdings, LLC	19,000	0	19,000
200242700	Thomas Mayberry	187,600	0	187,600
203600010	Thomas Mayberry	15,100	0	15,100
		221,700	0	221,700



**City of Saint James**  
**Tax Increment District No. 1-8**  
**Business Park Projects**

**TIF PROJECTIONS**

**Valuations & Projected Increases**

	Market Value	Tax Capacity
Original Values	221,700	4,434
Initial Development	630,000	14,550
Future Projects	7,000,000	140,000

**Tax Rate Assumptions:**

	Pay 2025 Tax Rate
City	55.202%
County	42.238%
School	15.417%
Other	0.137%
	<b>112.993%</b>

**Projected Tax Increment**

Payable Year	Original Tax Capacity	Projected Tax Capacity*	Net Captured Tax Capacity	Less Fiscal Disparities	Retained Net Captured Tax Capacity	Projected Tax Rate	Gross Tax Increment
2025	4,434	4,434	-	-	-		
2026	4,434	4,434	-	-	-	112.99%	-
2027	4,434	18,984	14,550	-	14,550	112.99%	<b>16,440</b>
2028	4,434	18,984	14,550	-	14,550	112.99%	<b>16,440</b>
2029	4,434	70,000	65,566	-	65,566	112.99%	<b>74,085</b>
2030	4,434	154,550	150,116	-	150,116	112.99%	<b>169,621</b>
2031	4,434	154,550	150,116	-	150,116	112.99%	<b>169,621</b>
2032	4,434	154,550	150,116	-	150,116	112.99%	<b>169,621</b>
2033	4,434	154,550	150,116	-	150,116	112.99%	<b>169,621</b>
2034	4,434	154,550	150,116	-	150,116	112.99%	<b>169,621</b>
2035	4,434	154,550	150,116	-	150,116	112.99%	<b>169,621</b>
							<b>1,124,689</b>

**Adjustments**

10.00% Admin. Retainage	0.36% State Auditor's Deduction	TOTAL NET REVENUES
-	-	-
1,644	59	<b>14,737</b>
1,644	59	<b>14,737</b>
7,408	267	<b>66,410</b>
16,962	611	<b>152,048</b>
16,962	611	<b>152,048</b>
16,962	611	<b>152,048</b>
16,962	611	<b>152,048</b>
16,962	611	<b>152,048</b>
16,962	611	<b>152,048</b>
16,962	611	<b>152,048</b>
112,469	4,049	<b>1,008,171</b>

**City of Saint James  
Tax Increment District No. 1-8  
Business Park Projects**

**STATEMENT OF FISCAL AND ECONOMIC IMPACTS**

Taxing Jurisdiction	Without TIF District		With TIF District					
	Pay 2025 Taxable Net Tax Capacity <sup>(1)</sup>	Original Local Tax Rate	Pay 2025 Taxable Net Tax Capacity <sup>(1)</sup>	Projected Captured Net Tax Capacity	Hypothetical Tax Generated By TIF	New Taxable Net Tax Capacity	Hypothetical Adjusted Local Tax Rate	Hypothetical Decrease in Tax Rate
City of Saint James	7,744,274	55.202%	7,744,274	150,116	82,867	7,894,390	54.152%	1.050%
Watonwan County	30,277,615	42.238%	30,277,615	150,116	63,406	30,427,731	42.030%	0.208%
ISD #840	15,762,996	15.417%	15,762,996	150,116	23,143	15,913,112	15.271%	0.145%
Other <sup>(2)</sup>	--	0.137%	--	150,116	205	--	0.137%	--
Totals		<u>112.993%</u>			<u>169,621</u>		<u>111.589%</u>	<u>1.404%</u>

**Statement #1:** If all of the projected captured net tax capacity of the project were hypothetically available to each taxing jurisdiction if TIF were not used, the tax capacities of each jurisdiction would be increased by the amounts shown above, and the local tax rates of each jurisdiction would be decreased by the amounts shown.

**Statement #2:** As the projected captured tax capacity of the project would not be available without the use of TIF, the tax capacities and tax rates of each jurisdiction will not be affected.

**Statement #3:** The estimated amount of tax increment generated over the life of the TIF District is estimated to be \$1,124,689.

**Statement #4:** A description of the probable impact of the TIF District on City services as a result of the creation of this TIF District would include the following: The City will be collecting an estimated \$549,460 in city property tax revenue from the proposed project area and applying it to project related expenses rather than general services such as police, fire, and other services not paid by user fees.

**Statement #5:** The estimated amount of increment attributed to the school districts' tax levies and captured as a result of the creation of this TIF District is \$153,450 for School District 840.

**Statement #6:** The estimated amount of increment attributed to the county tax levy and captured as a result of the creation of this TIF district is \$420,420.

<sup>(1)</sup> Taxable net tax capacity = total net tax capacity less value captured in TIF Districts and powerline value.

<sup>(2)</sup> The impacts upon other taxing jurisdictions not included since they represent a small percentage of the total tax rate.

# City of Saint James

## Tax Increment District No. 1-8 Business Park Projects

### MARKET VALUE ANALYSIS

Increased Market Value of Site	7,630,000
Less Present Value of TIF Revenues	<u>853,214</u>
	6,776,786
Reasonably expected increase w/out TIF	<u>500,000</u>
<b>Net Value Increase</b>	<b>6,276,786</b>

#### Present Value Calculation

Calculation Date	5/1/2025
Present Value Factor	4.00%

#	Year	Gross Tax Increment	Present Value
0	2025	-	-
1	2026	-	-
2	2027	16,440	15,200
3	2028	16,440	14,616
4	2029	74,085	63,328
5	2030	169,621	139,416
6	2031	169,621	134,054
7	2032	169,621	128,898
8	2033	169,621	123,940
9	2034	169,621	119,173
10	2035	169,621	114,590
		<u>1,124,689</u>	<u>853,214</u>