



**HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY  
AGENDA**

**Thursday, July 27, 2023 at 5:00 PM Central  
Council Chambers, City Hall - Hermantown Governmental Services Building  
5105 Maple Grove Rd  
Hermantown, MN 55811**

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **MINUTES**
  - 3.A. Approve June 29, 2023 HEDA Minutes 3
4. **WORK SESSION (Project Updates)**
  - 4.A. Update and Overview of HEDA Activities 7
  - 4.B. Overview and Discussion on Tax Increment Financing Planning 14
5. **MOTIONS**
  - 5.A. Motion to establish the amount of bond at \$300,000 required to be provided by the Treasurer 29
  - 5.B. Motion to approve an annual report to the City 30
  - 5.C. Motion to approve for submission to the City Council a budget for the succeeding year of HEDA 31
  - 5.D. Motion to approve a report to the City Council on the Enabling Resolution 32
  - 5.E. Motion to appoint depositories
  - 5.F. Motion to approve an audit to submit to the City Council 37
6. **RESOLUTIONS**

*Roll call will be taken only on items required by law and items requiring 4/5's votes, all others can be done by voice vote.*

  - 6.A. 2023-10H RESOLUTION ESTABLISHING TAX INCREMENT 50

FINANCING REDEVELOPMENT DISTRICT NO. 1-2: THE GREENHOUSE,  
AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR

- 6.B. 2023-11H RESOLUTION APPROVING THE INDEPENDENT  
PRODUCER AGREEMENT WITH STORY NORTH PRODUCTIONS, LLC  
AND AUTHORIZING AND DIRECTING THE EXECUTION BY  
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

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**7. RECESS**

**CITY OF HERMANTOWN  
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY**

Thursday, June 29, 2023 at 5:00 PM Central  
Council Chambers, City Hall - Hermantown Governmental Services Building

Mayor Wayne Boucher: Present  
Councilor John Geissler: Present  
Dwayne Haapanen: Present  
Councilor Andy Hjelle: Present  
Councilor Ellie Jones: Present  
Councilor Brian LeBlanc: Present  
Chad Ronchetti: Present

**CITY STAFF:** John Mulder, City Administrator; Eric Johnson, Community Development Director; Joe Wicklund, Communications & Community Engagement Director; David Bolf, City Engineer; Heidi Timm-Bijold, Consultant; Steve Overom, Attorney

**VISITORS:** Dante Tomassoni

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **MINUTES**

A. Approve May 25, 2023 HEDA Minutes

Motion to approve minutes as presented. This motion, made by Councilor Brian LeBlanc and seconded by Councilor Ellie Jones, Carried.

Chad Ronchetti: Yea  
Councilor Andy Hjelle: Yea  
Councilor Brian LeBlanc: Yea  
Councilor Ellie Jones: Yea  
Councilor John Geissler: Yea  
Dwayne Haapanen: Yea  
Mayor Wayne Boucher: Yea

Yea: 7, Nay: 0

4. **MOTIONS**

5. **RESOLUTIONS**

*Roll call will be taken only on items required by law and items requiring 4/5's votes, all others can be done by voice vote.*

**A. 2023-04H Resolution Regarding The Creation Of A Redevelopment Tax Increment Financing District In Support Of A Proposed 260-Unit Apartment Complex At The 15-Acre Engwall's Greenhouse Site North Of Hermantown Road**

Resolution failed due to a lack of a motion.

**B. 2023-05H Resolution Requesting A Public Hearing On The Establishment Of Tax Increment Financing District No. 1-2: The Greenhouse**

Dante Tomassoni, 5546 Morris Thomas Road of P&R Properties presented the pictures and provided some information on the proposed apartment buildings at the site of the former Engwall's site.

Motion to approve 2023-05H Resolution Requesting A Public Hearing On The Establishment Of Tax Increment Financing District No. 1-2: The Greenhouse. This motion, made by Councilor Andy Hjelle and seconded by Chad Ronchetti, Carried.

Chad Ronchetti: Yea  
Councilor Andy Hjelle: Yea  
Councilor Brian LeBlanc: Yea  
Councilor Ellie Jones: Yea  
Councilor John Geissler: Abstain  
Dwayne Haapanen: Yea  
Mayor Wayne Boucher: Yea  
Yea: 6, Nay: 0, Abstain: 1

**C. 2023-06H Resolution Authorizing The Preparation Of The Draft Alternative Urban Areawide Review (AUAR) Document For The Hermantown Business Park**

Motion to approve 2023-06H Resolution Authorizing The Preparation Of The Draft Alternative Urban Areawide Review (AUAR) Document For The Hermantown Business Park. This motion, made by Councilor John Geissler and seconded by Dwayne Haapanen, Carried.

Chad Ronchetti: Yea  
Councilor Andy Hjelle: Yea  
Councilor Brian LeBlanc: Yea  
Councilor Ellie Jones: Yea  
Councilor John Geissler: Yea  
Dwayne Haapanen: Yea  
Mayor Wayne Boucher: Yea  
Yea: 7, Nay: 0

**D. 2023-07H Resolution Approving An Agreement For Consulting Services To With LHB, Inc. In An Amount Not To Exceed \$1,000**

Motion to approve 2023-07H Resolution Approving An Agreement For Consulting Services To With LHB, Inc. In An Amount Not To Exceed \$1,000. This motion, made by Councilor Andy Hjelle and seconded by Councilor Brian LeBlanc, Carried.

Chad Ronchetti: Yea  
Councilor Andy Hjelle: Yea  
Councilor Brian LeBlanc: Yea  
Councilor Ellie Jones: Yea  
Councilor John Geissler: Yea  
Dwayne Haapanen: Yea  
Mayor Wayne Boucher: Yea

Yea: 7, Nay: 0

**E. 2023-08H Resolution Directing Preparation Of Preliminary Engineering Feasibility Report For Development Of Roads And Utilities For The Hermantown Business Park Development**

Motion to approve 2023-08H Resolution Directing Preparation Of Preliminary Engineering Feasibility Report For Development Of Roads And Utilities For The Hermantown Business Park Development. This motion, made by Chad Ronchetti and seconded by Councilor John Geissler, Carried.

Chad Ronchetti: Yea  
Councilor Andy Hjelle: Yea  
Councilor Brian LeBlanc: Yea  
Councilor Ellie Jones: Yea  
Councilor John Geissler: Yea  
Dwayne Haapanen: Yea  
Mayor Wayne Boucher: Yea

Yea: 7, Nay: 0

**F. 2023-09H Resolution Directing Preparation Of Preliminary Engineering Feasibility Report For Development Of Roads And Utilities For The Stebner Park Development**

Motion to approve 2023-09H Resolution Directing Preparation Of Preliminary Engineering Feasibility Report For Development Of Roads And Utilities For The Stebner Park Development. This motion, made by Councilor Brian LeBlanc and seconded by Dwayne Haapanen, Carried.

Chad Ronchetti: Yea  
Councilor Andy Hjelle: Yea  
Councilor Brian LeBlanc: Yea  
Councilor Ellie Jones: Yea  
Councilor John Geissler: Yea  
Dwayne Haapanen: Yea  
Mayor Wayne Boucher: Yea

Yea: 7, Nay: 0

6. **RECESS**

Motion to recess at 5:48 p.m. This motion, made by Councilor Ellie Jones and seconded by Chad Ronchetti, Carried.

Chad Ronchetti: Yea

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Yea

Councilor Ellie Jones: Yea

Councilor John Geissler: Yea

Dwayne Haapanen: Yea

Mayor Wayne Boucher: Yea

Yea: 7, Nay: 0

Recorded by:

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John Mulder, City Administrator

**BYLAWS OF THE  
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY**

**1. The Authority**

**Section 1.1.** Name of the Authority. The name of the Authority shall be the Hermantown Economic Development Authority (hereinafter, the “HEDA”), and its governing body shall be called the Board of commissioners (hereinafter, the “Board”).

**Section 1.2.** Enabling Resolution. Whenever the term Enabling Resolution is used in these Bylaws it shall mean Hermantown City Council Resolution No. 2017-02, Amended and Restated Resolution Establishing the Hermantown Economic Development Authority.

**Section 1.3.** Office. The principal office of HEDA shall be at the Hermantown City Hall, 5105 Maple Grove Road, Hermantown, Minnesota 55811.

**Section 1.4.** Seal. HEDA shall have no official seal.

**Section 1.5.** Number of Commissioners. The number of Commissioners shall be as set forth in the Enabling Resolution.

**Section 1.6.** Appointment, Terms, Vacancies. The appointment, terms and vacancies in office shall be governed by the Enabling Resolution.

**Section 1.7.** Compensation. The compensation of Commissioners is set forth in the Enabling Resolution. All money paid for compensation or reimbursement must be paid out of HEDA’s budget.

**Section 1.8.** Removal. The Enabling Resolution and the provisions of Minnesota Statutes Section 469.095 subd. 5 shall govern the removal of a Commissioner.

**2. Organization**

**Section 2.1.** Officers. The officers of HEDA shall consist of a President, a Vice President, a Secretary, a Treasurer and an Assistant Treasurer and shall be elected annually at the January HEDA meeting. The President, the Vice President and the Treasurer shall be members of the Board. No Commissioner may serve as President and Vice President at the same time. The offices of Secretary and Assistant Treasurer need not be held by a Commissioner.

**Section 2.2.** President. The Mayor of the City of Hermantown (“City”) shall be the President of HEDA. The President shall preside at all meetings of the Board and shall have the usual duties and powers of a President. The President shall have and perform such other duties and powers as may be given to the President by the Board from time to time by resolution.

**Section 2.3.** Vice President. The Vice President shall preside at any meeting of the Board in the absence of the President and may exercise all powers and perform all responsibilities of the President if the President cannot exercise or perform the same due to absence or other inability. The Vice President shall have and perform such other duties and powers as shall be given to the Vice President by the Board from time to time by resolution.

**Section 2.4.** President Pro Tem. In the event of the absence or inability of the President and the Vice President at any meeting, the Board may appoint any remaining Commissioner as President Pro Tem to preside at such meeting.

**Section 2.5.** Treasurer. Subject to Section 8 of the Enabling Resolution, the Treasurer shall receive and be responsible for HEDA money, shall disburse HEDA money, shall keep an account of the source of all HEDA receipts, and the nature, purpose and authority of all disbursements; shall file HEDA's detailed financial statement with HEDA's Secretary at least once a year at times set by HEDA, and shall be responsible for the acts of the Assistant Treasurer. The Treasurer shall have and perform such other duties and powers as may be given to the Treasurer by the Board from time to time by resolution.

**Section 2.6.** Assistant Treasurer. The Assistant Treasurer shall have all the powers and duties of the Treasurer if the Treasurer is absent or disabled. The Assistant Treasurer shall have and perform such other duties and powers as may be given to the Assistant Treasurer by the Board from time to time by resolution.

**Section 2.7.** Secretary. The Secretary shall keep, or cause to be kept, minutes of all meetings of the Board and shall maintain, or cause to be maintained, all records of HEDA. The Secretary shall also have and perform such additional duties and powers as may be given to the Secretary by the Board from time to time by resolution.

**Section 2.8.** Executive Director. The City Administrator of the City shall be the Executive Director of the HEDA, shall be the chief appointed executive officer of HEDA, and shall have such additional duties and powers as may be given to the Executive Director by the Board from time to time by resolution. The Executive Director shall serve at the direction of the Board.

