

DRAFT

CITY OF OWATONNA, MINNESOTA

TAX INCREMENT FINANCING PLAN FOR

TAX INCREMENT FINANCING (REDEVELOPMENT)

DISTRICT NO. 22-1 (ASCEND SOUTH)

WITHIN DEVELOPMENT DISTRICT NO. 22

PROPOSED TO BE ADOPTED BY CITY COUNCIL OF OWATONNA, MN

PUBLIC HEARING DATE: JANUARY 6, 2026
ESTABLISHMENT DATE: _____, 2026
REQUEST CERTIFICATION DATE: _____, 2026
CERTIFICATION DATE: _____, 2026



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ARTICLE I – INTRODUCTION AND DEFINITIONS

SECTION 1.01 INTRODUCTION

The City of Owatonna proposes to provide tax increment financing assistance through the establishment of Tax Increment Financing (Redevelopment) District No. 22-1 (Ascend 2) (the “TIF District”) within the established Development District No. 22.

This document contains the plan for the TIF District which is consistent with the objectives of the Development Program for Development District No. 22, as most recently adopted pursuant to City Resolution No. 44-25 adopted August 19, 2025.

The proposed redevelopment within the TIF District includes the construction of a five-story building inclusive of 57 housing units, 45 garage parking spaces, 3,234 square feet of retail space, and 16,929 square feet of office space. The number of housing units and retail and commercial space are approximate amounts and may vary.

SECTION 1.02 DEFINITIONS

For the purposes of this document, the terms below have the meanings given in this section, unless the context in which they are used indicates a different meaning:

1. “City” means the City of Owatonna, Minnesota.
2. “City Council” means the City Council of the City.
3. “County” means Steele County, Minnesota.
4. “County Auditor” means the County Auditor/Treasurer of the County.
5. “Developer” means the private party undertaking construction of the Development in the TIF District, their successors or assigns.
6. “Development” means the redevelopment of the property within the TIF District to include the construction of five-story building inclusive of 57 housing units, 45 garage parking spaces, 3,234 square feet of retail space, and 16,929 square feet of office space. The number of housing units and retail and commercial space are approximate amounts and may vary.
7. “Development District” means Development District No. 2 within the City, which was established pursuant to the Development District Act.
8. “Development District Act” means Minnesota Statutes, Sections 469.124 through 469.134, as amended and supplemented from time to time.
9. “Development Program” means the Development Program for the Development District, as amended and supplemented from time to time.
10. “Property” means the approximate 4.5 acre area site of the ten parcels within the TIF District as described in Section 2.03.2 of the TIF Plan.
11. “Project Area” means the geographic area of the Development District.
12. “Public Development Costs” means the cost of the development activities that will or are expected to occur within the Project Area or TIF District.
13. “School District” means Owatonna Public Schools, Independent School District 761.
14. “State” means the State of Minnesota.
15. “Tax Increment Bonds” means any tax increment bonds as defined in Section 469.174,

Subd. 3 of the TIF Act, issued by the City to finance Public Development Costs, and any obligations issued to refund such bonds, pursuant to Section 469.178 of the TIF Act.

16. "TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794 as amended, both inclusive.
17. "TIF District" means Tax Increment Financing (Redevelopment) District No. 22-1 (Ascend 2).
18. "TIF Plan" means the tax increment financing plan for the TIF District (this document).

SECTION 1.03 PLAN PREPARATION

This document was prepared for the City by Northland Securities, Inc.

ARTICLE II - TAX INCREMENT FINANCING PLAN

SECTION 2.01 STATUTORY AUTHORITY

The TIF District and this TIF Plan are established under the authority of the TIF Act.

SECTION 2.02 PLANNED DEVELOPMENT

2.02.1 Development Description

The Developer proposes to undertake the redevelopment of the property, inclusive of the sub-standard building. The Developer proposes redevelopment of the property within the TIF District to include the construction of a five-story building inclusive of 57 housing units, 45 garage parking spaces, 3,234 square feet of retail space, and 16,929 square feet of office space. The number of housing units and retail and commercial space are approximate amounts and may vary.

2.02.2 City Plans and Development Program

In addition to achieving the objectives of the Development Program, the Development is consistent with and works to achieve the development objectives of the City. The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City as a whole.

The City has adopted land use controls to guide the use of property. The development plans for the Development in the TIF District have been reviewed by the Planning Commission and the City Council, and conform to current land use controls.

