

EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL OF THE CITY  
OF COLOGNE, MINNESOTA

HELD: May 7, 2018

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Cologne, Carver County, Minnesota, was duly called and held on May 7, 2018 at 7:00 p.m.

The following members of the Council were present: Carol Jzavolitta,  
Sarah Bruss and Mayor Matt Lein

and the following were absent: Kyle Eveski

Member Bruss introduced the following resolution and moved its adoption:

RESOLUTION 18-07 ESTABLISHING DEVELOPMENT DISTRICT NO. 2, APPROVING THE DEVELOPMENT PROGRAM THEREFOR, ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 2-1 WITHIN MUNICIPAL DEVELOPMENT DISTRICT NO. 2 AND APPROVING THE TAX INCREMENT FINANCING PLAN THEREFOR AND AUTHORIZING EXECUTION OF A DEVELOPMENT AGREEMENT

WHEREAS:

A. It has been proposed that the City of Cologne, Minnesota (the "City") establish Development District No. 2 (the "Development District") and establish Tax Increment Financing (Economic Development) District No. 2-1 therein (the "TIF District") and approve and accept the proposed Tax Increment Financing Plan therefor under the provisions of Minnesota Statutes, Sections 469.174 to 469.1794, as amended (the "Act"); and

B. The City Council has investigated the facts and has caused to be prepared a proposed development program for the Development District (the "Development Program"), and has caused to be prepared a proposed tax increment financing plan for the TIF District therein (the "TIF Plan"); and

C. The City has performed all actions required by law to be performed prior to the establishment of the Development District and the TIF District therein, and the adoption of a proposed Development Program and TIF Plan therefor, including, but not limited to, notification of Carver County and Independent School District No. 108 having taxing jurisdiction over the property to be included in the TIF District and the holding of a public hearing upon published and mailed notice as required by law; and

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Cologne as follows:

1. Municipal Development District No. 2. There is hereby established in the City a Municipal Development District No. 2, the initial boundaries of which are fixed and determined as described in the Development Program.

2. Development Program. The Development Program for the Development District, a copy of which is on file in the office of the City Administrator, is adopted as the development program for the Development District.

3. TIF District No. 2-1. There is hereby established in the City within the Development District, Tax Increment Financing (Economic Development) District No. 2-1 therein (the "TIF District"), the initial boundaries of which are fixed and determined as described in the TIF Plan.

4. Tax Increment Financing Plan. The TIF Plan is adopted as the tax increment financing plan for the TIF District, and the City Council makes the following findings:

(a) The TIF District is an economic development district as defined in Minnesota Statutes, Section 469.174, Subd. 12, the specific basis for such determination being that the construction of an approximately 18,200 square foot expansion to an existing manufacturing and warehouse facility (the "Project") will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality, increase employment in the State, help prevent the emergence of blight and result in the preservation and enhancement of the tax base of the State.

(b) The proposed development in the opinion of the City Council, would not occur solely through private investment within the reasonably foreseeable future. The reasons supporting this finding are that:

(i) Modern Design, LLC (the "Developer") has represented to the City that private investment will not finance these development activities because of prohibitive costs. It is necessary to finance these development activities through the use of tax increment financing so that this and other development by private enterprise will occur within the Development District.

(ii) A comparative analysis of estimated market values both with and without establishment of TIF District No. 2-1 and the use of tax increments has been performed as described above. Such analysis is found in Exhibit V of the TIF Plan, and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the TIF District and the use of tax increments.

(c) In the opinion of the City Council, the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan. The reasons supporting this finding are that:

- (i) The estimated amount by which the market value of the site will increase without the use of tax increment financing is \$-0-;
  - (ii) The estimated increase in the market value that will result from the development to be assisted with tax increment financing is \$800,800 (from \$1,096,900 to \$1,897,700); and
  - (iii) The present value of the projected tax increments for the maximum duration of the district permitted by the tax increment financing plan is \$85,419.
- (d) The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City of Cologne as a whole. The reasons for supporting this finding are that:
- (i) The TIF District is properly zoned; and
  - (ii) The TIF Plan will generally compliment and serve to implement policies adopted by the City.
- (e) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Development District by private enterprise. The reasons supporting this finding are that:

The development activities are necessary so that development and redevelopment by private enterprise can occur within the Development District.

5. Public Purpose. The adoption of the Development Program for the Development District, and the adoption of the TIF Plan for the TIF District therein conform in all respects to the requirements of the Act and will help fulfill a need to develop an area of the State which is already built up to provide employment opportunities to improve the tax base and to improve the general economy of the State and thereby serves a public purpose.

6. Certification. The Auditor of Carver County is requested to certify the original net tax capacity of the TIF District as described in the TIF Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased in accordance with the Act; and the City Administrator is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding the adoption of this Resolution.

