

Shakopee, Minnesota
Shakopee Economic Development Authority

Redevelopment Plan for Minnesota River Valley Housing and
Redevelopment Project No. 1

And

Administrative Amendment to Tax Increment Financing Plan

for

Tax Increment Financing (Redevelopment)
District No. 18

(Canterbury Commons Development Project)

Adopted by City Council: March 2, 2018
Administrative Amendment Dated: August 8, 2018

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INTRODUCTION

The purpose of the Administrative Amendment to the Tax Increment Financing Plan for Tax Increment Financing (Redevelopment) District No. 18 is to include a listing of building permits issued within the TIF District during the 18 months immediately preceding approval of the TIF plan. The Plan that was approved on March 2, 2018 did not include the permits issued during the previous 18 months. This amendment should not materially impact the original estimates and will not increase the overall size of the District nor the overall size of the budget. The section being modified is Section III.V.

Additionally, Sections III.J, III.K, and III.L are being modified to include references to the possible utilization of general obligation tax increment bonds.

The amendment makes no other modifications to the TIF District.

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I. – BACKGROUND

Section A Introduction

The City created the Minnesota River Valley Housing and Redevelopment Project No. 1 on January 2, 1979 (originally designated as Valley Industrial Park Redevelopment Project No. 1) and transferred that project to the Economic Development Authority for the City of Shakopee (the "Authority") upon creation of the Authority in 1995.

The Authority and City have now determined a need to create Tax Increment Financing District No. 18, a redevelopment district, within the Project.

Section B 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 Shakopee Economic Development Authority.

"City" means the City of Shakopee, 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 Scott County, Minnesota.

"Project" means the Minnesota River Valley Housing and Redevelopment Project No. 1.

"Project Area" means the property within the Project, as described in the Project Plan and as shown in Exhibit I attached.

"Project Plan" means the Redevelopment Plan for the Project, as modified from time to time.

"School District" means Independent School District No. 720, Minnesota.

"State" means the State of Minnesota.

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

"TIF District" means Tax Increment Financing (Redevelopment) District No. 18.

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

II. – MODIFICATION TO REDEVELOPMENT PLAN FOR MINNESOTA RIVER VALLEY HOUSING AND REDEVELOPMENT PROJECT NO. 1

The City and the Authority intend, through this document, to modify the Project Plan for the Project. Section 1.6 (regarding parcels to be acquired within the Project), Section 1.7 (regarding estimated public improvement costs within the Project) and Section 1.8 (regarding public improvements and facilities within the Project) of the existing Project Plan are deemed modified to incorporate the terms of the TIF Plan following in Section III of this document. The boundaries and general objectives of the Project remain unchanged.

III. – TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 16

Section A Statutory Authorization

The Authority, with approval of the City Council, is authorized to establish TIF District No. 18 and this TIF Plan pursuant to the Act and the TIF Act.

Section B Statement of Need and Public Purpose

The Authority has determined that conditions exist within the Project Area which have prevented further development of land by private enterprise. It has been found that the Project Area is potentially more useful and valuable for contributing to the public health, safety and welfare than has been realized under existing development.

The development of these parcels is not attainable in the foreseeable future without the intervention of the Authority in the private development process. The Authority has prepared the Project Plan, which provides for the elimination of these conditions, thereby making the land useful and valuable for contributing to the public health, safety and welfare.

Section C Statement of Objectives

The objectives outlined in Section 1.4 of the Project Plan, as amended, are incorporated herein by reference.

Section D Designation of Tax Increment Financing District as a Redevelopment District

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 similar structures and more than 50% of the buildings, not including outbuildings, are structurally substandard requiring substantial renovation or clearance. A parcel is deemed "occupied" if at least 15% of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots; or other similar structures.
- (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.
 - (iv) A qualifying disaster area, as defined in subdivision 10b.

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. An executive summary of a report prepared by LHB, Inc. that details the qualifications is included in Exhibit VII. A copy of the entire report with supporting facts and documentation for this determination is on file with the City and is available to the public upon request. The full report will be retained by the City for the life of the TIF District.

"Structurally substandard" is defined as buildings containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. Generally, 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 cannot 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. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained. 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 three years of the filing of the request for certification of the parcel as part of the district;
- (2) the demolition or removal of the substandard building was performed or financed by the Authority, or was performed by a developer under a development agreement with the Authority,
- (3) the Authority found by resolution before such demolition or removal occurred that the building was structurally substandard and that the Authority intended to include the parcel in the TIF district, and
- (4) the Authority notifies the county auditor that the original tax capacity of the parcel must be adjusted upon filing the request for certification of the tax capacity of the parcel as part of a district.

In the case of (4) 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, pollution, or contaminants, 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 or remediation necessary to develop the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the Authority may be included in the qualifying costs.

Section E Duration of the TIF District

Redevelopment districts may remain in existence 25 years from the date of receipt by the Authority of the first tax increment. The Authority anticipates that the TIF District will remain in existence for a period of 26 total years (projected to be through the year 2045). Modifications of this plan (see Section AA) shall not extend these limitations. All tax increments from taxes payable in the year the TIF District is decertified shall be paid to the Authority. Pursuant to MN Statutes, Section 469.175, Subdivision 1(b) the City elects to delay receipt of first increment until 2020

Section F Property to be Included in the TIF District

The TIF District is an approximate 383.27 acre area of land located within the Project Area. A map showing the location of the TIF District is shown in Exhibit I. The boundaries and area encompassed by the TIF District are described below:

Parcel Number*	Legal Description*
274500010	Lot 1, Block 1, Canterbury Park 6 th Addition