2.02.3 Land Acquisition

There is no land acquisition by the City related to the Development.

2.02.4 Development Activities

The City anticipates that activities proposed in the TIF Plan will be subject to contracts as of the date of approval of the establishment of the TIF District or a date thereafter. The City has and anticipates it will enter into contracts with the Developer to provide tax increment financing assistance to the Developer to reimburse the Developer for certain Public Development Costs to be incurred by the Developer.

2.02.5 Need for Tax Increment Financing

In the opinion of the City, the Development would not reasonably be expected to occur solely through private investment within the foreseeable future and 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 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 and facts supporting this finding include the following:

- The Development requires public financial assistance to offset site improvement and preparation costs to allow for the Developer to proceed with construction of the Development.
- A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above and is shown in Exhibit I. This analysis indicates that the increase in estimated market value of the Development (less the present value of the projected tax increments for the maximum duration permitted by the TIF Plan) exceeds the estimated market value of the site prior to the establishment of the TIF District.

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.

SECTION 2.03 TAX INCREMENT FINANCING DISTRICT

2.03.1 *Designation*

This TIF District is designated as Tax Increment Financing (Redevelopment) District No. 22-1 (Ascend South).

2.03.2 *Boundaries of TIF District*

The boundaries of the TIF District are depicted in Exhibit V. The TIF District includes the following ten (10) parcels and the immediate adjacent roads and right-of-way to the parcel:

- 17-109-0202 (BLK 2 E220.06' OF S88' OF N115' OF LOT 1 EXCEPT S66' ABBOTTS ADDN)
- 17-109-0203 (BLK 2 E132' OF N27' OF LOT 1 E132' OF S33' OF LOT 2 ABBOTTS ADDITION)
- 17-109-0204 (BLK 2 S66' OF E220.06' OF S88' OF N115' OF LOT 1 ABBOTTS ADDN)
- 17-109-0205 (THE E132' OF N66' OF S99' OF LOT 2 BLK 2 ABBOTTS)
- 17-109-0206 (BLK.2 COM. 3R. S. OF NE COR. L.2 E & W 8R. X N & S 5R. ABBOTTS)
- 17-109-0208 (ALL THAT PART OF LOTS 1 & 2 DESC AS: BEG AT SW COR OF LOT 2 TH N99.32' ON W LN OF E181.50' OF LOT 2 TH E49.50' TO W LN OF E132' OF LOT 2 TH S126.32' TO S LN OF N27' OF SAID LOT 1 TH W49.50' OF W LN ON E181.50' N27' TO POB)
- 17-109-0209 (BLK 2 COM 51' S OF SW COR L3 BLK 2 E 49 1/2 ' S82 1/2' W49 1/2' N82 1/2' PART L2 BLK 2 ABBOTTS TORRENS PROPERTY)
- 17-203-0001 (BLK 2 PART OF LOTS 2-9 EX REDLINE ADDITION)
- 17-109-0110 (BLK. 1 E 32' OF LOT 10 ABBOTTS)
- 17-109-0111 (BLK. 1 LOT 10 EX. E 32' EX. TO CITY ABBOTTS)

2.03.3 *Type of District*

The TIF District is established as a "redevelopment district" pursuant to Section 469.174, Subd. 10 of the TIF Act. The City has determined that the property in the TIF District meets the statutory criteria for a redevelopment district.

Section 469.174, Subd. 10 (a) (1) of the TIF Act requires two tests for occupied parcels be met to qualify as a "redevelopment district": a conditions test and coverage test. For a "redevelopment district" more than 50% of the buildings, not including outbuildings, must be found to be structurally substandard to a degree requiring substantial renovation or clearance.

The conditions test for structurally substandard is defined under Section 469.174, Subd. 10(b) of the TIF Act. For purposes of this subdivision, "structurally substandard" means 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."

Buildings are not eligible to be considered structurally substandard unless they meet certain additional criteria, as set forth in Section 469.174, Subd. 10(c) of the TIF Act. A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15% of the cost of constructing a new structure of the same square footage and type on the site.

The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. Items of evidence that support such a conclusion that the building is not disqualified include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence.

Furthermore, parcels consisting of 70% of the area of the district must be occupied by buildings, streets, utilities, or paved or gravel parking lots to meet the required coverage test. The coverage required by the parcel to be considered occupied is defined under Section 469.174, Subd. 10(e) of the TIF Act. For purposes of such subdivision, a parcel is not occupied by buildings, streets, utilities, or paved or gravel parking lots unless 15% of the area of the parcel contains building, streets, utilities, or paved or gravel parking lots.