7. Filing. The City Administrator is further authorized and directed to file a copy of the Development Program and TIF Plan for the TIF District with the Commissioner of Revenue and the Office of the State Auditor.

8. Administration. The administration of the Development District is assigned to the City Administrator who shall from time to time be granted such powers and duties pursuant to Minnesota Statutes, Sections 469.130 and 469.131 as the City Council may deem appropriate.

9. Interfund Loan. The City has determined to pay for certain costs (the “Qualified Costs”) identified in the TIF Plan consisting of certain administrative expenses, which costs may be financed on a temporary basis from the City’s general fund or any other fund from which such advances may be legally made (the “Fund”). Under Minnesota Statutes, Section 469.178, Subd. 7, the City is authorized to advance or loan money from the Fund in order to finance the Qualified Costs. The City intends to reimburse itself for the payment of the Qualified Costs, plus interest thereon, from tax increments derived from the TIF District in accordance with the following terms (which terms are referred to collectively as the “Interfund Loan”):

(a) The City shall repay to the Fund from which the Qualified Costs are initially paid, the principal amount of \$73,400 (or, if less, the amount actually paid from such fund) together with interest at 4.00% per annum (which is not more than the greater of (i) the rate specified under Minnesota Statutes, Section 270C.40, or (ii) the rate specified under Minnesota Statutes, Section 549.09) from the date of the payment.

(b) Principal and interest on the Interfund Loan (“Payments”) shall be paid semi-annually on each February 1 and August 1 commencing with the first February 1 or August 1 occurring after the date the tax increments from the TIF District are available and not otherwise pledged to and including the earlier of (a) the date the principal and accrued interest of the Interfund Loan is paid in full, or (b) the date of last receipt of tax increment from the TIF District (“Payment Dates”) which Payments will be made in the amount and only to the extent of Available Tax Increment as hereinafter defined. Payments shall be applied first to accrued interest, and then to unpaid principal.

(c) Payments on the Interfund Loan are payable solely from “Available Tax Increments” which shall mean, on each Payment Date, all of the tax increment generated in the preceding six (6) months with respect to the Development Property within the TIF District and remitted to the City by Carver County, all in accordance with Minnesota Statutes, Sections 469.174 to 469.1794, as amended. Payments on this Interfund Loan are subordinate to any outstanding or future bonds, notes or contracts secured in whole or in part with Available Tax Increment, and are on parity with any other outstanding or future interfund loans secured in whole or in part with Available Tax Increment.

(d) The principal sum and all accrued interest payable under this Interfund Loan are pre-payable in whole or in part at any time by the City without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Interfund Loan.

(e) The Interfund Loan is evidence of an internal borrowing by the City in accordance with Minnesota Statutes, Section 469.178, Subd. 7, and is a limited obligation payable solely from Available Tax Increment pledged to the payment hereof under this resolution. The Interfund Loan and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the City. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Interfund Loan or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of

the principal of or interest on the Interfund Loan or other costs incident hereto. The City shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the termination of the TIF District.

(f) The City may amend the terms of the Interfund Loan at any time by resolution of the City Council, including a determination to forgive the outstanding principal amount and accrued interest to the extent permissible under law.

10. Development Agreement.

(a) The City Council hereby approves the Development Agreement in substantially the form submitted, and the Mayor and Administrator are hereby authorized and directed to execute the Development Agreement on behalf of the City.

(b) The approval hereby given to the Development Agreement includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by the City officials authorized by this resolution to execute the Development Agreement. The execution of the Development Agreement by the appropriate officer or officers of the City shall be conclusive evidence of the approval of the Development Agreement in accordance with the terms hereof.

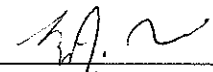
The motion for the adoption of the foregoing resolution was duly seconded by member Szaroletta and upon vote being taken thereon, the following voted in favor thereof:

*Bruss, Szaroletta and Lein*


and the following voted against the same: *none*

Whereupon said resolution was declared duly passed and adopted.

Approved:

  
\_\_\_\_\_  
Matt Lein, Mayor

Attest:

  
\_\_\_\_\_  
Sue Mueller, City Clerk

M/Bruss  
S/Szaroletta

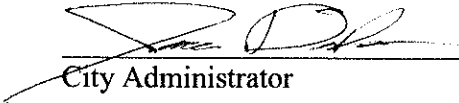
Lein Aye  
Szaroletta Aye

Evenski Absent  
Bruss Aye

STATE OF MINNESOTA  
COUNTY OF CARVER  
CITY OF COLOGNE

I, the undersigned, being the duly qualified and acting Administrator of the City of Cologne, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on the date therein indicated, insofar as such minutes relate to the establishment of Municipal Development District No. 2 and Tax Increment Financing District No. 2-1 therein in the City.

WITNESS my hand this 7<sup>th</sup> day of May, 2018.

  
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City Administrator