274500030	Outlot A, Canterbury Park 6 th Addition
279040103	That part of the Northwest Quarter (NW 1/4) of the Southeast Quarter (SE 1/4) of the of the Southwest Quarter (SW 1/4) and the South Half (S 1/2) of the Southeast Quarter (SE 1/4) of the Southwest Quarter (SW 1/4) of Section 4, Township 115 North, Range 22 West, Scott County, Minnesota, described as follows: Commencing at the southeast corner of the South Half of the Southwest Quarter of said Section 4, thence North 00 degrees 16 minutes 08 seconds West, along the east line of said Southwest Quarter, a distance of 661.30 feet to the southeast corner of the plat of BEHRINGER'S FIRST ADDITION, thence North 88 degrees 51 minutes 58 seconds West, along the south line of BEHRINGER'S FIRST ADDITION a distance of 436.05 feet to a point on said south line distant 224.00 feet easterly of the southwest corner of Lot 2, Block 1, BEHRINGER'S FIRST ADDITION, the point of beginning of the land to be described, thence South 01 degrees 08 minutes 02 second West, a distance of 30.00 feet, thence North 88 degrees 51 minutes 58 seconds West, parallel to the south line of BEHRINGER'S FIRST ADDITION, a distance of 528.66 feet, thence North 00 degrees 27 minutes 30 seconds West, parallel to the west line of BEHRINGER'S FIRST ADDITION a distance of 691.51 feet to its intersection with the north line of the Northwest Quarter of the Southeast Quarter of the Southwest Quarter of said Section 4, thence South 88 degrees 51 minutes 28 seconds East, along said north line a distance of 305.40 feet to the northwest corner of Lot 1, Block 1, BEHRINGER'S FIRST ADDITION, thence South 00 degrees 27 minutes 30 seconds East, along the west line of BEHRINGER'S FIRST ADDITION, a distance of 661.45 feet to the Southwest corner of Lot 2, Block 1, BEHRINGER'S FIRST ADDITION, thence South 88 degrees 51 minutes 58 seconds East, along the south line of BEHRINGER'S FIRST ADDITION, a distance of 224.00 feet to the point of the beginning.
274500020	Lot 2, Block 1, Canterbury Park 6 th Addition
274500040	Outlot B, Canterbury Park 6 th Addition
272450010	Lot 1, Block 1, Canterbury Park 5 th Addition
274500050	Outlot C, Outlot B, Canterbury Park 6 th Addition
274500100	Outlot H, Canterbury Park 6 th Addition
274500090	Outlot G, Canterbury Park 6 th Addition
274500060	Outlot D, Canterbury Park 6 th Addition
279080251	That part of the Northwest Quarter of Section 8, Township 115, Range 22, Scott County, Minnesota described as follows: Beginning at the intersection of the East line of said Northwest Quarter and the center line of County Road No. 16; thence North along said East line a distance of 1048.33 feet; thence West a distance of 221.00 feet; thence South and parallel with said East line a distance of 922.72 feet to the center line of County Road No. 16; thence Southeasterly along said center line a distance of 254.20 feet to the point of beginning. EXCEPT THAT PART DESCRIBED AS FOLLOWS: Commencing at the northeast corner of said Northwest Quarter of Section 8, thence South 00 degrees 03 minutes 26 seconds West, assumed bearing along the east line of Northwest Quarter of Section 8, a distance of 1317.61 feet to the intersection of the centerline of Eagle Creek Boulevard, formerly known as County Road No. 16 and the point of beginning of the parcel to be described thence North 60 degrees 23 minutes 13 seconds West along said centerline of Eagle creek Boulevard, a distance of 92.32 feet; thence North 19 degrees 29 minutes 33 seconds

	East, a distance of 143.66 feet; thence North 86 degrees 01 minutes 31 seconds East, a distance of 32.58 feet to said east line of the Northwest Quarter of Section 8; thence South 00 degrees 03 minutes 26 seconds West along said east line of the Northwest Quarter of Section 8, a distance of 183.30 feet to the point of beginning.
274500070	Outlot E, Canterbury Park 6 th Addition
274500080	Outlot F, Canterbury Park 6 th Addition
279080411	A tract of land in the Northeast Quarter of Section 8, Township 115 North, Range 22 West, Scott County, described as follows: Commencing at the intersection of the west line of said Northeast Quarter and the center line of County State Aid Road No. 16 and running thence north along said west line a distance of 188.8 feet, thence southeasterly and parallel with said center line of road a distance of 365.4 feet; thence south and parallel to said west line a distance of 188.8 feet to the center line of said road; thence northwesterly along said center line to the point of beginning. EXCEPT THAT PART DESCRIBED AS FOLLOWS: That part of the west 530.0 feet of the West Half of the Northeast Quarter of Section 8, Township 115, Range 22, Scott County, lying north of County State Aid 11 way 16, and lying south of the north 977.36 feet thereof, described as follows: commencing at the northwest corner of said Northeast Quarter of Section 8; thence South 00 degrees 03 minutes 26 seconds West, assumed bearing along the west line of said Northeast Quarter of Section 8, a distance of 1317.61 feet to the intersection of the centerline of Eagle Creek Boulevard, formerly known as County Road No. 16, and the point of beginning of the parcel to be described; thence South 61 degrees 59 minutes 59 seconds East along said centerline of Eagle Creek Boulevard, a distance of 17.36 feet; thence North 21 degrees 34 minutes 19 seconds East, a distance of 90.83 feet thence Northeasterly along a tangential curve concave to the northwest having a central angle of 09 degrees 31 minutes 00 seconds, a radius of 1670.00 feet and an arc distance of 277.38 feet to the south line of the North 977.36 feet of the West Half of the Northeast Quarter of Section 8; thence South 89 degrees 23 minutes 51 seconds West along said south line of the North 977.36 feet of the West Half of the Northeast Quarter of Section 8, a distance of 128.53 feet to said west line of the Northeast Quarter of Section 8; thence South 00 degrees 03 minutes 26 seconds West along said west line of the Northeast Quarter of Section 8, a distance of 340.19 feet to the point of beginning.
279080681	That part of the west 530.00 feet of the West Half of the Northeast Quarter of Section 8, Township 115, Range 22 West, Scott County, lying northerly of County State Aid Highway 16, and lying south of the north 977.36 feet thereof, except that part thereof contained within the following: Commencing at the intersection of the west line of said Northeast Quarter and the center line of County State Aid Road No. 16 and running thence north along said west line a distance of 188.8 feet; thence southeasterly and parallel with said center line of road a distance of 365.4 feet; thence south and parallel to said west line a distance of 188.8 feet to the center line of said road; thence northwesterly along said center line to the point of beginning. EXCEPT THAT PART DESCRIBED AS FOLLOWS: That part of the west 530.0 feet of the West Half of the Northeast Quarter of Section 8, Township 115, Range 22, Scott County, lying north of County State Aid Highway 16, and lying south of the north 977.36 feet thereof, described as follows: commencing at the northwest corner of said Northeast Quarter of Section 8; thence South 00 degrees 03 minutes 26 seconds West, assumed bearing along the west line of said Northeast Quarter of Section 8, a distance of 1317.61 feet to the intersection of the centerline of Eagle Creek Boulevard, formerly known as County Road No. 16, and the point of beginning of the parcel to be described; thence South 61 degrees 59 minutes 59 seconds East