**Section 2.9.** Advisory Committees. HEDA may, by majority vote, establish and appoint members to one or more advisory committees. Any advisory committee established by HEDA will perform such duties and tasks as are described in the resolution establishing such advisory committee. Advisory committees established by HEDA under this Section 2.9 shall not have final decision making authority on any matter with such final decision making authority being retained by HEDA. The members of any advisory committee shall be selected by HEDA and shall include at least one (1) member of HEDA, who shall act as the chair of the advisory committee, and may include members who are not members of HEDA and who are not residents of the City.



### 3. Procedures of Board of Commissioners

**Section 3.1. Annual Meeting.** The annual meeting of the Board shall be held at 5:00 p.m. on the second Thursday of July in each year or at such other time and date as the Board shall designate as the annual meeting of the Board.

At the annual meeting, the Board shall:

**Section 3.1.1.** Establish the amount of bond required to be provided by the Treasurer required by Section 4.2.

**Section 3.1.2.** Consider and approve a report to the City as required by Section 4.6.

**Section 3.1.3.** Consider and approve for submission to the City Council a budget for the succeeding year of HEDA as required by Section 4.7.

**Section 3.1.4.** Consider and approve a report to the City Council on the Enabling Resolution as required by Section 4.15.

**Section 3.1.5.** Consider and appoint a depository when and as required by Section 4.16.

**Section 3.1.6.** Consider and approve an audit to submit to the City Council pursuant to Section 4.17.

**Section 3.2. Regular Meetings.** The Board shall hold regular meetings on the second Thursday of each month, commencing at 5:00 p.m., or at such other time as the Board may determine by majority vote.

**Section 3.3. Special Meetings/Emergency Meetings.**

**Section 3.3.1. Special Meetings.** Special meetings of the Board may be called by the President or, in the event of the President's absence or inability, by the Vice President at any time, upon notice to all Commissioners and the Executive Director sent via electronic mail (email) or by mail if any Commissioner requests mailed notice instead of emailed notice at least three (3) days prior to the meeting to the last known email address or mailing address, as the case may be, of the Commissioners and Executive Director. Upon the same notice, special meetings of the Board may also be called by any two (2) Commissioners. The Executive Director shall post notice of any special meeting in the principal office of HEDA no less than three (3) days prior to such special meeting. Notices of meetings shall comply with the provisions of Minnesota Statutes Chapter 13D ("Open Meeting Law").

**Section 3.3.2. Emergency Meetings.** Emergency meetings may be called by the President or by any two (2) Commissioners. The notice and other provisions of Minnesota Statutes § 13D.04, Subd. 3 shall be applicable to any emergency meeting.

**Section 3.4.** Quorum. A quorum of the seven (7) member Board shall consist of four (4) Commissioners. In the absence of a quorum, no official action may be taken by, on behalf of, or in the name of the Board or HEDA.

**Section 3.5.** Adoption of Resolutions. Resolutions of the Board shall be deemed adopted if approved by not less than a simple majority of all Commissioners present. Resolutions may but need not be read aloud prior to vote taken thereon and may but need not be executed after passage.

**Section 3.6.** Rules of Order. The meetings of the Board shall be governed by the most recent edition of Robert's Rules of Order.

**Section 3.7.** Notice of Meetings. Notice of the annual meeting or regular meetings is required to be given to Commissioners and must comply with the Open Meeting Law.

**Section 3.8.** Place of Meetings. All meetings of the Board shall be at the Hermantown City Hall, 5105 Maple Grove Road, Hermantown, Minnesota, unless another place is designated by majority vote of the Board.

**Section 3.9.** Meetings; Open. All meetings of HEDA shall be open the public unless involving matters for which meetings may be closed to the public under the Minnesota Open Meeting Laws. HEDA shall make and keep minutes of its meetings and records of its hearings and other official actions.

#### **4. Miscellaneous**

**Section 4.1.** Fiscal Year. The fiscal year of HEDA shall be the same as the City's fiscal year.

**Section 4.2.** Treasurer's Bond. The Treasurer shall give bond to the state conditioned for the faithful discharge of his/her duties. The bond must be approved as to form and surety by HEDA and filed with the Secretary and must be for twice the amount of money likely to be on hand at any one time as determined at least annually by the. HEDA, provided, however, that said bond must not exceed \$300,000.00.

**Section 4.3.** Public Money. HEDA money is public money.

**Section 4.4.** Checks. A HEDA check must be signed by the Treasurer and one other officer named by HEDA in a resolution. The check must state the name of the payee and the nature of the claim for which the check is issued.

**Section 4.5.** Financial Statement. HEDA's detailed financial statement must show all receipts and disbursements, their nature, the money on hand, the purposes to which the money on hand is to be applied, HEDA's credits and assets, and its outstanding liabilities in a form required for the City's financial statements. The finance director of the City shall keep and prepare, or cause to be kept and prepared, all of the finance records required to be maintained by HEDA on behalf of HEDA.

**Section 4.6. Report to City.** HEDA shall, at the annual meeting on a form determined by the City Council of City (“City Council”), approve a written report to the City Council giving a detailed account of its activities and of its receipts and expenditures during the preceding calendar year, together with such additional matters and recommendations it deems advisable for the economic development of the City.

**Section 4.7. Budget to City.** HEDA, at the annual meeting, approve a budget for the succeeding year and approve for submission to the City Council. The budget must include a detailed written estimate of the amount of money that HEDA expects to need from the City in order for HEDA to conduct HEDA business during the next fiscal year. The needed amount is what is needed in excess of any expected receipts from other sources.

**Section 4.8. Employees.** HEDA may hire employees as it may require and determine their duties, qualifications and compensation.

**Section 4.9. Professional Services.** HEDA may contract for the services of consultants or other professional services as needed to perform its duties and to exercise its powers. The City Attorney of the City shall be the chief legal advisor to HEDA unless HEDA hires a general counsel for its legal needs, in which event the general counsel shall be HEDA’s chief legal advisor.

**Section 4.10. Supplies, Purchasing, Facilities and Services.** HEDA may purchase the supplies and materials it needs to carry out its powers and duties. HEDA shall use the facilities of the City’s purchasing department/purchasing agent in connection with construction work and to purchase equipment, supplies or materials. HEDA shall utilize any offices, structures and space, stenographic, clerical, engineering and other assistance furnished by the City to HEDA. Pursuant to Section 6 of the Enabling Resolution, HEDA may contract with the City to obtain staff services, accounting, preparation of financial statements, check writing, the keeping of minutes, providing meeting notices and other services as are required by HEDA from time to time, HEDA may pay City reasonable fees for such services and reimburse City for the costs and expenses incurred by City in providing such services.

**Section 4.11. Execution of Contracts.** All contracts, notes, and other written agreements or instruments to which HEDA is a party or signatory or by which HEDA may be bound shall be executed by the President and/or the Executive Director or by such other Commissioners or Officers of HEDA as the Board may by resolution determine.

**Section 4.12. Amendment of Bylaws.** These Bylaws may be amended by the Board by majority vote of all the Commissioners, provided that any such proposed amendment shall first have been delivered to each Commissioner at least five days prior to the meeting at which such amendment is considered.

**Section 4.13. Conflict of Interest.** Except as authorized in Section 471.88 of the Minnesota statutes, a Commissioner, officer or employee of HEDA must not acquire any financial interest, direct or indirect, in any project or in any property included, or planned to be included, in any

project, nor shall the person have any financial interest, direct or indirect, in any contract or proposed contract, for materials or service to be furnished or used in connection with any project.

**Section 4.14. Delegation Power.** HEDA may delegate to one or more of its agents or employees powers or duties as it may deem proper.

**Section 4.15. Report on Enabling Resolution.** Without limiting the right of HEDA to request the City Council at any time, each year at the annual meeting HEDA shall consider and approve for submission to the City Council a report stating whether and how the Enabling Resolution should be modified. Within thirty (30) days of receipt of the recommendation, the City Council shall review the Enabling Resolution, consider the recommendations of HEDA, and make any modifications it considers appropriate. Modifications must be made in accordance with the procedures required by Minnesota Statutes Section 469.093.

**Section 4.16. Depositories.** At least every two (2) years at the annual meeting HEDA shall name a national or state bank within the state as depository. HEDA may deposit all its money in one bank account. Before acting as a depository, a named bank shall give HEDA a bond approved as to form and surety by HEDA. The bond must be conditioned for the safekeeping and prompt repayment of deposits. The amount of the bond must be at least equal to the maximum sums expected to be deposited at any one time.

**Section 4.17. Audits.** The financial statements of HEDA must be prepared, audited, filed and published or posted in the manner required for the financial statements of the City. The financial statements must permit comparison and reconciliation with the City's accounts and financial reports. The audit shall be considered by the Board at the annual meeting and approve for submission to the City Council. The audit shall be filed with the State Auditor in accordance with applicable law.

**Section 4.18. Indemnification of Commissioners and Officers.** Any person (including any present or future Commissioner or officer, or the heirs or legal representatives of any such director or officer) made, or threatened to be made, a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he/she, his/her testator/testatrix or intestate, is or was a Commissioner or officer of HEDA, shall be indemnified by HEDA and HEDA may advance his/her related expenses, in the manner and to the full extent as provided and as otherwise permitted by applicable law.

**Section 4.19. Salaries.** The salaries of all officers, employees and agents of the corporation shall be determined by the Board of Directors from time to time by resolution.

January 13, 2017

**THE FOREGOING AMENDED AND RESTATED BYLAWS  
WERE APPROVED BY THE COMMISSIONERS OF THE  
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY  
ON \_\_\_\_\_, 2017**

By \_\_\_\_\_  
Its Secretary

**DEVELOPMENT PROGRAM  
FOR  
DEVELOPMENT DISTRICT NO. 1  
IN  
CITY OF HERMANTOWN, MINNESOTA**

March 18, 1993

**HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY**

## I. TERMS AND DEFINITIONS

"Administrator" shall mean the Executive Director of HEDA as may be appointed from time to time by HEDA.

"City" shall mean the City of Hermantown, Minnesota.

"Comprehensive Plan" shall mean the City's objectives, plans, programs, standards, and policies to control and guide public and private land use, development, and redevelopment within the City.

"Development District No. 1" shall mean City Development District No. 1, created hereby and as subsequently amended from time to time.

"Development District Area" shall mean the physical boundaries of Development District No. 1 which shall include the real estate legally described in Exhibit A attached hereto and incorporated herein.

"EDA Act" shall mean Minnesota Statutes, Sections 469.090 to 469.108.

"Enabling Resolution" shall mean the resolution adopted on April 6, 1992 by the City Council of the City establishing HEDA.

"HEDA" shall mean the Hermantown Economic Development Authority.

"Program shall mean the Development District No. 1's statement of objectives for development and redevelopment of the Development District Area.

"Tax Increment" shall mean that portion of the ad valorem taxes levied on the all taxable property in Development District No. 1 from time to time which is allocable to the Captured Net Tax Capacity of such property.