As summarized in the table below, 100% of the area of the TIF District is occupied by improved parcels, and 100% of the buildings within the TIF District are found to be substandard. The substandard buildings are reasonably distributed.

The result of the building inspection and analysis was performed by the City, including inspection reports of property performed by the City of Owatonna Building Official, Ken Beck, dated March 13, 2025, and information prepared by City staff and consultants to the City.

In summary the findings, as supported by the reports of the City are as follows:

| | |
|-----------------------------------------------------|------------|
| Number of Parcels..... | 10 |
| Site Area Included (square feet without roads)..... | 149,247.20 |
| Area of Improved Parcels (square feet) | 149,247.20 |
| Percent of Area Improved..... | 100% |
| Number of Parcels with Buildings | 6 |
| Number of Buildings found Substandard..... | 6 |
| Percent of Buildings found Substandard..... | 100% |

SECTION 2.04 PLAN FOR USE OF TAX INCREMENT

2.04.1 *Estimated Tax Increment*

The original net tax capacity of value of the TIF District will be set by the County upon request for certification. For the purposes of the TIF Plan, the estimated original net tax capacity is \$25,789. This amount is estimated based on the most recent published combined estimated market value for the parcels within the TIF District of \$2,063,100 (2025 assessment for Pay 2026) with tax capacity value calculated based on residential apartment property classification. Upon completion the Development will include a mix of residential apartment and commercial property classifications.

The total tax capacity value of the property after Development completion is estimated at \$176,200. This amount is based on a total estimated taxable market value of \$13,036,070 assessed January 2028 for tax payable year 2029, with a mix of property classifications, including residential-apartment and commercial. The estimated difference between the total tax capacity value after Development completion and the original net tax capacity value is the captured tax capacity value in the amount of \$150,412 for the creation of tax increment.

The total local tax rate is estimated at 127.57% based on the tax rates for taxes payable in 2025. The TIF Plan uses this rate for purpose of estimating tax increment for the TIF District. At the time of certification of the original net tax capacity for the TIF District, the County Auditor shall certify the original local tax rate that applies to the TIF District, which will vary from the

estimate used in the TIF Plan. The original local tax rate is the sum of all the local tax rates, excluding that portion of the school rate attributable to the general education levy under Minnesota Statutes Section 126C.13, that apply to a property in the TIF District. The local tax rate to be certified is the rate in effect for the same taxes payable year applicable to the tax capacity values certified as the TIF District's original tax capacity. The resulting tax capacity rate is the original local tax rate for the life of the TIF District.

Under these assumptions, the estimated annual tax increment will be \$191,181 after Development completion and after deducting for the State Auditor's fee (0.36% of the captured tax increments). The actual tax increment will vary according to the certified original tax capacity value and original tax rate, the actual property value produced by the Development and the changes in property value and State tax policy over the life of the TIF District.

The City will retain 100% the full captured net tax capacity for the duration of the TIF district, pursuant to Section 469.177, Subd. 2, (b), (1) of the TIF Act. Exhibit II contains the projected tax increment over the life of the TIF District.

2.04.2 Public Development Costs

The City will use tax increment to pay Public Development Costs. The contracts between the City and the Developer will define the means for verifying Public Development Costs incurred by the Developer that will be eligible for reimbursement and the means of disbursing tax increments collected by the City.

The City will use tax increment to pay financing costs. The interest rate payable on Tax Increment Bonds issued will be set pursuant to approving resolutions. Pay-go tax increment revenue notes and interfund loans are included in the definition of Tax Increment Bonds, among other types of obligations that may be applicable.

2.04.3 Estimated Sources and Uses of Funds

The estimated sources of revenue, along with the estimated Public Development Costs of the TIF District, are itemized in Figure 2-1 that follows. Such costs are eligible for reimbursement from tax increments, and other listed sources of revenue from the TIF District.