	along centerline of Eagle Creek Boulevard, a distance of 17.36 feet; thence North 21 degrees 34 minutes 19 seconds East, a distance of 90.83 feet; thence Northeasterly along a tangential of North 977.36 feet of the West Half of the Northeast Quarter of Section 8; thence South 89 degrees 23 minutes 51 seconds West along said south line of the North 977.36 feet of the West Half of the Northeast Quarter of Section 8, a distance of 128.53 feet to said west line of the Northeast Quarter of Section 8; thence South 00 degrees 03 minutes 26 seconds West along said west line of the Northeast Quarter of Section 8, a distance of 340.19 feet to the point of beginning.
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**The parcels within the District maybe replatted as part of development. The legal descriptions and parcel numbers represent the parcels prior to replatting.*

The area encompassed by the TIF District shall also include the entirety of all street or utility right-of-ways located upon or adjacent to the property described above.

Section G Property to be Acquired in the TIF District

The Authority may acquire and sell any or all of the property located within the TIF District; however, the Authority does not anticipate acquiring any such property at this time, other than potentially for road right of way or utility purposes.

Section H Specific Development Expected to Occur Within the TIF District

The proposed development is anticipated to include a variety of uses including housing, commercial/retail, hospitality & destination entertainment, and office space. The project is anticipated to be developed over a number of phases and upon completion will consist of approximately, 46 owner-occupied townhomes, 65 owner-occupied senior cooperative condominium units, 608 apartment units, 100,400 square feet (s.f.) of retail/restaurant space, two destination entertainment buildings of approximately 75,000 s.f. each, 300 hotel rooms split between two anticipated hotels, and approximately 783,000 s.f. of office/commercial buildings. In addition to the proposed new buildings, the development is also anticipated to include the demolition and redevelopment of a number of existing stable/dormitory buildings within the boundaries of the TIF District. The redevelopment will also include corresponding demolition, geotechnical work, site work, parking improvements, public streets, utilities, and sidewalks, and other eligible improvements associated with the project.

The City anticipates using tax increment to reimburse the developer for a portion of the total TIF eligible project costs occurred in the development of the site. Specifically, the City anticipates using TIF revenue to reimburse the developer for TIF eligible costs associated with the development of the public streets, utilities, sidewalks and other public infrastructure within the TIF District. Additionally, the City anticipates using tax increment to finance public street improvements both within the TIF District, and potentially street improvements outside of the boundaries of the TIF District but within the Project Area, along with related administrative expenses.

Construction of the entire development is anticipated to occur in a number of phases over numerous years. Construction is projected to begin in 2018 and continue through 2025. The development is expected to be fully constructed in 2025, and be 100% assessed and on the tax rolls as of January 2, 2026 for taxes payable in 2027. A portion of the development is anticipated to be completed in 2018, and is anticipated to generate the receipt of first increment in taxes payable 2020.

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

Section I Findings and Need for Tax Increment Financing

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

- (1) The TIF District qualifies as a redevelopment district;

See Section D and Exhibit VII of this document for the reasons and facts supporting this finding.

- (2) The proposed development, in the opinion of the Authority, 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.

Factual basis:

Proposed development not expected to occur:

The proposed development includes the construction of a multi-phase mixed-use development. A key component to the redevelopment is the reimbursement of TIF eligible public infrastructure expenses through tax increments. The developer has indicated they would not undertake the proposed development without the financial assistance due to the financial burden of the public infrastructure needs. Without the assistance the Authority has no reason to expect that significant reinvestment in the site would occur without assistance similar to that provided in this plan. Therefore, the Authority has no reason to believe the development would occur but-for the use of tax increment assistance.

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

- a. The Authority's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is \$0 (for the reasons described above), except some unknown amount of appreciation.
 - b. If the proposed development to be assisted with tax increment occurs in the District, the total increase in market value would be approximately \$258,069,360, including the value of the buildings (See Exhibit V).
 - 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 \$35,235,002 (See Exhibit V).
 - d. Even if some development other than the proposed development were to occur, the Authority finds that no alternative would occur that would produce a market value increase greater than \$222,834,358 (the amount in clause b less the amount in clause c) without tax increment assistance.
- (3) The TIF Plan would afford maximum opportunity, consistent with the sound needs of the Authority as a whole, for development of the Project Area by private enterprise.

Factual basis: The proposed development is the construction of a mixed-use redevelopment, in the Project Area, that is expected to create substantial new tax base for the City and the State. The development clearly meets the Authority's economic development goals in terms of land use, the removal of blight, the creation of housing, and the creation of jobs.

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

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

Section J Estimated Public Costs

The estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District.

TIF eligible public infrastructure expenses including: right of way acquisition, demolition required for infrastructure, street and sidewalk improvements, utility relocation and extension, and other eligible improvements	\$33,000,000
Paygo Note and/or Bond Interest Payments	\$42,280,361
Administrative expenses	\$8,395,963
Other TIF Eligible Expenditures	\$283,304
Total	\$83,959,628

The Authority reserves the right to administratively adjust the amount of any of the items listed above or to incorporate additional eligible items, so long as the total estimated public cost is not increased. The Authority also reserves the right to fund any of the identified costs with any other legally available revenues, but anticipates that such costs will be primarily financed with tax increments. The Authority reserves the right to spend available tax increment outside of the TIF District boundaries but within the Project Area.

Section K Estimated Sources of Revenue

Tax Increment revenue (Net of OSA Deduction)	\$83,959,628
Interest on invested funds	-
Bond proceeds	-
Loan proceeds	-
Grants	-
Other	-
Total	\$83,959,628

The Authority anticipates providing financial assistance for public infrastructure costs, and other TIF eligible expenses to the proposed development with the potential use of tax increment bonds, interfund loans, and pay-as-you-go notes. As tax increments are collected from the TIF District in future years, a portion of these taxes will be used by the Authority to reimburse the developer/owner for public costs incurred and fund debt-service payments on bonds issued to fund project costs (see Section J).