## II. STATUTORY AUTHORITY

The City Council of the City established HEDA pursuant to the "EDA Act" by adoption of the Enabling Resolution. Pursuant to the EDA Act and the Enabling Resolution, HEDA has all of the powers of a City under Minnesota Statutes, Sections 469.124 to 469.134, including without limitation the power to create and administer City development districts, and of a municipal housing and redevelopment authority to undertake projects pursuant to Minnesota Statutes, Sections 469.001 to 469.047 together with all powers granted to it under the EDA Act. HEDA's Development District No. 1 established hereby and the activities contemplated herein qualify as permissible activities under all of the above-referenced statutes.

Under the Enabling Resolution and under Minnesota Statutes,

Sections 469.124 to 469.134, HEDA is legally authorized to create and administer a geographically defined development district within the corporate limits of the City for the purpose of facilitating new development in the City in order to provide employment opportunities, improve the tax base and improve the general economy of the State. Further, HEDA is authorized to develop a program for improving a development district within the City for the purposes set forth in Minnesota Statutes, Section 469.124.

HEDA has the powers of an economic development authority under Minnesota Statutes, Sections 469.090 to 469.108. HEDA further possesses the powers of a housing and redevelopment authority under Minnesota Statutes §469.001 to 469.047. In particular, HEDA may, without limitation, create and administer a housing project, a housing development project or a redevelopment project or any combination of such projects, all as defined in Minnesota Statutes §469.002, subs. 12, 13, 14 and 15.

HEDA believes that the development and redevelopment contemplated in the Program are necessary and desirable and constitute a public purpose in accordance with the goals and objectives of Minnesota Statutes §469.124 through 469.134 and §469.001 through 469.047.

### III. ADMINISTRATION

Development District No. 1 will be administered by the Administrator. The Administrator or his/her representative shall annually submit to the HEDA Board of Commissioners a maintenance and operation budget for Development District No.1 for the following year.

### IV. DESCRIPTION OF DISTRICT AREA

The Development District Area shall consist of the real property located in the City of Hermantown, County of St. Louis, State of Minnesota, identified and legally described on Exhibit A attached hereto and incorporated herein.

Development District No. 1 constitutes a city development district under Minnesota Statutes §469.124 to 469.134.

### V. DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 1

#### A. Statement of Need and Purpose

There is a need in the City, and more particularly in the Development District Area, for an increase in housing units and for better land development and redevelopment. Within the Development District Area, there is a substantial supply of housing units and other buildings with diverse purposes which,



for a variety of reasons, are considered deteriorated and substandard, requiring demolition, clearance, renovation, rehabilitation and/or other development and redevelopment.

There is the need within the Development District Area for development and redevelopment which will (i) increase the value of property subject to taxation by the City and other local governmental units; (ii) increase the general economic activity within the City. Said development and redevelopment will improve living conditions, reduce employment, make better use of land, discourage and reduce blight, and enhance the general health and welfare of City residents.

The creation of Development District No 1. provides the legal mechanism by which HEDA may employ a variety of financing and planning tools and incentives in order to assist and promote the creation of additional housing units, related facilities and other development and redevelopment, thereby helping to ameliorate the above-referenced needs.

The Development District Area consists in part of vacant land with terrain and soil conditions which are not conducive to development. Development and redevelopment by private enterprise within Development District No. 1 sites with such conditions is not likely to take place in the foreseeable future unless these conditions are corrected. HEDA has the power to correct or facilitate correction of such conditions by exercising the powers granted to it by law for this purpose.

Within the Development District Area, HEDA is legally authorized to create tax increment financing districts and to thereby capture all or a portion of the incremental tax increases generated from new developments within the tax increment financing districts. These tax increment resources will constitute the primary source of financing with which to provide financial assistance and incentives to private developers of development within the Development District Area.

B. Statement of Goals and Objectives

HEDA, through its creation of the Development District No. 1 and undertaking of its activities as described herein, seeks to accomplish the following goals and objectives:

1. To increase the supply of decent, safe and sanitary housing within the City for persons of all income levels.
2. To provide such development and redevelopment in areas which are appropriate for such uses, with emphasis upon lands potentially useful for contributing to the public welfare, but which by reason of special

problems or conditions, have not reached full development potential by the ordinary operation of private enterprise.

3. To carry out the development and redevelopment of undeveloped and underdeveloped lands within the Development District Area compatible with the planning needs of such areas and in a manner consistent with applicable government plans, maximizing the advantages of Development District No. 1 through the development of uses on a planned or regulated basis.
4. Where necessary, to coordinate such land development and redevelopment on scattered, qualifying sites.
5. To coordinate acquisition, site preparation and improvements, provision of necessary public improvements and facilities, provision of housing units and other Program activities on Development District No. 1 sites, and to spread and equalize the costs thereof, in order to accomplish the entire District No. 1 development at a cost reasonably related to the public purposes to be served.
6. To sell sites acquired in Development District No. 1 for private redevelopment and development in accordance with the program at economically feasible land sale prices in order to induce and make possible private participation in the development of Development District No. 1.
7. To provide private developers with information regarding zoning; land use controls and other City and Development District No. 1 requirements; information and assistance in obtaining construction and permanent financing; and information and assistance regarding construction of site and public improvements and financing for measures necessary to correct site sub-soil conditions or other characteristics which are inhibiting normal development, all in accordance with written development agreements.
8. To finance the development costs of Development District No. 1 by means of tax increment generated by Development District No. 1 improvements and development and through the use of other available funding sources.
9. To promote the rehabilitation of substandard, or deteriorated housing units and other buildings within the Development District Area through the use of tax increment and other available funds.

10. To finance development and land redevelopment by a combination of private and public financing sources under the authority of and subject to the requirements of applicable federal, state and local laws and ordinances.
11. To encourage and promote the development of tax-forfeited lands located in the Development District Area and thereby guide the type of developments which will enhance the quality of the surrounding neighborhood.
12. To encourage and assist the development of private and public improvements which to not by themselves provide additional housing units within the Development District Area, but which are necessary to serve the needs of residents of existing and projected residential areas.
13. To strengthen the economy of the area and sources of public revenue.
14. To enhance the livability, value, and image of the City through stimulation of new investment and facilities designed to accommodate the needs and convenience of the City.
15. To foster economically sound development consistent with the needs of the City as a whole by stabilizing and increasing employment and encouraging retention and expansion of existing firms and businesses and attracting new activities and investment into the Development District Area.
16. To undertake projects and activities in such a manner as to provide for more modern, functional, and efficient areas, contributing to the economic and social well-being of the City through the preservation and expansion of appropriate land uses and the provision of sites for new and existing activities.
17. To provide an adequate and efficient system of public utilities to serve existing and proposed developments whenever necessary.
18. To promote the development of underused parcels of land.
19. To provide the economic infusion to secure new private investments and to attract future investments in the City.

20. To create construction jobs and permanent jobs for the residents of City, thereby improving living standards and making better use of human resources.
21. To add to the City's taxing base by stimulating new development and attracting new investments.
22. To concentrate new development where most advantage can be taken of existing public facilities and utilities necessary to support development.
23. To secure an increase of property subject to taxation by the City and other local government taxing jurisdictions, such that the provision of public improvements and government services is facilitated.

C. Environmental and Land Use Controls. HEDA does not anticipate development or redevelopment within the Development District Area which will cause significant environmental concerns. All developmental activities undertaken by HEDA will be performed in a manner consistent and in conformance with applicable environmental laws and regulations. Existing zoning boundaries or classifications for the Development District Area will be reviewed and revisions will be sought when appropriate to encourage the mix of uses consistent with this Program. Vacations, rezonings, and dedications of public right-of-ways as may become necessary may be accomplished by separate actions in accordance with state law and local ordinances.

D. Open Space to be Created. Open space within the Development District Area shall be created in accordance with the City's Zoning Code.

E. Public Facilities to be Constructed. Public facilities constructed within the Development District Area shall be in accordance with the City's Comprehensive Plan and shall, prior to construction, be determined financially feasible.

F. Proposed Reuse of Property. With respect to real estate acquired by HEDA, proposals for reuse of such real estate must conform with the objectives of this Program and must be financially feasible. Prior to acquisition of property by a private developer for reuse, HEDA will require a written development agreement and other guarantees, if needed, to ensure that adequate tax increment or other funding sources will be available to repay the acquisition-related costs. The development agreement shall also impose appropriate land restrictions and conditions upon private development and/or proposed owners. HEDA may use its powers of eminent domain to acquire property, if deemed necessary.

G. Acquisition/Relocation. The acquisition of all real estate will follow the Uniform Relocation Assistance and Real Property Acquisition Act and other applicable state and federal laws.

## VI. PUBLIC ACTIVITIES AND DEVELOPMENT TECHNIQUES

HEDA intends to attempt to accomplish the development contained in this Program through a variety of mechanisms, some of which are set forth in this Article VI.

A. Land Acquisition. HEDA proposes to acquire as authorized under the EDA Act and other applicable statutes:

1. Blighted areas and other real property for the purpose of providing housing units and of removing, preventing or reducing blight or the causes of blight and facilitating other development and redevelopment.
2. Open or undeveloped land blighted by virtue of conditions which have prevented normal development by private enterprise.
3. Underused or inappropriately used land and improvements which may be converted to housing use at a reasonable cost without major residential clearance activity.
4. Lands which due to location or other reasons HEDA finds would be appropriate for development.
5. Lands which have been forfeited to the State of Minnesota as a result of nonpayment of real estate taxes; and
6. Lands acquired by HEDA in the undertaking of other development projects and presently available for and suitable for provision of new housing or other Program developments.
7. Lands owned by the City and other public bodies which have not been developed to their potential.

B. Site Preparation and Public Improvements. HEDA proposes to carry out:

1. Demolition, removal or rehabilitation of buildings and improvements for the purpose of causing or promoting the development of housing or other Program objectives within the Development District Area.
2. Activities to correct adverse physical characteristics of the land, including terrain and soil conditions that

are not conducive to development, faulty subdivision or plan of lots, inadequate access or utility service or other development-inhibiting conditions.

3. Activities deemed necessary or desirable to improve and prepare sites for development or redevelopment in accordance with this Program.
4. Activities deemed necessary or desirable to remove, reduce or prevent other blighting factors or causes of blight.
5. Installation, construction or reconstruction of streets, utilities, parks, playgrounds, and other public improvements or facilities as necessary or desirable for carrying out Program objectives.

C. Interest Reduction Program. HEDA has the legal authority to undertake interest reduction programs as described in Minnesota Statutes §469.012, subds. 7, 8 and 9. HEDA may undertake an interest reduction program for the purpose of providing interest rate subsidies to developers of housing developments for persons and families of low and moderate income. HEDA revenues will be used to provide either an initial payment or periodic payments to reduce the interest rate payable with respect to such housing development and thereby reduce the effective rental rates of units within such developments. Prior to undertaking any interest reductions program, HEDA shall adopt rules for the interest reduction program.

D. Rehabilitation Loan and Grant Program. HEDA may undertake a loan and grant program for the purpose of providing loans or grants to assist in the rehabilitation of property located in the Development District Area which is owned or will be owned by persons of low and moderate income. Prior to the undertaking of such program, HEDA shall develop loan and grant guidelines and requirements forming the operational basis for such program.

E. Construction of Publicly Owned Housing. When appropriate, HEDA may undertake to acquire and/or construct housing units for low and moderate income persons or families and to retain ownership for a period of time subsequent to such acquisition or construction. Such housing may be owned and operated by HEDA or may be conveyed to another entity for ownership and operation with the view of providing decent, safe and sanitary housing for persons and families of low and moderate income. HEDA is not, however, prohibited from selling any such housing development to other parties on such terms and conditions as HEDA deems advisable.