Figure 2.1
City of Owatonna
Tax Increment Financing District No. TIF 22-1
TIF Plan Estimated Sources and Uses of Funds
Ascend South

| | Total |
|----------------------------------------------------------------------------------------|--------------------|
| Estimated Tax Increment Revenues (from tax increment generated by the district) | |
| Tax increment revenues distributed from the county | \$5,760,327 |
| Interest and investment earnings | \$50,000 |
| Total Estimated Tax Increment Revenues | \$5,810,327 |
| Estimated Project/Financing Costs (to be paid or financed with tax increment) | |
| Project costs | |
| Land/building acquisition | \$0 |
| Site improvements/preparation costs | \$2,796,663 |
| Utilities | \$0 |
| Other qualifying improvements | \$0 |
| Administrative costs | \$288,016 |
| Estimated Tax Increment Project Costs | \$3,084,679 |
| Estimated financing costs | |
| Interest expense | \$2,725,648 |
| Total Estimated Project/Financing Costs to be Paid from Tax Increment | \$5,810,327 |
| Estimated Financing | |
| Total amount of bonds to be issued | \$3,084,679 |

The City reserves the right to administratively adjust the amount of any of the Public Development Cost items listed in Figure 2-1, so long as the total estimated tax increment project costs amount, not including financing costs, is not increased.

2.04.4 Administrative Costs

The City plans to use tax increment revenues to pay for administrative expenses for the TIF District. The use of tax increment revenues to pay administrative expenses will not exceed a maximum amount of tax increment revenues pursuant to the TIF Act. The City will use tax increments to pay for and reimburse itself for costs of administering the TIF District as allowed by the TIF Act. The estimated amount of tax increment revenue planned to pay administrative expense is shown in Figure 2-1. Anticipated administrative expenses of the TIF District include annual audit of the fund for the TIF District, preparation of annual reporting, legal publication of annual report, and administration of the development agreement.

2.04.5 County Road Costs

The Development will not substantially increase the use of county roads and necessitate the need to use tax increments to pay for county road improvements.

2.04.6 Bonded Indebtedness

The total amount of Tax Increment Financing Bonds estimated to be issued is shown in Figure 2-1. The City will not issue any general obligation bonded indebtedness as a result of the TIF Plan.

Pursuant to Section 469.178, Subd. 7 of the TIF Act, the City may advance or loan money to finance expenditures under Section 469.176, Subd. 4 of the TIF Act, from the general fund of the City or any other legally authorized fund under which it has legal authority to do so, subject to the following provisions:

- (a) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized by resolution of the City.
- (b) The resolution may generally grant to the City the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.
- (c) The terms and conditions for repayment of the loan must be provided in writing. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the City before the latest decertification of any tax increment financing district from which the interfund loan is to be repaid. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.
- (d) The City shall report in the annual report submitted under Section 469.175, Subd. 6 of the TIF Act:
 - (1) the amount of any interfund loan or advance made in a calendar year; and
 - (2) any amendment of an interfund loan or advance made in a calendar year.

2.04.7 Election of First Year of Tax Increment and Duration of TIF District

Pursuant to Section 469.175, Subd. 1 of the TIF Act, the City elects 2029 to be the earliest first year to receive increment. The duration to collect and spend tax increments on eligible purposes is set by this TIF Plan at the maximum duration of twenty-five (25) years after the date of receipt of the first tax increment collection, all pursuant to the TIF Act. Based on the elected year for first collection of tax increment, the decertification date is estimated to be December 31, 2054.

The estimated decertification date may be superseded by the actual statutory limitations. The TIF District must be decertified when outstanding obligations pursuant to the TIF Plan have been paid, defeased, or had sufficient increment set aside for their payment, all pursuant to Section 469.1763, Subd. 4(b) of the TIF Act.

2.04.8 Estimated Impact on Other Taxing Jurisdictions

Exhibits III and IV show 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 City believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the 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 City anticipates minimal impact of the Development on City-provided services. There may be minimal borrowing costs to the City for the Development. A manageable increase in water and sewer usage is expected. It is anticipated that there may be a slight but manageable increase in police and fire protection duties due to the Development.

2.04.9 Prior Planned Improvements

No building permits were issued for the parcel within the TIF District during the 18 months preceding the date of establishment of the TIF District.

ARTICLE III – ADMINISTERING THE TIF DISTRICT

SECTION 3.01 FILING AND CERTIFICATION

The filing and certification of the TIF Plan consists of the following steps:

1. The City shall 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.
2. The City will file a copy of the TIF Plan and any amendments to the TIF Plan with the Commissioner of Revenue of the State and the Office of the State Auditor, along with other required documents pursuant to Section 469.175, Subd. 4a of the TIF Act.
3. The City shall send the County Assessor any assessment agreement establishing the minimum market value of land and improvements within the TIF District and shall request that the County Assessor review and certify the assessment agreement as reasonable. The City does not expect to enter into an assessment agreement in connection with the Development.