The Authority 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 (referred to together as "TIF Bonds"), or any other financing mechanism authorized by law. The Authority also reserves the right to use other sources of revenue legally applicable to the Project Area to pay for such costs including, but not limited to, special assessments, utility revenues, federal or state funds, and investment income.

Section L Estimated Amount of Bonded Indebtedness

The Authority currently plans to issue bonds in the form of general obligation tax increment bonds, one or more internal fund loans and one or more pay-as-you go revenue notes. The Authority reserves the right to issue bonds in any form, including without limitation any interfund loan with interest not to exceed the maximum permitted under Section 469.178, subd. 7 of the TIF Act. Such bonds shall be issued in an amount not to exceed \$83,959,628 (total estimated public cost).

Section M Original Net Tax Capacity

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

The Authority intends to file the request for certification prior to July 1, 2018. Therefore, the original net tax capacity will be the net tax capacity as of January 2, 2017.

The Estimated Market Value of all property within the TIF District as of January 2, 2017, for taxes payable in 2018, is \$30,934,400. Upon completion of the project, the development is proposed to consist of a variety of housing, rental, and commercial property uses. Therefore, the estimated tax capacity is currently unknown; however, for purposes of the revenue projections in this TIF plan, the City has assumed the Estimated Market Value will be distributed amongst the various uses based on their respective pro-rata share of the overall development, resulting in an estimated original net capacity for the District of \$578,474.

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

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

Section N Original Tax Capacity Rate

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

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

As noted in Section M, the Authority intends to file the TIF District for certification prior to July 1, 2018; therefore, the Original Local Tax Rate will be the final rate that applies for taxes payable in 2018.

At the time this document was prepared, the final sum of all local tax rates that apply to property in the TIF District, for taxes levied in 2017 and payable in 2018, was not yet available. When this total becomes available, 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 final sum of the local tax rates for taxes levied in 2016 and payable in 2017, is 128.6776% as shown below.

<u>Taxing Jurisdiction</u>	<u>Final 2016/2017 Local Tax Rate</u>
City of Shakopee	38.5215%
Scott County	35.8956%
ISD #720	49.2816%
Other	<u>4.9789%</u>

	Total	128.6776%
Section O	Projected Retained Captured Net Tax Capacity and Projected Tax Increment	

The Authority anticipates that the development will begin construction in 2018 and occur over a number of years and is anticipated to be 100% completed by December 31, 2025. The first partial total capacity for the District is \$635,067 as of January 2, 2019, resulting in a captured net tax capacity of \$55,432, and the first receipt of partial increment of \$71,328 in taxes payable 2020.

Upon completion in 2025, the development is projected to be fully constructed, with a total capacity for the District of \$4,347,394 as of January 2, 2026, resulting in the first year of full increment occurring in taxes payable 2027 in an estimated amount of \$3,759,837. A complete schedule of estimated tax increment from the TIF District is shown in Exhibit III.

The estimates shown in this TIF plan assume; that commercial class rates remain at 1.5% of the estimated market value up to \$150,000 and 2.0% of the estimated market value over \$150,000; that rental class rates remain at 1.75% of the market value; and that residential class rates remain at 1.0% of the estimated market value up to \$500,000 and 1.25% of the estimated market value over \$500,000. The estimates do not assume any market value inflation assumption.

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

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

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

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

Section P Use of Tax Increment

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

The 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 (see Section J) and County administrative costs associated with the TIF District (see Section S);

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

Tax increments from property located in one county must be expended for the direct and primary benefit of a project located within that county, unless the county board involved waives 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. Further, tax increments may not be used to finance: a common area used as a public park; facilities used for social or recreational purposes (whether public or private); or publicly-owned facilities used for conference purposes; provided that tax increment may be used for a privately owned conference facility, and for parking structures whether public or privately owned and whether or not they are ancillary to one of the otherwise prohibited uses described above.

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 Q Excess Tax Increment

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

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

Section R Tax Increment Pooling and the Five-Year Rule

At least 75% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District (see Section E for additional restrictions). No more than 25% of the tax increments may be spent on costs outside of the TIF District but within the boundaries of the Project Area, except to pay debt service on credit enhanced bonds. All administrative expenses are considered to have been

spent outside of the TIF District. Tax increments are considered to have been spent within the TIF District if such amounts are:

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

Beginning with the sixth year following certification of the TIF District, at least 75% of the tax increments must be used to pay outstanding bonds or make contractual payments obligated within the first five years. When outstanding bonds have been defeased and sufficient money has been set aside to pay for such contractual obligations, the TIF District must be decertified.

The Authority anticipates that tax increments will be spent outside of the TIF District (including a portion for allowable administrative expenses) for eligible redevelopment pooling expenditures.

Section S Limitation on Administrative Expenses

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

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

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

Section T Limitation on Property Not Subject to Improvements - Four Year 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 Authority must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

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

Section U Estimated Impact on Other Taxing Jurisdictions

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

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

1. The total amount of tax increment that will be generated over the life of the district is estimated to be \$84,262,974.
2. To the extent the mixed used development in the proposed TIF District generates any public cost impacts on city-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the district, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the District. The City does not anticipate issuing bonds in conjunction with this project.
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 \$32,271,608.
4. The amount of tax increments over the life of the district that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same is estimated to be \$23,505,907.
5. No additional information has been requested by the county or school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district.

Section V Prior Planned Improvements

The Authority 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. The City does not believe the issuance of the permits will have a significant impact on the original net tax capacity, or the projected tax increment revenue for the District as the increased market value resulting from the permitted improvements is not contemplated in the revenue projections.