F. Land Disposition and Improvements Agreements.

1. The Authority may sell, lease or otherwise dispose of acquired property in accordance with law, the requirements of this Program, and after review of the proposed disposition by HEDA's governing body, by any or a combination of the following methods:
  - a. after clearance and provision of site improvements;
  - b. after rehabilitation and its fair market or rental reuse values so improved;
  - c. without clearance subject to the purchaser's contract obligation to rehabilitate or otherwise improve the property for the purposes and in accordance with the requirements and objectives of this Program;
  - d. to public bodies for the purpose of providing public improvements or supporting facilities.
  
2. HEDA, without property acquisition, may enter into private improvement contracts with property owners or other persons in control of Development District No. 1 sites to provide or cause to be provided necessary site and public improvements in consideration of such owner or person's guaranteed undertaking to develop, redevelop and improve the property in accordance with this Program.
  
3. Land disposition and private improvement agreements shall contain the following general requirements and developer covenants:
  - a. to develop the land in accordance with the objectives of this Program, and specific land parcel design objectives and building requirements;
  - b. to commence, continue and complete contract improvements within time limits specified and provided in said agreements;
  - c. to provide such security or other guarantee of faithful performance as HEDA shall require;
  - d. to comply with all environmental, non-discrimination and other applicable federal and state laws and local ordinances respecting the purchase, improvement and use of the land;
  - e. to use the land or any improvements thereon only in accordance and in conformity with the land use plan provisions of this Program or any duly adopted Program Amendment.

G. Design Objectives and Building Controls. In order to assure compliance with provisions of this Program for future land use and the provision of housing and other development and redevelopment, HEDA may:

1. prepare and incorporate in each land disposition and private improvement agreement a specification of design objectives and building requirements for each Development District No. 1 site in conformity with City codes, ordinances, rules and regulations.
2. require the submission of construction plans and construction cost estimates for HEDA review and approval prior to conveyance of Development District No. 1 sites or the provision of site improvements on not-to-be acquired Development District No. 1 sites;
3. where possible, incorporate in all deeds as a covenant running with the land the developer's undertaking to comply with the land use provisions of this Program and all applicable City codes, ordinances, rules and regulations.

H. Low and Moderate Income Level Determination. HEDA may make determinations of the level of income constituting low and moderate family incomes within the City in accordance with statutory requirements for assisted low and moderate income housing provided in accordance with this Program.

I. Other Development Provisions. In the undertaking and implementation of this Program for Development District No. 1, HEDA may conduct such other activities and exercise any and all of its powers under law as may be necessary or appropriate to the accomplishment of the development or redevelopment of Development District No. 1 in accordance with the this Program.

This Development District No. 1 was created and this Program was adopted by the Board of Commissioners of the Hermantown Economic Development Authority on the 18th day of March, 1993.

Francis J. Hubert  
President

[Signature]  
Secretary

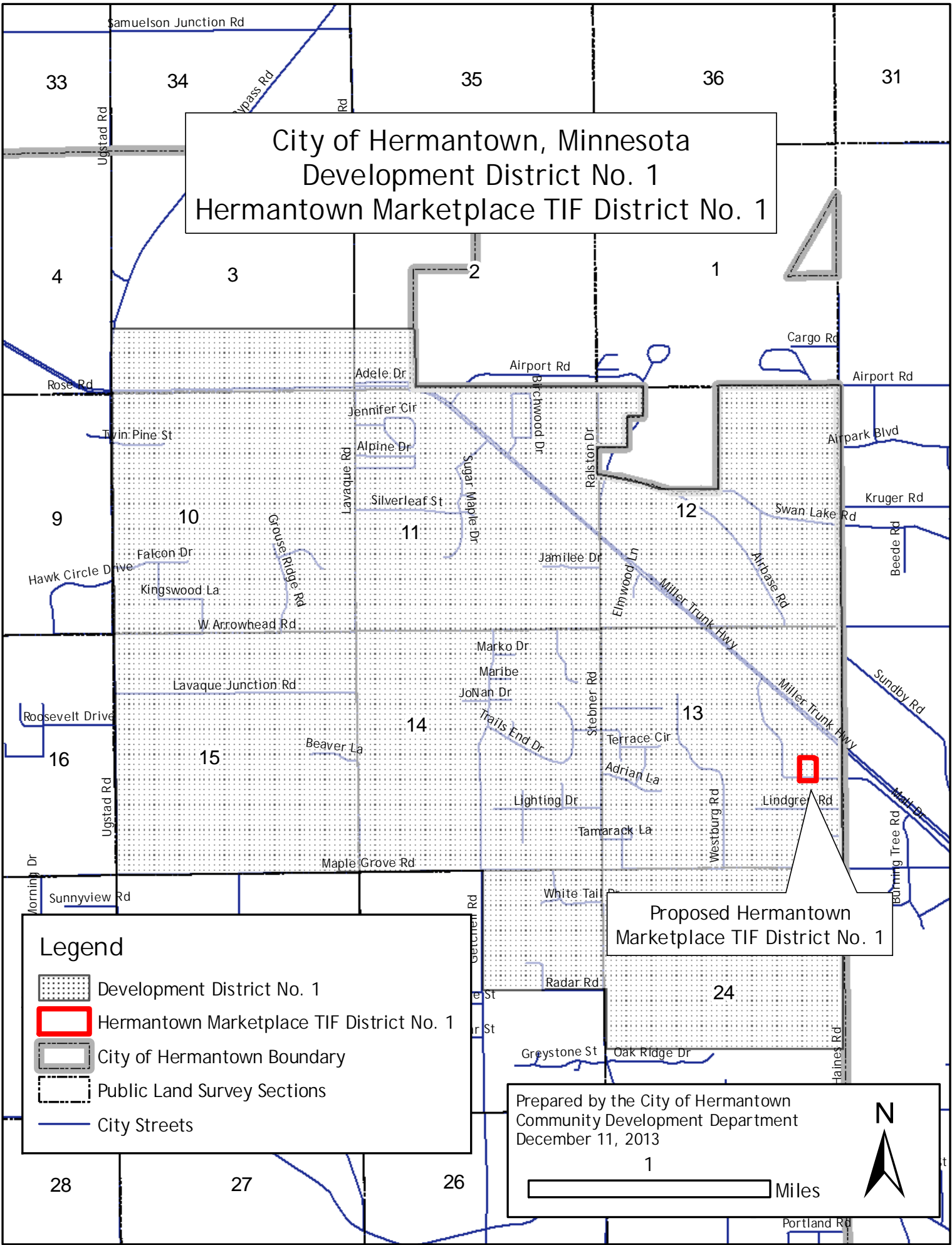


LEGAL DESCRIPTION OF  
DEVELOPMENT DISTRICT NO. 1






All of Sections 10, 13, 14, 15, Section 24, except the South half of the South one-half thereof, the South half of the South half of Section 3; the Southwest quarter of the Southwest quarter of Section 2; Section 11 except the NE 1/4 of the NE 1/4 and except that part of the SE 1/4 of the NE 1/4 lying northerly of U.S. Highway 53; Section 12, except the W 1/2 of the N 1/2 and except the NW 1/4 of the NE 1/4 thereof; and the NE 1/4 of Section 23, all in Township 50 North, Range 15 West of the Fourth Principal Meridian.



City of Hermantown, Minnesota  
 Development District No. 1  
 Hermantown Marketplace TIF District No. 1




**Legend**

-  Development District No. 1
-  Hermantown Marketplace TIF District No. 1
-  City of Hermantown Boundary
-  Public Land Survey Sections
-  City Streets

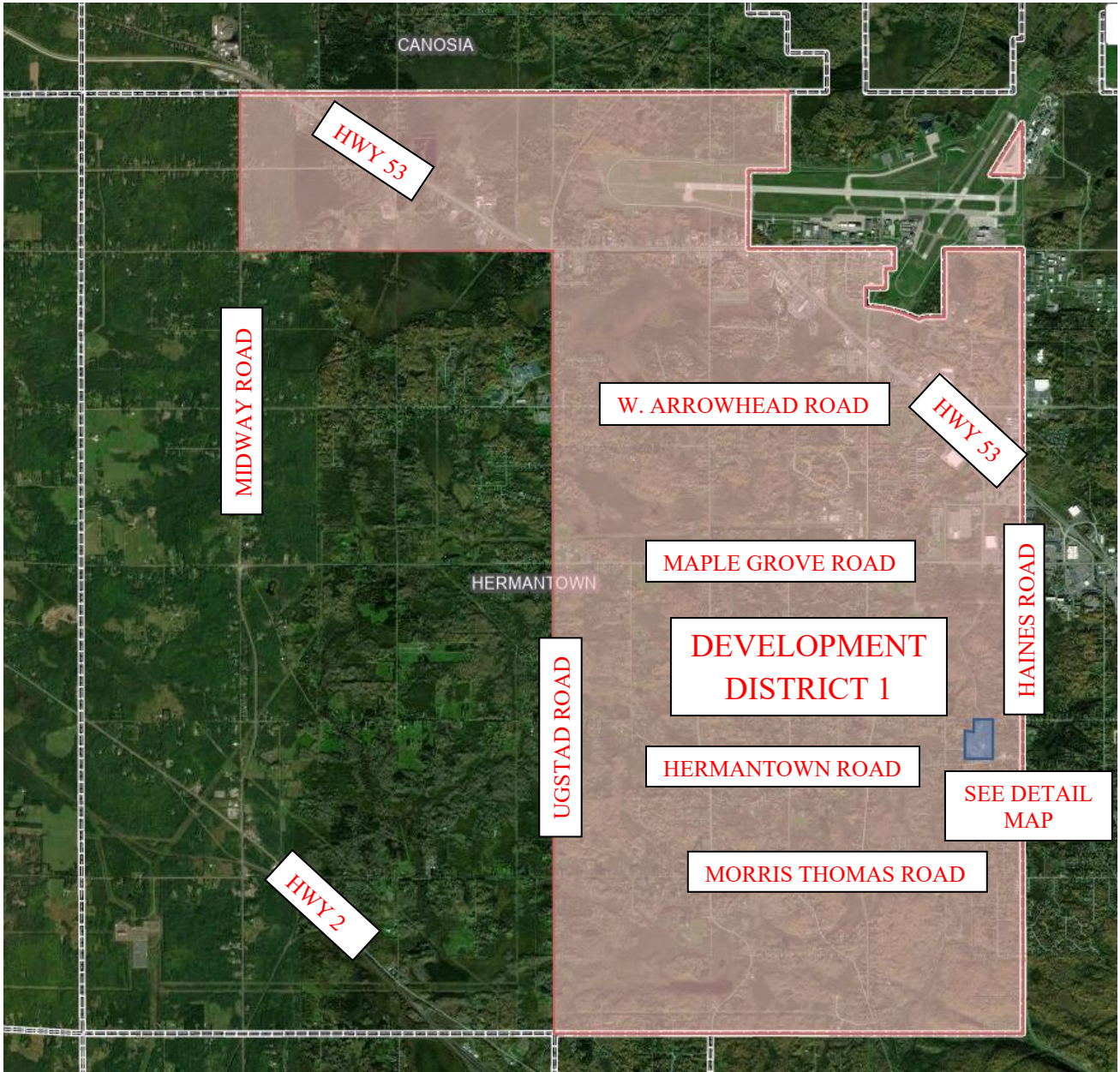
Proposed Hermantown  
 Marketplace TIF District No. 1

Prepared by the City of Hermantown  
 Community Development Department  
 December 11, 2013

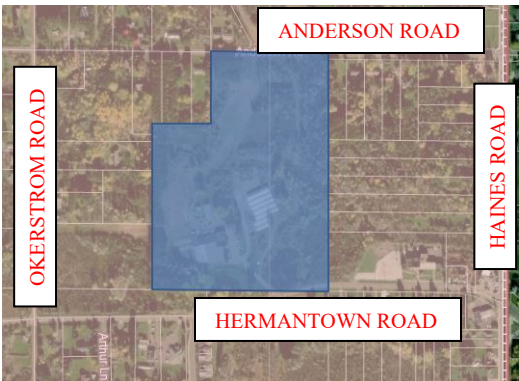
1 Miles




**Location Map – Hermantown Development District 1**



**Detail Map – TIF District 2: The Greenhouse**



<b>HEDA MEETING DATE:</b>		July 27, 2023	
<b>TO:</b>	HEDA Members		
<b>FROM:</b>	John Mulder, City Administrator		
<b>SUBJECT:</b>	Treasurer's Bond		

**RESOLUTION:** 2023-xxx   
  **WORK SESSION**   
  **OTHER:** Motion

**REQUESTED ACTION**

Motion to establish the amount of bond at \$300,000 as required to be provided by the Treasurer required by Section 4.2.