SECTION 3.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN

The City reserves the right to modify the TIF District and the TIF Plan. Under current State law, the following actions can only be approved after satisfying all the necessary requirements for

approval of the original TIF Plan (including notifications and public hearing):

- Reduction or enlargement in the geographic area of the Development District 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 Development Costs, including administrative costs of the City.
- Designation of additional property to be acquired by the City.

Other modifications can be made by resolution of the City. In addition, the original approval process does not apply if (A) (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 (B) the City agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

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

SECTION 3.03 CORRECTING REDEVELOPMENT CONDITIONS

Section 469.176, Subd. 4j of the TIF Act requires that at least 90% of the revenues derived from tax increments from the TIF District be used to finance the cost of correcting conditions that allow designation of the TIF District 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 the land, the removal of hazardous substances or remediation necessary for the development of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the City, including the cost of preparation of the development action response plan, may be included in the qualifying costs.

SECTION 3.04 FOUR-YEAR KNOCKDOWN RULE

The provision of the TIF Act referred to as the Four-Year Knockdown Rule requires development activity to take place on each parcel within a tax increment financing district within four years from the date of certification of the original net tax capacity of such tax increment financing district. If development activity on a parcel has not begun within the required time frame, no additional tax increment may be collected from that parcel and its value must be excluded from the district's original net tax capacity.

Development activity includes demolition, rehabilitation, renovation or site improvement, including a qualified improvement of an adjacent street, on a parcel located within the TIF District. If no development activity has occurred within four years from the date of certification then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. 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 recertify to the County Auditor that such activity has commenced and the parcel shall once again be included in the TIF District. The

County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

SECTION 3.05 POOLING AND FIVE-YEAR RULE

Section 469.176 of the TIF Act provides for certain limitations on the use of tax increments. This includes provision that an amount equal to at least 75% of the total revenue derived from tax increments paid by properties in the TIF District must be expended on activities in the TIF District or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the TIF District or to pay, or secure payment of, debt service on credit enhanced bonds, among other limitations in the TIF Act.

Not more than 25% of the total revenue derived from tax increments paid by properties in the TIF District may be expended, through a development fund or otherwise, on activities outside of the TIF District but within the defined geographic area of the Project Area except to pay, or secure payment of, debt service on credit enhanced bonds.

Revenue derived from tax increments paid by properties in the TIF District are considered to have been “spent” within the TIF District if such amounts are:

- actually paid to a third party for activities performed within the TIF District within five years after certification of the district;
- 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.
- 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
- used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district.

It is anticipated that all revenue derived from tax increments paid by properties in the TIF District will be spent or obligated within the first five years after certification of the TIF District and all tax increments will be spent on Public Development Costs within the boundaries of the TIF District.

SECTION 3.06 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS

The City will comply with the annual reporting requirements of the TIF Act pursuant to the guidelines of the Office of the State Auditor. Under current law, the City must prepare and submit a report on the TIF District on or before August 1 of each year. The City must also annually publish in a newspaper of general circulation in the City an annual statement for the TIF District, in the format as prescribed by the Office of the State Auditor.

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

SECTION 3.07 BUSINESS SUBSIDY COMPLIANCE

The City will comply with the business subsidy requirements specified in Minnesota Statutes, Sections 116J.993 to 116J.995, as amended.

Exhibit I
City of Owatonna
Tax Increment Financing District No. TIF 22-1
Present Value Analysis As Required By Section
469.175(3)(2) of the TIF Act

| | | |
|---|-----------------------------------------------------------|---------------------------------------|
| 1 | Estimated Future Market Value w/ Tax Increment Financing | 16,552,350 ¹ |
| 2 | Payable Pay 2025 Market Value | <u>2,063,100</u> |
| 3 | Market Value Increase (1-2) | 14,489,250 |
| 4 | Present Value of Future Tax Increments | <u>2,943,855</u> |
| 5 | Market Value Increase Less PV of Tax Increments | 11,545,394 |
| | | |
| 6 | Estimated Future Market Value w/o Tax Increment Financing | 2,645,785 ¹ |
| 7 | Payable Pay 2025 Market Value | <u>2,063,100</u> |
| 8 | Market Value Increase (6-7) | <u>582,685</u> |
| 9 | Increase in MV From TIF | <u><u>10,962,709</u></u> ² |

¹ Assume 1.00% annual appreciation over 26 year life of district.