Various permits have been issued for property within the TIF District within the last 18 months are a listed below:

Property Address	Property ID	Permit Number	Permit Date	Work Performed	Value of Improvement
1100 Canterbury Road S	274500010	SH090320	2/8/18	Partial Remodel	\$450,000
1100 Canterbury Road S	274500010	SH090060	1/4/2018	Interior Finish	\$15,000
1100 Canterbury Road S	274500010	SH087488	5/30/17	Replace Exterior Panels	\$2,090,831
1100 Canterbury Road S	274500010	SH087235	5/3/17	Replace Light Pole	\$25,000
1100 Canterbury Road S	274500010	SH087300	51/1/17	Remodel/Alteration	\$216,554
1100 Canterbury Road S	274500010	SH087161	4/7/17	Addition	\$88,017
1100 Canterbury Road S	274500010	SH086822	3/21/17	Adding Antennas	\$25,000
1100 Canterbury Road S	274500010	SH086817	3/21/17	Install Light Pole	\$25,000
1100 Canterbury Road S	274500010	SH086926	3/16/17	C.O. New Tenant Space	\$0
1100 Canterbury Road S	274500010	SH086611	2/22/17	Remodel Bar & Food Area	\$425,000

Section W Development Agreements

If within a project containing a redevelopment district, more than 25% of the acreage of the property to be acquired by the City is purchased with tax increment bonds proceeds (to which tax increment from the property is pledged), 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.

The Authority anticipates entering into an agreement for development, but does not anticipate acquiring any property located within the TIF District other than possibly for road or utility purposes.

Section X Assessment Agreements

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

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

The Authority does not anticipate entering into an assessment agreement.

Section Y 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 capital and administrative costs; or designation of additional property to be acquired by the Authority shall be approved only after satisfying all the necessary requirements for approval of the original TIF Plan. This paragraph does not apply if:

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

Section Z Administration of the Tax Increment Financing Plan

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

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

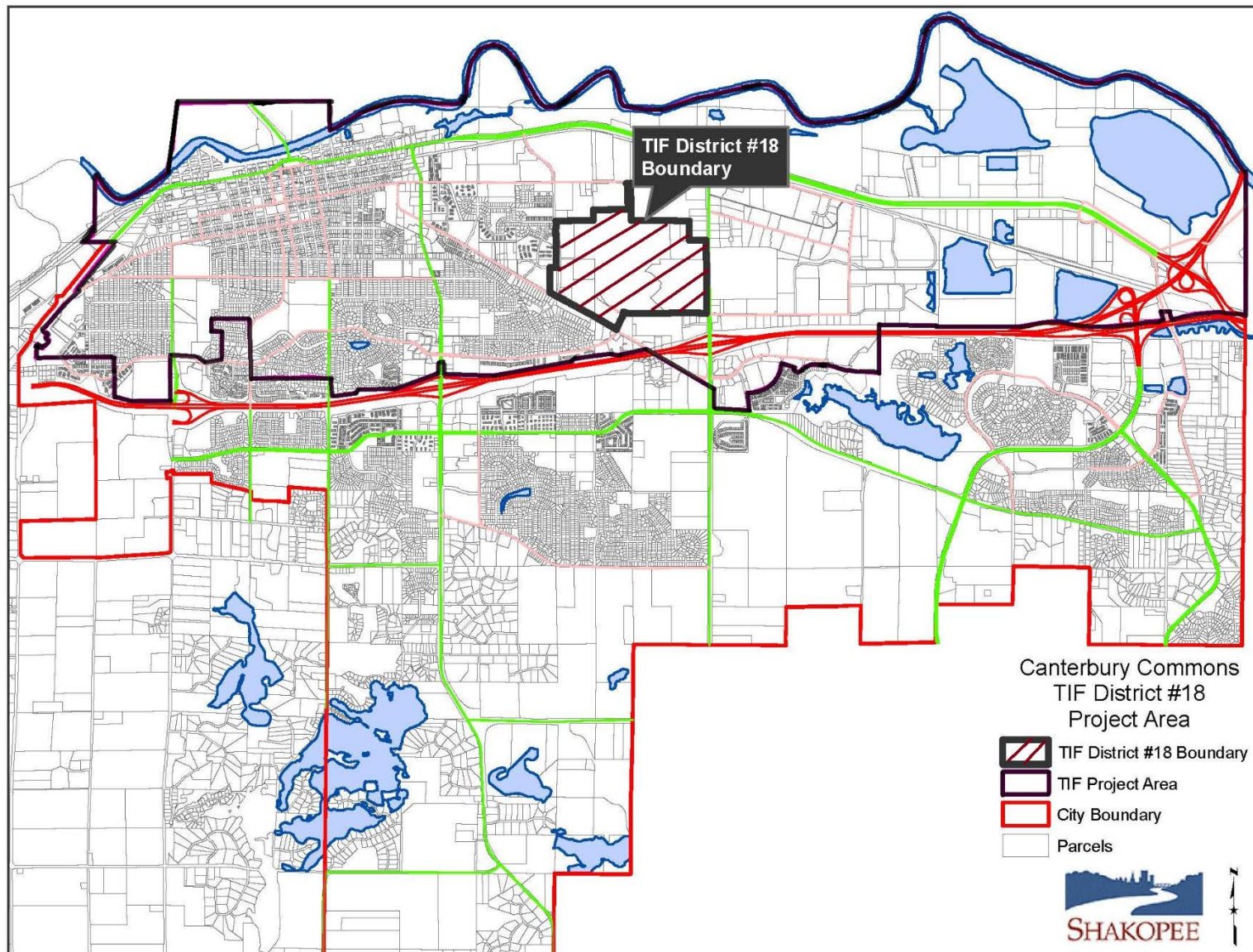
- (1) prior to July 1, the Authority shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to insure that the new value will be recorded in a timely manner.
- (2) if the County Auditor receives the request for certification of a new TIF District, 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 Authority of all changes made to the original net tax capacity of the TIF District.

Section AA Filing TIF Plan, Financial Reporting and Disclosure Requirements

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

Map of Tax Increment Financing (Redevelopment) District No. 18 within Project Area No. 1



Assumptions Report

City of Shakopee, Minnesota
Tax Incremental Financing (Housing) District No. 18
Canterbury Commons Development Project
TIF Projections - \$258M EMV Assumption

Type of TIF District	Redevelopment
Maximum Duration of TIF District	25 years from 1st increment

Projected Certification Request Date	6/30/2018
Decertification Date	12/31/2045

	2017/2018
Base Estimated Market Value	\$30,934,400
Original Net Tax Capacity	\$578,474

	Assessment/Collection Year				
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Base Estimated Market Value	30,934,400	30,934,400	30,934,400	30,934,400	30,934,400
Estimated Increase in Value - New Construction		4,204,750	25,684,583	75,797,487	118,837,123
Total Estimated Market Value	30,934,400	35,139,150	56,618,983	106,731,887	149,771,523
Total Net Tax Capacity	578,474	635,067	946,236	1,679,119	2,360,674

City of Shakopee	38.5215%	
Scott County	35.8956%	
ISD #0720	49.2816%	
Other	4.9789%	
Local Tax Capacity Rate	128.6776%	2016/2017

Fiscal Disparities Contribution From TIF District	32.1003%
Administrative Retainage Percent (maximum = 10%)	10.00%
Pooling Percent	0.00%

Present Value Date & Rate	7/1/2018	6.00% PV Amount	\$35,235,002
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Notes

Projections assume no future changes to classification rates and current tax rates remain constant.