**BACKGROUND**

**Section 3.1.1.** Establish the amount of bond required to be provided by the Treasurer required by Section 4.2.

**Section 4.2** The Treasurer shall give bond to the state conditioned for the faithful discharge of his/her duties. The bond must be approved as to form and surety by HEDA and filed with the Secretary and must be for twice the amount of money likely to be on hand at any one time as determined at least annually by the HEDA, provided, however, that said bond must not exceed \$300,000.00.

The Fund balance as of 12/31/21 was \$678,741. It is recommended that the bond be set at \$300,000.

**SOURCE OF FUNDS (if applicable)**

**ATTACHMENTS**

Hermantown Economic Development Authority

HEDA's mission is to intentionally lead economic growth, creating a vibrant and prosperous community.





<b>HEDA MEETING DATE:</b>		July 27, 2023	
<b>TO:</b>	HEDA Members		
<b>FROM:</b>	John Mulder, City Administrator		
<b>SUBJECT:</b>	Enabling Legislation		

**RESOLUTION:** 2023-xxx     **WORK SESSION**     **OTHER:** Motion

**REQUESTED ACTION**

Consider and approve a report to the City Council on the Enabling Resolution as required by Section 4.15.

**BACKGROUND**

**Section 3.1.4.** Consider and approve a report to the City Council on the Enabling Resolution as required by Section 4.15.

**Section 4.15.** Without limiting the right of HEDA to request the City Council at any time, each year at the annual meeting HEDA shall consider and approve for submission to the City Council a report stating whether and how the Enabling Resolution should be modified. Within thirty (30) days of receipt of the recommendation, the City Council shall review the Enabling Resolution, consider the recommendations of HEDA, and make any modifications it considers appropriate. Modifications must be made in accordance with the procedures required by Minnesota Statutes Section 469.093.

No changes are recommended. However, HEDA should review and discuss if that is the case. If no changes are necessary HEDA should approve a report to accept the resolution as stated.

**SOURCE OF FUNDS (if applicable)**

**ATTACHMENTS**

Enabling Legislation



**Resolution No. 2017-69**

**AMENDED AND RESTATED  
RESOLUTION ESTABLISHING THE  
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY**

WHEREAS, Minnesota Statutes, Sections 469.090 to 469.108 (the “EDA Act”), authorizes cities to establish Economic Development Authorities (“EDA”) with specified powers and obligations to promote and to provide incentives for economic development; and

WHEREAS, the Hermantown City Council (“City Council”), by Resolution No. 92-29, established the Hermantown Economic Development Authority; and

WHEREAS, Resolution No. 92-29 has been amended by Resolution No. 92-46 and Resolution No. 93-51; and

WHEREAS, Resolution Nos. 92-29, 92-46 and 93-51 are hereinafter referred to as the “Initial Enabling Resolution”; and

WHEREAS, the City Council desires to make certain amendments to the Initial Enabling Resolution and to amend and restate the Initial Enabling Resolution by this Resolution; and

WHEREAS, the City Council has determined that it is in the-best interest of the City of Hermantown, Minnesota (the “City”) to continue HEDA in order to preserve and create jobs, enhance its tax base, assist certain housing initiatives, promote the general welfare of the people of the city and to assume primary responsibility for development activities within the City; and

WHEREAS, the City Council provided public notice by publication and conducted a public hearing on June 5, 2017 concerning the adoption of this Resolution and has fulfilled all other legal requirements for the continuation of HEDA.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HERMANTOWN THAT THE INITIAL ENABLING RESOLUTION IS HEREBY AMENDED AND RESTATED IN ITS ENTIRETY TO READ AS FOLLOWS:

1. The Hermantown Economic Development Authority (“HEDA”) is hereby continued pursuant to Minnesota Statutes Sections 469.091, subdivision 1, and Section 469.093, subdivision 1.
2. HEDA shall have all of the powers, rights, duties and obligations conferred on economic development authorities by Section 469.090 to 469.1081 of the Minnesota Statutes, including the powers of a city granted by Minnesota Statutes, Sections 469.124 to 469.134 and the powers of housing and redevelopment authorities granted by Minnesota statutes, Sections 469.001 to 469.047.

3. Notwithstanding the provisions of Section 2 above, the grant of powers contained in said section shall not be deemed to affect the authority of the City or any housing and redevelopment authority hereinafter created, in and for the City to exercise the development powers authorized to or exercised by said bodies under Minnesota statutes.

4. HEDA shall be governed by a board of commissioners (“Commissioners”) comprised of seven (7) members. The Mayor of the City and all City Councilors shall be members of the Board. Two (2) additional board members shall be appointed by the Mayor with the consent and approval of the City Council. The present terms of the present additional members are shown on Exhibit A attached hereto. Upon the expiration of such terms, such persons shall not be eligible for reappointment to the Board for at least two (2) years. All additional members shall be appointed for one (1) six (6) year term. At the expiration of any term, such person shall not be eligible for reappointment for at least two (2) years. The terms of the Mayor or other member of the City Council shall continue as long as he/she is serving as the Mayor or City Councilor, as the case may be, and his/her term shall expire if his/her terms of office as a member of the City Council or as Mayor ends and a vacancy shall then be created. No person shall serve as a Commissioner while such person holds an elective office other than as Mayor or a member of the City Council.

5. In accordance with Minnesota Statutes Section 469.100, subdivision 2, HEDA shall annually submit its budget to the City Council for approval by the City Council. In addition, upon submittal of its proposed annual budget to the City Council, HEDA shall provide the City Council an accounting of its receipts and expenditures as required by Minnesota Statutes Section 469.100, subdivision 4.

6. The City Administrator shall, at the direction and pleasure of HEDA, perform staff duties and may provide such other city staff to HEDA as HEDA may request; provided that the City may require reasonable reimbursement of the City by HEDA for costs associated with the provision of such staff; and provided further that nothing in this Section shall preclude HEDA from hiring such personnel or third party contractors as HEDA may from time to time determine.

7. Each year, HEDA will consider and approve for submission to the Council a report regarding modification of this Resolution as provided in Section Minnesota Statutes 469.093, subdivision 2.

8. All financial books, records, accounts and reports of HEDA shall be prepared, presented and retained by the Chief Financial Officer of the City, which office shall have the responsibility for administering the finances of HEDA as he/she does the finances of the City; provided that City may require reasonable reimbursement by HEDA to the City for costs associated with the provision of such financial services.

9. City officials and staff are hereby authorized and directed to execute such assignments, requisitions, directives and agreements as may be necessary and appropriate to carry out the terms, conditions and intentions of this Resolution.

10. Each Commissioner shall be paid Fifty and No/100 Dollars (\$50.00) for attending each regular and special meeting of HEDA at which a quorum is present and shall be further reimbursed for expenses incurred in conducting HEDA business.

11. HEDA may request the City Council levy a tax in the City for the benefit of HEDA as specifically set forth in Minnesota Statutes Section 469.107.

12. Nothing shall prevent the City Council from modifying this Resolution to impose, restrict or expand limits on the powers of HEDA or provide for other matters as authorized by law.

13. HEDA shall not exercise the power of eminent domain without the prior approval of the City Council.

14. This Resolution shall be referred to as the 2017 HEDA Enabling Resolution.

Councilor Peterson introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor Schmidt and, upon a vote being taken thereon, the following voted in favor thereof:

Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher, aye


and the following voted in opposition thereto:

None

WHEREUPON, such resolution was declared duly passed and adopted.

**EXHIBIT A**

<b>Name</b>	<b>Term Expires</b>
Dwayne Haapanen	13/31/2022
Cyndy Reno	12/31/2020

<b>HEDA MEETING DATE:</b>		July 27, 2023	
<b>TO:</b>	HEDA Members		
<b>FROM:</b>	John Mulder, City Administrator		
<b>SUBJECT:</b>	Audit Report		

**RESOLUTION:** 2023-xxx     WORK SESSION     **OTHER:** Motion

**REQUESTED ACTION**

Consider and approve an audit to submit to the City Council pursuant to Section 4.17.

**BACKGROUND**

**Section 3.1.6.** Consider and approve an audit to submit to the City Council pursuant to Section 4.17.

Section 4. 17 of the bylaws states,

“The financial statements of HEDA must be prepared, audited, filed and published or posted in the manner required for the financial statements of the City. The financial statements must permit comparison and reconciliation with the City’s accounts and financial reports. The audit shall be considered by the Board at the annual meeting and approve for submission to the City Council. The audit shall be filed with the State Auditor in accordance with applicable law.”

The financial statements of HEDA are prepared by the City’s Finance Department and are audited as part of the overall City Audit. The relevant parts of the City’s Financial Statements are attached.