² Statutory compliance achieved if increase in market value from TIF (Line 9) is greater than or equal to zero.

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 22-1

Exhibit II
City of Owatonna
Tax Increment Financing District TIF 22-1 (Redevelopment)
Ascend South
Projected Tax Increment Financing (TIF) Cash Flow

| TIF District Year | Taxes Payable Year | Taxable Market Value | Tax Capacity | Base Tax Capacity | Captured Tax Capacity for TIF | Original Tax Rate | TIF from District | PV Available TIF from District |
|-------------------|--------------------|----------------------|--------------|-------------------|-------------------------------|-------------------|-------------------|--------------------------------|
| 1 | 2029 | 13,036,070 | 176,200 | 25,789 | 150,412 | 127.57% | 191,181 | 174,646 |
| 2 | 2030 | 13,166,431 | 177,962 | 25,789 | 152,174 | 127.57% | 193,421 | 342,823 |
| 3 | 2031 | 13,298,095 | 179,742 | 25,789 | 153,953 | 127.57% | 195,683 | 504,769 |
| 4 | 2032 | 13,431,076 | 181,539 | 25,789 | 155,751 | 127.57% | 197,968 | 660,711 |
| 5 | 2033 | 13,565,387 | 183,355 | 25,789 | 157,566 | 127.57% | 200,275 | 810,870 |
| 6 | 2034 | 13,701,041 | 185,188 | 25,789 | 159,400 | 127.57% | 202,606 | 955,455 |
| 7 | 2035 | 13,838,051 | 187,040 | 25,789 | 161,251 | 127.57% | 204,959 | 1,094,673 |
| 8 | 2036 | 13,976,431 | 188,911 | 25,789 | 163,122 | 127.57% | 207,337 | 1,228,719 |
| 9 | 2037 | 14,116,196 | 190,800 | 25,789 | 165,011 | 127.57% | 209,738 | 1,357,784 |
| 10 | 2038 | 14,257,358 | 192,708 | 25,789 | 166,919 | 127.57% | 212,163 | 1,482,050 |
| 11 | 2039 | 14,399,931 | 194,635 | 25,789 | 168,846 | 127.57% | 214,613 | 1,601,694 |
| 12 | 2040 | 14,543,931 | 196,581 | 25,789 | 170,792 | 127.57% | 217,087 | 1,716,886 |
| 13 | 2041 | 14,689,370 | 198,547 | 25,789 | 172,758 | 127.57% | 219,586 | 1,827,789 |
| 14 | 2042 | 14,836,264 | 200,532 | 25,789 | 174,744 | 127.57% | 222,110 | 1,934,561 |
| 15 | 2043 | 14,984,626 | 202,538 | 25,789 | 176,749 | 127.57% | 224,658 | 2,037,355 |
| 16 | 2044 | 15,134,473 | 204,563 | 25,789 | 178,774 | 127.57% | 227,232 | 2,136,316 |
| 17 | 2045 | 15,285,817 | 206,609 | 25,789 | 180,820 | 127.57% | 229,833 | 2,231,587 |
| 18 | 2046 | 15,438,675 | 208,675 | 25,789 | 182,886 | 127.57% | 232,459 | 2,323,303 |
| 19 | 2047 | 15,593,062 | 210,762 | 25,789 | 184,973 | 127.57% | 235,112 | 2,411,597 |
| 20 | 2048 | 15,748,993 | 212,869 | 25,789 | 187,080 | 127.57% | 237,790 | 2,496,593 |
| 21 | 2049 | 15,906,483 | 214,998 | 25,789 | 189,209 | 127.57% | 240,496 | 2,578,414 |
| 22 | 2050 | 16,065,548 | 217,148 | 25,789 | 191,359 | 127.57% | 243,228 | 2,657,177 |
| 23 | 2051 | 16,226,203 | 219,319 | 25,789 | 193,531 | 127.57% | 245,988 | 2,732,996 |
| 24 | 2052 | 16,388,465 | 221,512 | 25,789 | 195,724 | 127.57% | 248,776 | 2,805,979 |
| 25 | 2053 | 16,552,350 | 223,728 | 25,789 | 197,939 | 127.57% | 251,592 | 2,876,232 |
| 26 | 2054 | 16,717,873 | 225,965 | 25,789 | 200,176 | 127.57% | 254,436 | 2,943,855 |
| TOTAL = | | | | | | | 5,760,327 | 2,943,855 |