Projections are based on assumed post-development value of \$258M.

Value assumptions based on information provided by the Developer

Value assumption used is reflective of combined building and land value. No inflation is assumed.

Base value is based on existing \$30.9M market value for parcels within TIF District as provided by County GIS records.

Projections assume commencement of construction in 2018, with project completion in 2025

Projected Tax Increment Report

City of Shakopee, Minnesota

Tax Increment Financing (Redevelopment) District No. 18

Canterbury Commons Development Project

TIF Projections - \$258M EMV Assumption

Annual Period Ending 1	Total Market Value 2	Total Net Tax Capacity 3	Less: Original Net Tax Capacity 4	Less: Fiscal Disp. @ 32.1003% 5	Retained Captured Net Tax Capacity 5	Times: Tax Capacity Rate 6	Annual Gross Tax Increment 7	Less: State Aud. Deduction 0.360% 8	Subtotal Net Tax Increment 9	Less: Admin. Retainage 10.00% 10	Annual Net Revenue 11
12/31/2018	0	0	0	0	0	0.0%	0	0	0	0	0
12/31/2019	0	0	0	0	0	0.0%	0	0	0	0	0
12/31/2020	35,139,150	635,067	578,474	1,161	55,432	128.677%	71,328	257	71,072	7,107	63,965
12/31/2021	56,618,983	946,236	578,474	47,333	320,430	128.677%	412,320	1,484	410,836	41,084	369,752
12/31/2022	106,731,887	1,679,119	578,474	165,930	934,715	128.677%	1,202,764	4,330	1,198,434	119,843	1,078,591
12/31/2023	149,771,523	2,360,674	578,474	296,985	1,485,216	128.677%	1,911,131	6,880	1,904,251	190,425	1,713,826
12/31/2024	203,690,160	3,259,810	578,474	497,884	2,183,452	128.677%	2,809,601	10,115	2,799,486	279,949	2,519,538
12/31/2025	217,576,860	3,537,544	578,474	587,037	2,372,032	128.677%	3,052,261	10,988	3,041,273	304,127	2,737,146
12/31/2026	235,569,360	3,897,394	578,474	702,550	2,616,369	128.677%	3,366,666	12,120	3,354,546	335,455	3,019,091
12/31/2027	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2028	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2029	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2030	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2031	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2032	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2033	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2034	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2035	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2036	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2037	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2038	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2039	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2040	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2041	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2042	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2043	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2044	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
12/31/2045	258,069,360	4,347,394	578,474	847,002	2,921,918	128.677%	3,759,837	13,535	3,746,302	374,630	3,371,671
							\$84,262,974	\$303,347	\$83,959,628	\$8,395,963	\$75,563,665

Estimated Impact on Other Taxing Jurisdictions Report
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City of Shakopee, Minnesota
Tax Increment Financing (Redevelopment) District No. 18
Canterbury Commons Development Project
TIF Projections- \$258 EMV Assumption

Without Project or TIF District			With Project and TIF District					
Taxing Jurisdiction	2016/2017 Net Tax Capacity	Final 2016/2017 Taxable Local Tax Rate	2016/ 2017 Taxable Net Tax Capacity	Projected Retained Captured Net Tax Capacity	New Taxable Net Tax Capacity	Hypothetical Adjusted Local Tax Rate (*)	Hypothetical Decrease in Local Tax Rate (*)	Hypothetical Tax Generated by Retained Captured N.T.C. (*)
City of Shakopee	49,217,472	38.5215%	49,217,472	2,921,918	52,139,390	36.36%	2.1588%	1,062,489
Scott County	177,230,896	35.8956%	177,230,896	2,921,918	180,152,814	35.31%	0.5822%	1,031,829
ISD #0720	54,930,192	49.2816%	54,930,192	2,921,918	57,852,110	46.79%	2.4891%	1,367,240
Other	--	4.9789%	--	2,921,918	--	4.9789%	--	--
Total		128.6776%				123.4476%	5.2300%	

*** Statement 1:** If the projected Retained Captured Net Tax Capacity of the TIF District was hypothetically available to each of the taxing jurisdictions above, the result would be a lower local tax rate (see Hypothetical Adjusted Tax Rate above) which would produce the same amount of taxes for each taxing jurisdiction. In such a case, the total local tax rate would decrease by 5.230% (see Hypothetical Decrease in Local Tax Rate above). The hypothetical tax that the Retained Captured Net Tax Capacity of the TIF District would generate is also shown above.

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

- (1) Taxable net tax capacity = total net tax capacity - captured TIF - fiscal disparity contribution, if applicable.
(2) The impact on these taxing jurisdictions is negligible since they represent only 3.87% of the total tax rate.