**SOURCE OF FUNDS (if applicable)**

**ATTACHMENTS**

**Excerpts from the City Audit**

**Hermantown Economic Development Authority**

**HEDA’s mission is to intentionally lead economic growth, creating a vibrant and prosperous community.**

**CITY OF HERMANTOWN  
HERMANTOWN, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

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## INDEPENDENT AUDITORS' REPORT

Honorable City Council  
City of Hermantown  
Hermantown, Minnesota

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermantown, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Hermantown's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermantown, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund, City Sales Tax Fund, and the Essential Wellness Center Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hermantown and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matters***

As discussed in Note 1 to the financial statements, effective January 1, 2022, the City adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

Also, during the fiscal year ended December 31, 2022, the City restated the beginning fund balance for the City Sales Tax Fund to reflect additional revenue and receivables for 2021 sales taxes. See Note 17 for additional information on this restatement. Our auditors' opinion was not modified with respect to this restatement.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hermantown's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hermantown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hermantown's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of changes in the City's total OPEB liability and related ratios, and the information about the City's net pension liability, which includes the PERA schedule of the City's proportionate share of the net pension liability, and the PERA schedule of City contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hermantown's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

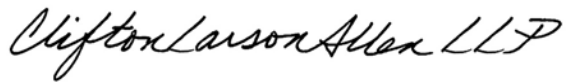
Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable City Council  
City of Hermantown

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2023, on our consideration of the City of Hermantown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hermantown's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hermantown's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 12, 2023

**CITY OF HERMANTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hermantown (the City) complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**A. Financial Reporting Entity**

The City of Hermantown, Minnesota, was incorporated under the laws of the state of Minnesota and operates under an elected Mayor-Council form of government. In determining the financial reporting entity, the City complies with GAAP and includes all component units of which the City appointed a voting majority of the units' board, the City is able to impose its will on the unit, or a financial benefit or burden relationship exists. As a result of applying these component unit criteria, the Hermantown Economic Development Authority is considered a component unit and is presented in the City's financial statements as a blended component unit, meaning it is reported as if it were a part of the City. The Hermantown Economic Development Authority does not issue separate financial statements.

Blended Component Unit

The Hermantown Economic Development Authority (HEDA) provides services almost entirely to the City and is governed by a board of seven commissioners, which is substantially the same as the City Council. The City is financially accountable for HEDA. The City approves the budget, levies taxes (if necessary), and must approve debt issuances. HEDA has had limited activity and has monthly meetings. For these reasons, HEDA is recognized as a blended component unit of the City.

Related Organization

The Hermantown Volunteer Fire Department is a legally separate organization from the City. Related party transactions are limited to payments by the City on a contract for service entered into with the Hermantown Volunteer Fire Department. The City made payments totaling \$536,795 during 2022.

**B. Government-Wide Financial Statements**

The government-wide financial statements (statement of net position and statement of activities) report information on all activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF HERMANTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 CONDUIT DEBT OBLIGATIONS**

The Hermantown Economic Development Authority (HEDA) has issued revenue bonds for the purpose of providing capital financing to various entities. Even though the debt bears HEDA's name, HEDA is not responsible for the payment of the original debt. The debt is secured by the payments agreed to be paid by these entities under the terms of the agreement between HEDA and the entity. The general description of the transactions and the outstanding balance as of December 31, 2022 are as follows:

<u>Enterprise</u>	<u>Year of Issue</u>	<u>Outstanding Balance 12/31/22</u>
Marshall School 2004B	2004	\$ 56,517
Saints-Hilltoppers Arena Project 2010	2010	261,576
Marshall School 2011	2011	192,485
Total		<u>\$ 510,578</u>

**NOTE 8 INTERFUND TRANSACTIONS**

The composition of interfund balances as of December 31, 2022 is as follows:

Due to/from balances are caused by either timing differences or the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid within one year.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 502,864	\$ -
Munger Trail Fund	-	20,996
Hockey Arena	-	26,020
Fichtner Field	-	15,885
Municipal State Aid Streets Fund	-	380,008
Special Assessment/Road Improvement Fund	-	59,955
Total	<u>\$ 502,864</u>	<u>\$ 502,864</u>

Advances to/from other funds:

	<u>Advance To</u>	<u>Advance From</u>
Governmental Funds:		
Cable Television Fund	\$ 50,000	\$ -
TIF District #1 Improvements Fund	-	600,000
Total Governmental Funds	<u>50,000</u>	<u>600,000</u>
Proprietary Funds:		
Street Lighting Fund	<u>550,000</u>	<u>-</u>
Total	<u>\$ 600,000</u>	<u>\$ 600,000</u>

Advances were made to fund various projects. The advances bear interest at 4%. There is no due date for repayment.

**CITY OF HERMANTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 13 COMPENSATED ABSENCES**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon retirement, in accordance with various employment and union contracts, the value of the qualifying banked sick hours will be submitted as a Health Care Savings Plan (HCSP) contribution to the Minnesota State Retirement System (MSRS) to be used to pay the employee's health insurance premiums. The year-end accrued sick leave and accrued vacation balance increased by \$4,965 in the proprietary funds and increased by \$12,282 in the governmental funds. As of December 31, 2022, eight employees were vested for sick leave. The current value of future benefits is recorded as compensated absences in the statement of net position at December 31, 2022, in the amount of \$583,385. Any management employee or LELS union member who is at the maximum accumulation of sick leave and who is credited for sick leave during a year in excess of the maximum sick leave shall, as of December 31 of the year in question, have 50% of such excess credit towards sick leave deposited in the State of Minnesota Health Care Savings Plan at the employees December 31 wage rate of the year in question. IOUE 49'ers shall have 25% deposited in the plan. The City paid \$10,416 to the MSRS for this employee benefit in 2022.

**NOTE 14 TAX ABATEMENT COMMITMENTS**

The City, St. Louis County (County) and the Hermantown Economic Development Authority (HEDA), a component unit of the City, entered into a tax abatement agreement with a local business in accordance with Minnesota Statute 469.1813. The purpose of the property tax abatement agreements is to reimburse the local business for infrastructure it initially paid for.

The initial County abatement was paid off in 2019. On February 5, 2019, the County board extended the tax abatement for an additional \$860,000 for the purpose of assistance on funding the Section 24 Sewer trunk line. During 2022 the County paid \$211,836 towards the note, leaving a balance as of December 31, 2022 of \$185,040.

In HEDA's tax abatement agreement with the local business, HEDA has agreed to provide funding to the local business through the abatement of the total City taxes collected each year on the parcel of property owned by the local business. HEDA has agreed to provide tax abatement funding in the amounts of \$1,151,696 and \$400,000 plus interest at 4%. During 2022, the City paid the local business \$144,710 related to this agreement. As of December 31, 2022, the City's remaining commitment to the local business is \$641,816.

HEDA and the City have issued a tax increment revenue note (pay-as-you-go) to a local business. This note requires the City to make payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs. The note is not a debt of the City and the City is not liable on the note, except for the City's obligation to make payments from pledged tax increment from the applicable tax increment-financing district. The note shall not be payable out of any funds or properties other than the pledged increment. Under this agreement, up to \$500,000 of development costs plus interest will be reimbursed through tax increments. During the year ended December 31, 2022, the City generated tax increment revenue of \$132,872 and made payments of \$77,451, on the note. The note's balance at year-end was \$160,207.

**CITY OF HERMANTOWN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	Special Revenue Funds						
	Hermantown Economic Development Authority Fund	Park Dedication Fund	Hermantown Wetland Mitigation Fund	American Rescue Plan Fund	Police Program Fund	Cable Television Fund	Soccer Fund
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 717,876	\$ -	\$ 15,998	\$ 837,056	\$ 195,888	\$ 397,591	\$ 73,168
Accounts Receivable	8,234	-	-	-	3,080	9,762	-
Interest Receivable	1,280	-	-	-	-	527	-
Delinquent Taxes Receivable	2,150	-	-	-	-	-	-
Special Assessments Receivable	-	-	-	-	-	-	-
Prepaid Items	17	-	-	-	-	9	-
Advance to Other Funds	-	-	-	-	-	50,000	-
<b>Total Assets</b>	<b>\$ 729,557</b>	<b>\$ -</b>	<b>\$ 15,998</b>	<b>\$ 837,056</b>	<b>\$ 198,968</b>	<b>\$ 457,889</b>	<b>\$ 73,168</b>
<b>LIABILITIES</b>							
Accrued Wages and Related Liabilities	\$ 943	\$ -	\$ -	\$ -	\$ -	\$ 193	\$ -
Accounts Payable	48,683	-	-	108,834	2,684	37,790	-
Due to Other Funds	-	-	-	-	-	-	-
Deposits Payable	-	5,000	-	-	-	-	-
Advance from Other Funds	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	728,222	-	-	-
<b>Total Liabilities</b>	<b>49,626</b>	<b>5,000</b>	<b>-</b>	<b>837,056</b>	<b>2,684</b>	<b>37,983</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Delinquent Property Tax	1,190	-	-	-	-	-	-
Unavailable Special Assessments	-	-	-	-	-	-	-
Unavailable Revenue - Other	-	-	-	-	-	-	-
<b>Total Deferred Inflow of Resources</b>	<b>1,190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE (DEFICIT)</b>							
Nonspendable	17	-	-	-	-	50,009	-
Restricted	-	-	-	-	196,284	-	73,168
Committed	678,724	-	15,998	-	-	369,897	-
Unassigned (Deficit)	-	(5,000)	-	-	-	-	-
<b>Total Fund Balance (Deficit)</b>	<b>678,741</b>	<b>(5,000)</b>	<b>15,998</b>	<b>-</b>	<b>196,284</b>	<b>419,906</b>	<b>73,168</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)</b>	<b>\$ 729,557</b>	<b>\$ -</b>	<b>\$ 15,998</b>	<b>\$ 837,056</b>	<b>\$ 198,968</b>	<b>\$ 457,889</b>	<b>\$ 73,168</b>

**CITY OF HERMANTOWN  
COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	Capital Project Funds									Total Nonmajor Governmental Funds
	General Capital Projects Fund	Municipal Building Reserve Fund	Essentia Wellness Center Capital Projects Fund	Munger Trail Fund	Hockey Arena	Fichtner Field	TIF District 1 Improvement Fund	HEDA Fleet Projects Fund	Special Assessment Projects Fund	
<b>ASSETS</b>										
Cash and Cash Equivalents	\$ 945,367	\$ 636,536	\$ 277,871	\$ -	\$ -	\$ -	\$ 37,453	\$ 172,839	\$ -	\$ 7,451,638
Accounts Receivable	-	-	-	-	-	-	-	-	-	21,076
Interest Receivable	-	-	-	-	-	-	-	-	-	2,329
Delinquent Taxes Receivable	-	-	-	-	-	-	-	-	-	7,135
Special Assessments Receivable	-	-	-	-	-	-	-	-	229,474	3,351,205
Prepaid Items	-	-	-	-	-	-	-	-	-	26
Advance to Other Funds	-	-	-	-	-	-	-	-	-	50,000
<b>Total Assets</b>	<b>\$ 945,367</b>	<b>\$ 636,536</b>	<b>\$ 277,871</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,453</b>	<b>\$ 172,839</b>	<b>\$ 229,474</b>	<b>\$ 10,883,409</b>
<b>LIABILITIES</b>										
Accrued Wages and Related Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,136
Accounts Payable	-	-	-	509	1,601	5,465	38,725	72,355	-	316,646
Due to Other Funds	-	-	-	20,996	26,020	15,884	-	-	59,955	122,855
Deposits Payable	-	-	-	-	-	-	-	-	-	5,000
Advance from Other Funds	-	-	-	-	-	-	600,000	-	-	600,000
Unearned Revenue	-	-	-	-	-	-	-	-	-	728,222
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,505</b>	<b>27,621</b>	<b>21,349</b>	<b>638,725</b>	<b>72,355</b>	<b>59,955</b>	<b>1,773,859</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Delinquent Property Tax	-	-	-	-	-	-	-	-	-	3,606
Unavailable Special Assessments	-	-	-	-	-	-	-	-	-	3,117,910
Deferred Inflows - Other	-	-	-	-	-	-	-	-	228,053	228,053
<b>Total Deferred Inflow of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228,053</b>	<b>3,349,569</b>
<b>FUND BALANCE (DEFICIT)</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	50,026
Restricted	-	-	-	-	-	-	-	-	-	3,127,063
Committed	-	-	-	-	-	-	-	-	-	1,357,915
Assigned	945,367	636,536	277,871	-	-	-	-	100,484	-	1,960,258
Unassigned (Deficit)	-	-	-	(21,505)	(27,621)	(21,349)	(601,272)	-	(58,534)	(735,281)
<b>Total Fund Balance (Deficit)</b>	<b>945,367</b>	<b>636,536</b>	<b>277,871</b>	<b>(21,505)</b>	<b>(27,621)</b>	<b>(21,349)</b>	<b>(601,272)</b>	<b>100,484</b>	<b>(58,534)</b>	<b>5,759,981</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)</b>	<b>\$ 945,367</b>	<b>\$ 636,536</b>	<b>\$ 277,871</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,453</b>	<b>\$ 172,839</b>	<b>\$ 229,474</b>	<b>\$ 10,883,409</b>