Key Assumptions:

- 1 Taxable market value (TMV) is assumed to increase by 1.0% annually.
- 2 Original Tax Capacity Rate estimated based on Taxes Payable Year Pay 2025.
- 3 Election for captured tax capacity is 100.00%.
- 4 Base Tax Capacity is calculated based on estimated taxable market value of the following 8 parcels (2025 value for tax payable 2026): 17-109-0202, 17-109-0203, 17-109-0204, 17-109-0205, 17-109-0206, 17-109-
- 5 Present Value (PV) calculated based on semi-annual payments, interest rate 5.0%, dated date 1/1/2028.
- 6 TIF from District is after deduction of State Auditor fee of 0.36%.
- 7 Taxable market value (TMV) is estimated based on Phase II with 57 apartment units, Basement level: 45 garage parking spaces and 3,000 SF of Retail space and Main floor office space of 14,500 SF for estimated
- 8 TIF to City for Admin is calculated at 5% of the tax increment.
- 9 Plan elects year 2029 as first year of tax increment collection.

Exhibit III
City of Owatonna
Tax Increment Financing District No. TIF 22-1
Impact on Other Taxing Jurisdictions
(Taxes Payable Pay 2025)

Annual Tax Increment

| | |
|-----------------------------------------------------------|-----------|
| Estimated Annual Captured Tax Capacity (Full Development) | \$200,176 |
| Payable Pay 2025 Local Tax Rate | 127.565% |
| Estimated Annual Tax Increment | \$255,355 |

Percent of Tax Base

| | Net Tax Capacity (NTC) | Captured Tax Capacity | Percent of Total NTC |
|----------------------|-----------------------------------|----------------------------------|---------------------------------|
| City of Owatonna | 33,762,867 | 200,176 | 0.59% |
| Steele County County | 68,504,823 | 200,176 | 0.29% |
| ISD #761 | 50,494,993 | 200,176 | 0.40% |

Dollar Impact of Affected Taxing Jurisdictions

| | Net Tax Capacity (NTC) | % of Total | Tax Increment Share | Added Local Tax Rate |
|----------------------|---------------------------------------|-------------------|------------------------------------|---------------------------------|
| City of Owatonna | 58.131% | 45.570% | 116,364 | 0.345% |
| Steele County County | 43.904% | 34.417% | 87,885 | 0.128% |
| ISD #761 | 25.530% | 20.013% | 51,105 | 0.101% |
| Other | 0.000% | 0.000% | 0 | |
| Totals | 127.565% | 100.000% | 255,354 | |

NOTE NO. 1: Assuming that ALL of the captured tax capacity would be available to all taxing jurisdictions even if the City does not create the Tax Increment District, the creation of the District will reduce tax capacities and increase the local tax rate as illustrated in the above tables.

NOTE NO. 2: Assuming that NONE of the captured tax capacity would be available to the taxing jurisdiction if the City did not create the Tax Increment District, then the plan has virtually no initial effect on the tax capacities of the taxing jurisdictions. However, once the District is established, allowable costs paid from the increments, and the District is terminated, all taxing jurisdictions will experience an increase in their tax base.

TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 22-1

Exhibit IV
City of Owatonna
Tax Increment Financing (Redevelopment) District No. TIF 22-1
Estimated Tax Increments Over Maximum Life of District