Market Value Analysis Report

City of Shakopee, Minnesota
Tax Increment Financing (Redevelopment) District No. 18
Canterbury Commons Development Project
TIF Projections - \$258M EMV Assumption

<u>Assumptions</u>			
Present Value Date		7/1/2018	
P.V. Rate - Gross T.I.		6.00%	
Increase in EMV With TIF District		\$258,069,360	
Less: P.V of Gross Tax Increment		<u>35,235,002</u>	
Subtotal		\$222,834,358	
Less: Increase in EMV Without TIF		<u>0</u>	
Difference		\$222,834,358	
	Year	Annual Gross Tax Increment	Present Value @ 6.00%
1	2020	71,328	63,482
2	2021	412,320	346,192
3	2022	1,202,764	952,702
4	2023	1,911,131	1,428,108
5	2024	2,809,601	1,980,658
6	2025	3,052,261	2,029,928
7	2026	3,366,666	2,112,288
8	2027	3,759,837	2,225,442
9	2028	3,759,837	2,099,473
10	2029	3,759,837	1,980,635
11	2030	3,759,837	1,868,524
12	2031	3,759,837	1,762,758
13	2032	3,759,837	1,662,980
14	2033	3,759,837	1,568,849
15	2034	3,759,837	1,480,046
16	2035	3,759,837	1,396,270
17	2036	3,759,837	1,317,236
18	2037	3,759,837	1,242,675
19	2038	3,759,837	1,172,335
20	2039	3,759,837	1,105,976
21	2040	3,759,837	1,043,374
22	2041	3,759,837	984,315
23	2042	3,759,837	928,599
24	2043	3,759,837	876,037
25	2044	3,759,837	826,450
26	2045	3,759,837	779,670
		<u>\$84,262,974</u>	<u>\$35,235,002</u>

PROJECTED PAY-AS-YOU-GO-NOTE REPORT
City of Shakopee, Minnesota
Tax Increment Financing (Redevelopment) District No. 18
Canterbury Commons Development Project
TIF Projections - \$258M EMV Assumption

Note Date: 7/1/2018
Note Rate: 6%
Amount: 33,000,000

Date (1)	Principal (2)	Interest (3)	P & I (4)	Cumulative Interest Due (5)	Unpaid Accrued Interest (6)	Semi-Annual Net Revenue (7)	Loan Balance Outstanding (7)
							33,000,000
2/1/2019	0	0	0	1,155,000	1,155,000	0	33,000,000
8/1/2019	0	0	0	2,145,000	2,145,000	0	33,000,000
2/1/2020	0	0	0	3,135,000	3,135,000	0	33,000,000
8/1/2020	0	31,982	31,982	4,125,000	4,093,018	31,982	33,000,000
2/1/2021	0	31,982	31,982	5,083,018	5,051,035	31,982	33,000,000
8/1/2021	0	184,876	184,876	6,041,035	5,856,159	184,876	33,000,000
2/1/2022	0	184,876	184,876	6,846,159	6,661,283	184,876	33,000,000
8/1/2022	0	539,295	539,295	7,651,283	7,111,988	539,295	33,000,000
2/1/2023	0	539,295	539,295	8,101,988	7,562,693	539,295	33,000,000
8/1/2023	0	856,913	856,913	8,552,693	7,695,780	856,913	33,000,000
2/1/2024	0	856,913	856,913	8,685,780	7,828,867	856,913	33,000,000
8/1/2024	0	1,259,769	1,259,769	8,818,867	7,559,098	1,259,769	33,000,000
2/1/2025	0	1,259,769	1,259,769	8,549,098	7,289,329	1,259,769	33,000,000
8/1/2025	0	1,368,573	1,368,573	8,279,329	6,910,756	1,368,573	33,000,000
2/1/2026	0	1,368,573	1,368,573	7,900,756	6,532,184	1,368,573	33,000,000
8/1/2026	0	1,509,546	1,509,546	7,522,184	6,012,638	1,509,546	33,000,000
2/1/2027	0	1,509,546	1,509,546	7,002,638	5,493,092	1,509,546	33,000,000
8/1/2027	0	1,685,836	1,685,836	6,483,092	4,797,256	1,685,836	33,000,000
2/1/2028	0	1,685,836	1,685,836	5,787,256	4,101,421	1,685,836	33,000,000
8/1/2028	0	1,685,836	1,685,836	5,091,421	3,405,585	1,685,836	33,000,000
2/1/2029	0	1,685,836	1,685,836	4,395,585	2,709,749	1,685,836	33,000,000
8/1/2029	0	1,685,836	1,685,836	3,699,749	2,013,914	1,685,836	33,000,000
2/1/2030	0	1,685,836	1,685,836	3,003,914	1,318,078	1,685,836	33,000,000
8/1/2030	0	1,685,836	1,685,836	2,308,078	622,242	1,685,836	33,000,000
2/1/2031	73,594	1,612,242	1,685,836	1,612,242	0	1,685,836	32,926,406
8/1/2031	698,044	987,792	1,685,836	987,792	0	1,685,836	32,228,363
2/1/2032	718,985	966,851	1,685,836	966,851	0	1,685,836	31,509,378
8/1/2032	740,554	945,281	1,685,836	945,281	0	1,685,836	30,768,824
2/1/2033	762,771	923,065	1,685,836	923,065	0	1,685,836	30,006,053
8/1/2033	785,654	900,182	1,685,836	900,182	0	1,685,836	29,220,399
2/1/2034	809,224	876,612	1,685,836	876,612	0	1,685,836	28,411,175
8/1/2034	833,500	852,335	1,685,836	852,335	0	1,685,836	27,577,674
2/1/2035	858,505	827,330	1,685,836	827,330	0	1,685,836	26,719,169
8/1/2035	884,261	801,575	1,685,836	801,575	0	1,685,836	25,834,908
2/1/2036	910,788	775,047	1,685,836	775,047	0	1,685,836	24,924,120
8/1/2036	938,112	747,724	1,685,836	747,724	0	1,685,836	23,986,008
2/1/2037	966,255	719,580	1,685,836	719,580	0	1,685,836	23,019,752
8/1/2037	995,243	690,593	1,685,836	690,593	0	1,685,836	22,024,509
2/1/2038	1,025,100	660,735	1,685,836	660,735	0	1,685,836	20,999,409
8/1/2038	1,055,853	629,982	1,685,836	629,982	0	1,685,836	19,943,555
2/1/2039	1,087,529	598,307	1,685,836	598,307	0	1,685,836	18,856,026
8/1/2039	1,120,155	565,681	1,685,836	565,681	0	1,685,836	17,735,871
2/1/2040	1,153,760	532,076	1,685,836	532,076	0	1,685,836	16,582,112
8/1/2040	1,188,372	497,463	1,685,836	497,463	0	1,685,836	15,393,739
2/1/2041	1,224,024	461,812	1,685,836	461,812	0	1,685,836	14,169,716
8/1/2041	1,260,744	425,091	1,685,836	425,091	0	1,685,836	12,908,972
2/1/2042	1,298,567	387,269	1,685,836	387,269	0	1,685,836	11,610,405
8/1/2042	1,337,524	348,312	1,685,836	348,312	0	1,685,836	10,272,881
2/1/2043	1,377,649	308,186	1,685,836	308,186	0	1,685,836	8,895,232
8/1/2043	1,418,979	266,857	1,685,836	266,857	0	1,685,836	7,476,253
2/1/2044	1,461,548	224,288	1,685,836	224,288	0	1,685,836	6,014,705
8/1/2044	1,505,395	180,441	1,685,836	180,441	0	1,685,836	4,509,311
2/1/2045	1,550,556	135,279	1,685,836	135,279	0	1,685,836	2,958,754
8/1/2045	1,597,073	88,763	1,685,836	88,763	0	1,685,836	1,361,681
2/1/2046	1,361,681	40,850	1,402,532	40,850	0	1,402,532	0
	\$33,000,000	\$42,280,361	\$75,280,361			\$75,280,361	