**CITY OF HERMANTOWN  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND BALANCES (DEFICITS)  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Special Revenue Funds						
	Hermantown Economic Development Authority Fund	Park Dedication Fund	Hermantown Wetland Mitigation Fund	American Rescue Plan Fund	Police Program Fund	Cable Television Fund	Soccer Fund
<b>REVENUES</b>							
Taxes	\$ 149,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise Fees	-	-	-	-	-	41,882	-
Special Assessments	-	-	-	-	-	-	-
Licenses and Permits	-	123,250	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	9,827	-	-
Investment Income	(16,100)	-	-	-	-	(4,589)	-
Miscellaneous	34,560	-	-	320,646	7,975	1	-
Total Revenues	<u>167,736</u>	<u>123,250</u>	<u>-</u>	<u>320,646</u>	<u>17,802</u>	<u>37,294</u>	<u>-</u>
<b>EXPENDITURES</b>							
Current:							
General Government	-	-	-	16,968	-	-	-
Public Safety	-	-	-	99,400	23,203	-	-
Community and Economic Development	243,396	-	23,466	33,543	-	-	-
Culture and Recreation	-	30,950	-	17,789	-	50,373	-
Capital Outlay	1,760	-	-	152,946	12,425	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
Total Expenditures	<u>245,156</u>	<u>30,950</u>	<u>23,466</u>	<u>320,646</u>	<u>35,628</u>	<u>50,373</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(77,420)	92,300	(23,466)	-	(17,826)	(13,079)	-
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer In	-	-	-	-	-	-	-
Transfer Out	-	(92,300)	-	-	-	-	-
Net Other Financing Sources (Uses)	<u>-</u>	<u>(92,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(77,420)	-	(23,466)	-	(17,826)	(13,079)	-
Fund Balance (Deficit) - Beginning	<u>756,161</u>	<u>(5,000)</u>	<u>39,464</u>	<u>-</u>	<u>214,110</u>	<u>432,985</u>	<u>73,168</u>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<u>\$ 678,741</u>	<u>\$ (5,000)</u>	<u>\$ 15,998</u>	<u>\$ -</u>	<u>\$ 196,284</u>	<u>\$ 419,906</u>	<u>\$ 73,168</u>



**CITY OF HERMANTOWN  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND BALANCES (DEFICITS) (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Capital Project Funds									
	General Capital Projects Fund	Municipal Building Reserve Fund	Essentia Wellness Center Capital Projects Fund	Munger Trail Fund	Hockey Arena	Fichtner Field	TIF District 1 Improvement Fund	HEDA Fleet Projects Fund	Special Assessment Projects Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,394	\$ 144,710	\$ -	\$ 757,018
Franchise Fees	-	-	-	-	-	-	-	-	-	41,882
Special Assessments	-	-	-	-	-	-	-	-	27,047	415,256
Licenses and Permits	-	-	-	-	-	-	-	-	-	123,250
Intergovernmental	-	-	-	179,998	-	-	-	-	-	179,998
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	9,827
Investment Income	-	-	-	-	-	-	-	-	1	(27,251)
Miscellaneous	-	261,240	-	-	-	-	-	-	-	624,422
<b>Total Revenues</b>	-	261,240	-	179,998	-	-	132,394	144,710	27,048	2,124,402
<b>EXPENDITURES</b>										
Current:										
General Government	-	-	-	-	-	1,699	-	-	-	19,058
Public Safety	-	-	-	-	-	-	-	-	-	122,603
Community and Economic Development	-	-	-	1,408	27,621	-	15,511	35,075	-	380,020
Culture and Recreation	-	-	-	345	-	-	-	-	-	99,457
Capital Outlay	60,970	-	-	-	-	19,650	63,897	109,910	63,687	485,245
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	2,595,000
Interest and Fiscal Charges	-	-	-	-	-	-	24,000	-	43	947,215
<b>Total Expenditures</b>	60,970	-	-	1,753	27,621	21,349	103,408	144,985	63,730	4,648,598
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(60,970)	261,240	-	178,245	(27,621)	(21,349)	28,986	(275)	(36,682)	(2,524,196)
<b>OTHER FINANCING SOURCES (USES)</b>										
Bonds Issued	-	-	-	-	-	-	-	-	(59,373)	(59,373)
Premium on Issuance of Bonds	-	-	-	-	-	-	-	-	59,373	59,373
Bond Principal Refunded	-	-	-	-	-	-	-	-	-	-
Capital Lease Issued	0	-	-	-	-	-	-	-	-	-
Transfer In	410,000	100,000	-	92,300	-	-	-	-	-	3,711,308
Transfer Out	-	-	-	-	-	-	-	-	-	(120,106)
Net Other Financing Sources (Uses)	410,000	100,000	-	92,300	-	-	-	-	-	3,591,202
<b>NET CHANGE IN FUND BALANCE</b>	349,030	361,240	-	270,545	(27,621)	(21,349)	28,986	(275)	(36,682)	1,067,006
Fund Balance (Deficit) - Beginning	596,337	275,296	277,871	(292,050)	-	-	(630,258)	100,759	(21,852)	4,692,975
<b>FUND BALANCE (DEFICIT) - ENDING</b>	\$ 945,367	\$ 636,536	\$ 277,871	\$ (21,505)	\$ (27,621)	\$ (21,349)	\$ (601,272)	\$ 100,484	\$ (58,534)	\$ 5,759,981

Hermantown Economic Development Authority  
Resolution No. 2023-10H

HEDA Commissioner \_\_\_\_\_ introduced the following resolution and moved its adoption:

**RESOLUTION ESTABLISHING TAX INCREMENT FINANCING  
REDEVELOPMENT DISTRICT NO. 1-2: THE GREENHOUSE, AND  
ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR**

WHEREAS, the Board of Commissioners (the “Board”) of the Hermantown Economic Development Authority (“HEDA”) on March 18, 1993, approved the Development Program (the “Development Program”) for Development District No. 1 pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.001 to 469.047; and

WHEREAS, the Development Program and Development District No. 1 was amended by Resolution No. 2014-06H of the Board; and

WHEREAS, the amended Development District No. 1 is hereinafter referred to as the “Project Area”; and

WHEREAS, it has been proposed that HEDA establish Tax Increment Financing District No. 1-2: The Greenhouse (the “Greenhouse Redevelopment District”) in the Project Area and adopt a Tax Increment Financing Plan (the “TIF Plan”), all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.001 to 469.047, and Sections 469.174 to 469.1794, inclusive, as amended (together, the “Act”), all as reflected in the TIF Plan and presented for the Board’s consideration; and

WHEREAS, HEDA has investigated the facts relating to the TIF Plan and has caused the TIF Plan to be prepared; and

WHEREAS, HEDA has also requested that the City Planning Commission provide for review of and written comment on the TIF Plan and that the Council schedule a public hearing on the TIF Plan upon published notice as required by law; and

WHEREAS, the HEDA has performed all actions required by law to be performed prior to the adoption of the TIF Plan.

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

1. Findings. The HEDA hereby finds that:

(a) establishment of the Greenhouse Redevelopment District is in the public interest;

(b) the Greenhouse Redevelopment District is a “redevelopment district” under Minnesota Statutes, Section 469.174, Subd. 10;

(c) the adoption of the proposed TIF Plan conforms in all respects to the requirements of the Act and will help fulfill a need to develop housing in the Project Area;

(d) the TIF Plan will afford maximum opportunity, consistent with the sound needs for the City as a whole, for the development or redevelopment of the Project Area by private enterprise in that the intent is to provide only that public assistance necessary to make the private developments financially feasible.

2. Recitals. The reasons and facts supporting the findings in this resolution are described in the TIF Plan.

3. Approval of TIF Plan. Conditioned upon the approval thereof by the City Council following its public hearing thereon, the TIF Plan, as presented to HEDA on this date, is approved, established and adopted and shall be placed on file in the office of the City Administrator.

4. Authorization to Staff. Upon approval of the TIF Plan by the City Council:

(a) the HEDA staff, the HEDA’s advisors and legal counsel are authorized and directed to proceed with the implementation of the TIF Plan and for this purpose to negotiate, draft, prepare and present to this Board for its consideration all further plans, resolutions, documents and contracts necessary for this purpose. Approval of the TIF Plan does not constitute approval of any project or an agreement for private development with any developer;

(b) the City Administrator is authorized and directed to forward a copy of the TIF Plan to the Minnesota Department of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes 469.175, Subd. 4a; and

(c) the City Administrator is authorized and directed to forward a copy of the TIF Plan to the St. Louis County Auditor and request that the Auditor certify the original tax capacity of the Greenhouse Redevelopment District as described in the TIF Plan, all in accordance with Minnesota Statutes 469.177.

The motion for the adoption of the foregoing resolution was duly seconded by HEDA Commissioner \_\_\_\_\_ after full discussion thereof and upon a vote being taken thereon, the following HEDA Members voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this 27<sup>th</sup> day of July, 2023.

---

City Administrator

Adoption Date: August 21, 2023

# Hermantown Economic Development Authority City of Hermantown in St. Louis County, Minnesota

## MODIFICATION TO THE DEVELOPMENT PROGRAM

Development District No. 1

and

## Tax Increment Financing (TIF) Plan

Tax Increment Financing District No. 2: The Greenhouse  
(a redevelopment district)



Prepared by:

Ehlers  
3060 Centre Pointe Drive  
Roseville, Minnesota 55113

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**BUILDING COMMUNITIES. IT'S WHAT WE DO.**

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# **Modification to the Development Program for Development District No. 1**

## **FOREWORD**

The following text represents a Modification to the Development Program for Development District No. 1. This modification represents a continuation of the goals and objectives set forth in the Development Program for Development District No. 1. Generally, the substantive changes include the enlargement of Development District No. 1 to accommodate the establishment of Tax Increment Financing District No. 2.

For further information, a review of the Development Program for Development District No. 1, is recommended. It is available from the Community Development Director at the Hermantown Economic Development Authority. Other relevant information is contained in the tax increment financing plans for the tax increment financing districts located within Development District No. 1, as enlarged.

# Tax Increment Financing Plan for Tax Increment Financing District No. 2

## FOREWORD

The Hermantown Economic Development Authority and the City of Hermantown (the "City"), staff and consultants have prepared the following information to expedite the establishment of Tax Increment Financing District No. 2 (the "District"), a redevelopment tax increment financing district, located in Development District No. 1, as enlarged.