Based on Pay Pay 2025 Tax Rate = 127.565% 58.131% 43.904% 25.530% 0.000%

| TIF District Year | Taxes Payable Year | New Taxable Market Value | New Tax Capacity | Base Tax Capacity | Captured Tax Capacity | Estimated Total Tax Increments | City TIF Related Share | County TIF Related Share | School TIF Related Share | Other TIF Related Share |
|-------------------|--------------------|--------------------------|------------------|-------------------|-----------------------|--------------------------------|------------------------|--------------------------|--------------------------|-------------------------|
| 1 | 2029 | 13,036,070 | 176,200 | 25,789 | 150,412 | 191,872 | 87,436 | 66,037 | 38,400 | - |
| 2 | 2030 | 13,166,431 | 177,962 | 25,789 | 152,174 | 194,120 | 88,460 | 66,810 | 38,850 | - |
| 3 | 2031 | 13,298,095 | 179,742 | 25,789 | 153,953 | 196,390 | 89,495 | 67,592 | 39,304 | - |
| 4 | 2032 | 13,431,076 | 181,539 | 25,789 | 155,751 | 198,683 | 90,539 | 68,381 | 39,763 | - |
| 5 | 2033 | 13,565,387 | 183,355 | 25,789 | 157,566 | 200,999 | 91,595 | 69,178 | 40,227 | - |
| 6 | 2034 | 13,701,041 | 185,188 | 25,789 | 159,400 | 203,338 | 92,661 | 69,983 | 40,695 | - |
| 7 | 2035 | 13,838,051 | 187,040 | 25,789 | 161,251 | 205,700 | 93,737 | 70,796 | 41,167 | - |
| 8 | 2036 | 13,976,431 | 188,911 | 25,789 | 163,122 | 208,086 | 94,824 | 71,617 | 41,645 | - |
| 9 | 2037 | 14,116,196 | 190,800 | 25,789 | 165,011 | 210,496 | 95,922 | 72,446 | 42,127 | - |
| 10 | 2038 | 14,257,358 | 192,708 | 25,789 | 166,919 | 212,930 | 97,032 | 73,284 | 42,614 | - |
| 11 | 2039 | 14,399,931 | 194,635 | 25,789 | 168,846 | 215,388 | 98,152 | 74,130 | 43,106 | - |
| 12 | 2040 | 14,543,931 | 196,581 | 25,789 | 170,792 | 217,871 | 99,283 | 74,985 | 43,603 | - |
| 13 | 2041 | 14,689,370 | 198,547 | 25,789 | 172,758 | 220,379 | 100,426 | 75,848 | 44,105 | - |
| 14 | 2042 | 14,836,264 | 200,532 | 25,789 | 174,744 | 222,912 | 101,580 | 76,719 | 44,612 | - |
| 15 | 2043 | 14,984,626 | 202,538 | 25,789 | 176,749 | 225,470 | 102,746 | 77,600 | 45,124 | - |
| 16 | 2044 | 15,134,473 | 204,563 | 25,789 | 178,774 | 228,053 | 103,923 | 78,489 | 45,641 | - |
| 17 | 2045 | 15,285,817 | 206,609 | 25,789 | 180,820 | 230,663 | 105,112 | 79,387 | 46,163 | - |
| 18 | 2046 | 15,438,675 | 208,675 | 25,789 | 182,886 | 233,299 | 106,313 | 80,294 | 46,691 | - |
| 19 | 2047 | 15,593,062 | 210,762 | 25,789 | 184,973 | 235,961 | 107,527 | 81,210 | 47,224 | - |
| 20 | 2048 | 15,748,993 | 212,869 | 25,789 | 187,080 | 238,649 | 108,752 | 82,136 | 47,762 | - |
| 21 | 2049 | 15,906,483 | 214,998 | 25,789 | 189,209 | 241,365 | 109,989 | 83,070 | 48,305 | - |
| 22 | 2050 | 16,065,548 | 217,148 | 25,789 | 191,359 | 244,107 | 111,239 | 84,014 | 48,854 | - |
| 23 | 2051 | 16,226,203 | 219,319 | 25,789 | 193,531 | 246,877 | 112,501 | 84,968 | 49,408 | - |
| 24 | 2052 | 16,388,465 | 221,512 | 25,789 | 195,724 | 249,675 | 113,776 | 85,931 | 49,968 | - |
| 25 | 2053 | 16,552,350 | 223,728 | 25,789 | 197,939 | 252,501 | 115,064 | 86,903 | 50,534 | - |
| 26 | 2054 | 16,717,873 | 225,965 | 25,789 | 200,176 | 255,355 | 116,364 | 87,885 | 51,105 | - |
| Total | | | | | | 5,781,139 | 2,634,448 | 1,989,693 | 1,156,997 | - |

Note: The Estimated Total Tax Increment shown above is before deducting the State Auditor's fee, which is payable at a rate of 0.36% of the Total Tax Increment collected. Exhibit II provides Estimated Total Tax Increment after deducting for the State Auditor's fee.

Exhibit V
Map of Boundaries of Tax Increment Financing District No. 22-1 and
Development District No. 22

Note to Map: Boundaries of Development District No. 22 are coterminous with municipal boundaries of the City.