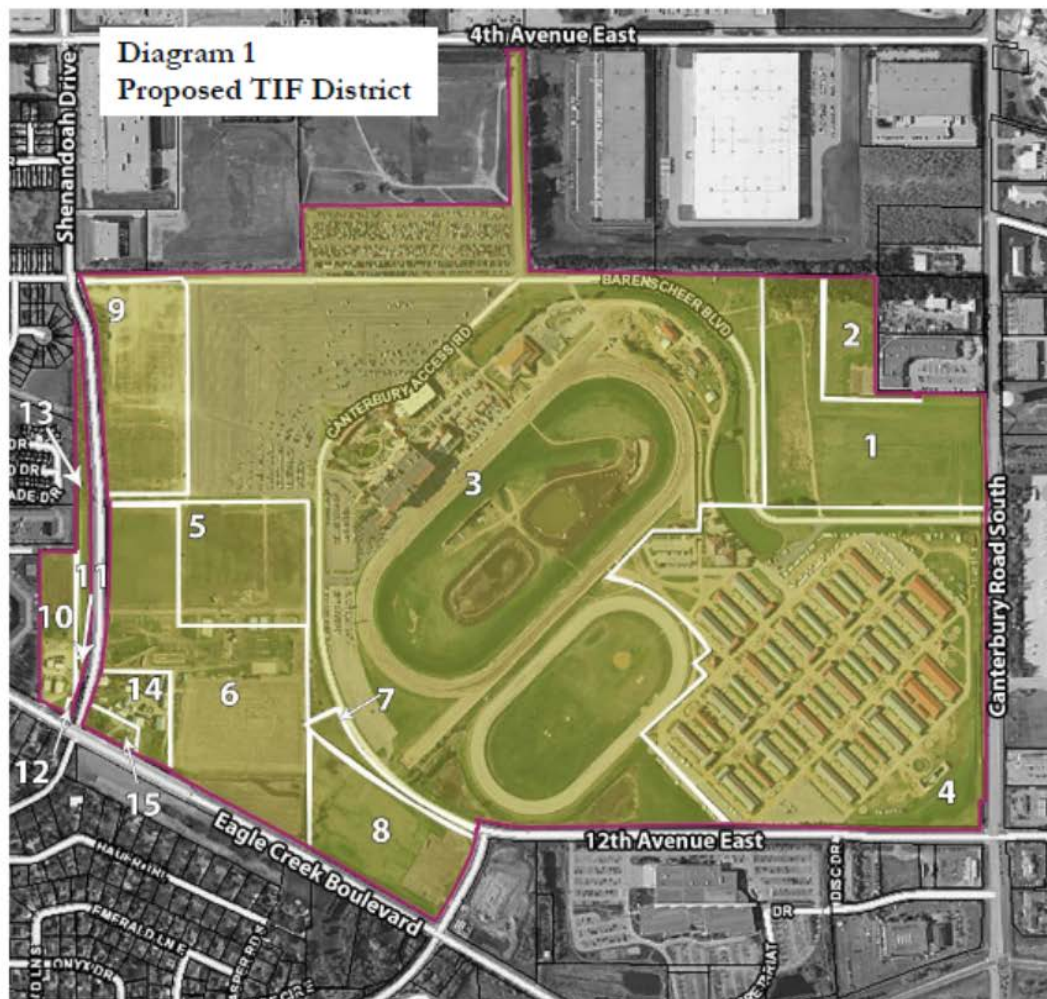
Surplus Tax Increment 283,304.16

Total Net Revenue \$75,563,664.98

PART 1 – EXECUTIVE SUMMARY

PURPOSE OF EVALUATION

LHB was hired by the City of Shakopee to inspect and evaluate the properties within a Tax Increment Financing Redevelopment District (“TIF District”) proposed to be established by the City. The proposed TIF District is bounded by 4th Avenue East, Canterbury Road South, 12th Avenue East, and Eagle Creek Boulevard (Diagram 1). The purpose of LHB’s work is to determine whether the proposed TIF District meets the statutory requirements for coverage, and whether thirty-six (36) buildings on fifteen (15) parcels, located within the proposed TIF District, meet the qualifications required for a Redevelopment District.



SCOPE OF WORK

The proposed TIF District consists of fifteen (15) parcels, with thirty-six (36) buildings (see Part 3 of this report for how we defined a “building”). Twenty-one (21) buildings were inspected on the interior and exterior on August 5, 2014, four (4) buildings were inspected on the interior and exterior on March 29, 2017, and another three (3) buildings were inspected on the interior and exterior on October 25, 2017. Eight (8) buildings were not inspected on the interior as they did not appear they would be substandard during the exterior field inspection. Building Code and Condition Deficiency Reports for the buildings that were inspected and found substandard are located in Appendix B.

CONCLUSION

After inspecting and evaluating the properties within the proposed TIF District and applying current statutory criteria for a Redevelopment District under *Minnesota Statutes, Section 469.174, Subdivision 10*, it is our professional opinion that the proposed TIF District qualifies as a Redevelopment District because:

- The proposed TIF District has a coverage calculation of 81.4 percent which is above the 70 percent requirement.
- 77.8 percent of the buildings are structurally substandard which is above the 50 percent requirement.
- The substandard buildings are reasonably distributed.

The remainder of this report describes our process and findings in detail.