## STATUTORY AUTHORITY

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the City has certain statutory powers pursuant to *Minnesota Statutes ("M.S."), Sections 469.124 - 469.134*, inclusive, as amended, and *M.S., Sections 469.174 to 469.1794*, inclusive, as amended (the "TIF Act"), to assist in financing public costs related to this project.

This section contains the Tax Increment Financing Plan (the "TIF Plan") for the District. Other relevant information is contained in the Modification to the Development Program for Development District No. 1, as enlarged.

## STATEMENT OF OBJECTIVES

The District currently consists of two (2) parcels of land and adjacent roads and internal rights-of-way. The District is being created on 27 acres of land located in the southeastern quadrant of the City. Tax increments collected from the TIF District will enable the City to facilitate the development of the Engwall's floral site into a two-phase, two-building project with plans for an additional third phase to the north. The initial project includes 140 units of residential market-rate apartments with amenity spaces in Phase 1 and a second 120 unit building for Phase 2 on the southern 18 acres of land with plans to develop approximately 26 single-family homes on the remaining 9 acres to the north. Site work includes improvements to ½ mile of Hermantown Road, a new north/south local road approximately ¼ of a mile in length, on-site stormwater improvements, construction of a City trail segment with parking and pedestrian shelter and public sewer and water improvements. The City has not entered into an agreement but has designated P&R Properties Twin Ports, LLC, as developer for the initial project at the time of preparation of this TIF Plan. Development is anticipated to begin in 2024.



This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 1, as enlarged.

The activities contemplated in the Modification to the Development Program and the TIF Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of Development District No. 1, as enlarged and the District.

### **DEVELOPMENT PROGRAM OVERVIEW**

Pursuant to the Development Program and authorizing state statutes, the City is authorized to undertake the following activities in the District:

1. Property to be Acquired - Selected property located within the District may be acquired by the City and is further described in this TIF Plan.
2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.
3. Upon approval of a developer’s plan relating to the project and completion of the necessary legal requirements, the City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. The City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.

### **DESCRIPTION OF PROPERTY IN THE DISTRICT AND PROPERTY TO BE ACQUIRED**

The District encompasses all property and adjacent roads rights-of-way and abutting roadways identified by the parcels listed below.

<b>Parcel number</b>	<b>Address</b>	<b>Owner</b>
395-0010-07045	4747 Hermantown Rd	Saline Prop
395-0010-07050	4747 Hermantown Rd	Saline Prop

Please also see the map in Appendix A for further information on the location of the District.

The City may acquire any parcel within the District including interior and adjacent street rights of way. Any properties identified for acquisition will be acquired by the City only to accomplish one or more of the following: storm sewer improvements; provide land for needed public streets, utilities, and facilities; carry out land acquisition, site improvements, clearance and/or development to accomplish the uses and objectives set forth in this plan. The City may acquire property by gift, dedication, condemnation, or direct purchase from willing sellers to achieve the objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs.

## **DISTRICT CLASSIFICATION**

The City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, finds that the District, to be established, is a redevelopment district pursuant to *M.S., Section 469.174, Subd. 10(a)(1)*.

- The District is a redevelopment district consisting of two (2) parcels.
- An inventory shows that parcels consisting of more than 70% of the area in the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures.
- An inspection of the buildings located within the District finds that more than 50% of the buildings are structurally substandard as defined in the TIF Act. (See Appendix D).

Pursuant to *M.S., Section 469.176, Subd. 7*, the District does not contain any parcel or part of a parcel that qualified under the provisions of *M.S., Sections 273.111, 273.112, or 273.114 or Chapter 473H* for taxes payable in any of the five calendar years before the filing of the request for certification of the District.

## **DURATION & FIRST YEAR OF DISTRICT'S TAX INCREMENT**

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 25 years after receipt of the first increment by the City (a total of 26 years of tax increment). The City elects to receive the first tax increment in 2026, which is no later than four years following the year of approval of the District.

Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2051, or when the TIF Plan is satisfied. The City reserves the right to decertify the District prior to the legally required date.

## **ORIGINAL TAX CAPACITY, TAX RATE AND ESTIMATED CAPTURED NET TAX CAPACITY VALUE/INCREMENT AND NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS**

Pursuant to *M.S., Section 469.174, Subd. 7* and *M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2023 for taxes payable 2024.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2026) the amount by which the original value has increased or decreased because of:

1. Change in tax exempt status of property;
2. Reduction or enlargement of the geographic boundaries of the District;
3. Change due to adjustments, negotiated or court-ordered abatements;
4. Change in the use of the property and classification;
5. Change in state law governing class rates; or
6. Change in previously issued building permits.

In any year in which the current Net Tax Capacity (NTC) value of the District declines below the ONTC, no value will be captured, and no tax increment will be payable to the City.

The original local tax rate for the District will be the local tax rate for taxes payable 2024, assuming the request for certification is made before June 30, 2024. The rates for 2024 were not available at the time the District was established. The ONTC and the Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4* and *M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 1, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. The City requests 100% of the available increase in tax capacity be used for repayment of the obligations of the City and current expenditures, beginning in the tax year payable 2026. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Tax Capacity	
Project estimated Tax Capacity upon completion	931,544
Original estimated Net Tax Capacity	9,483
Estimated Captured Tax Capacity	<b>922,061</b>
Original Local Tax Rate	<u>133.8310%</u> Pay 2023
Estimated Annual Tax Increment	<b>\$1,234,003</b>
Percent Retained by the City	100%

Note: Tax capacity includes a 2.00% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in the last year. The tax capacity of the District in the first year is estimated to be \$159,997.

Pursuant to *M.S., Section 469.177, Subd. 4*, the City shall, after a due and diligent search, accompany its request for certification to the County Auditor or its notice of the District enlargement pursuant to *M.S., Section 469.175, Subd. 4*, with a listing of all properties within the District or area of enlargement for which building permits have been issued during the eighteen (18) months immediately preceding approval of the TIF Plan by the municipality pursuant to *M.S., Section 469.175, Subd. 3*. The County Auditor shall increase the original net tax capacity of the District by the net tax capacity of improvements for which a building permit was issued.

The City is reviewing the area to be included in the District to determine if any building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.

## SOURCES OF REVENUE/BONDS TO BE ISSUED

The total estimated tax increment revenues for the District are shown in the table below:

SOURCES	
Tax Increment	\$ 24,405,662
Interest	<u>2,440,566</u>
<b>TOTAL</b>	<b>\$ 26,846,228</b>

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The City reserves the right to issue bonds (as defined in the TIF Act) or incur other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by pay-as-you-go notes and interfund loans. Any refunding amounts will be deemed a budgeted cost without a formal modification to this TIF Plan. This provision does not obligate the City to incur debt.

The City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

The City may issue bonds secured in whole or in part with tax increments from the District in a maximum principal amount of \$16,084,034. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

## USES OF FUNDS

Currently under consideration for the District is a proposal to facilitate the development of the Engwall’s floral site into approximately 260 units of market-rate apartments (Phase 1 and 2) plus 26 single-family homes. The City has determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described herein.

The City has studied the feasibility of the development or redevelopment of property in and around the District. To facilitate the establishment and development or redevelopment of the District, this TIF Plan authorizes the use of tax increment financing to pay for the cost of certain eligible expenses. The estimate of public costs and uses of funds associated with the District is outlined in the following table.

USES	
Land/Building Acquisition	\$ 800,000
Site Improvements/Preparation	4,907,730
Affordable Housing	-
Utilities	2,107,711
Other Qualifying Improvements	5,828,027
Administrative Costs (up to 10%)	2,440,566
<b>PROJECT COSTS TOTAL</b>	<b>\$ 16,084,034</b>
Interest	10,762,194
<b>PROJECT AND INTEREST COSTS TOTAL</b>	<b>\$ 26,846,228</b>

The total project cost, including financing costs (interest) listed in the table above does not exceed the total projected tax increments for the District as shown in the Sources of Revenue section.

Estimated costs associated with the District are subject to change among categories without a modification to the TIF Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory requirements. Pursuant to *M.S., Section 469.1763, Subd. 2*, no more than 25% of the tax increment paid by property within the District will be spent on activities related to development or redevelopment outside of the District but within the boundaries of Development District No. 1, as enlarged, (including administrative costs, which are considered to be spent outside of the District) subject to the limitations as described in the TIF Plan.

### ESTIMATED IMPACT ON OTHER TAXING JURISDICTIONS

The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the TIF Plan would occur without the creation of the District. However, the City has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is \$0. The estimated fiscal impact of the District would be as follows if the "but for" test was not met:

Impact on Tax Base			
Entity	2022/Pay 2023 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
St. Louis County	249,820,603	922,061	<b>0.3691%</b>
City of Hermantown	16,304,002	922,061	<b>5.6554%</b>
ISD 700 (Hermantown)	20,553,814	922,061	<b>4.4861%</b>

Impact on Tax Rates				
Entity	Pay 2023 Extension Rate	Percent of Total	CTC	Potential Taxes
St. Louis County	63.4060%	47.38%	922,061	<b>\$ 584,642</b>
City of Hermantown	46.6530%	34.86%	922,061	<b>430,169</b>
ISD 700 (Hermantown)	22.6830%	16.95%	922,061	<b>209,151</b>
Other	1.0890%	0.81%	922,061	<b>10,041</b>
	<b>133.8310%</b>	<b>100.00%</b>		<b>\$1,234,003</b>

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Pay 2023 rate.

The total net capacity for the entities listed above are based on Pay 2023 figures. The District will be certified under the Pay 2024 rates, which were unavailable at the time this TIF Plan was prepared.

Pursuant to *M.S., Section 469.175 Subd. 2(b)*:

- (1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is \$24,405,662;
- (2) Probable impact of the District on City provided services and ability to issue debt. An impact of the District on police protection is expected. With any addition of new residents or businesses, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The probable impact of the District on fire protection is not expected to be significant. Typically, new buildings generate few calls, if any, and are of superior construction. The existing buildings, located at the site, which will be eliminated by the new development, have public safety concerns that include several unprotected old buildings with issues such as access, hydrant locations, and converted structures. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The impact of the District on public infrastructure is expected to be minimal. The development is not expected to significantly impact any traffic movements in the area. The current infrastructure for sanitary sewer, storm sewer and water will be able to handle the additional volume generated from the proposed development. However, based on the development plans, there will be some additional costs associated with the new City street and storm sewer pond related to maintenance, sweeping, plowing, lighting and sidewalks. The development in the District is expected to contribute to sanitary sewer (SAC) and water (WAC) connection fees.

The probable impact of the issuance of any general obligation tax increment bonds payable from tax increment revenues from the District on the City's ability to issue debt for general fund purposes is expected to be minimal.

Although it is anticipated that there will be some general obligation debt issued in relation to the public improvements for the project, it will have little to no impact on the City's ability to issue future debt or on the City's debt limit.

- (3) Estimated amount of tax increment attributable to school district levies. It is estimated that 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 \$4,136,513;
- (4) Estimated amount of tax increment attributable to county levies. It is estimated that 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 \$11,562,832;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S., Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

No requests for additional information from the county or school district regarding the proposed development for the District have been received.

## SUPPORTING DOCUMENTATION

Pursuant to *M.S., Section 469.175, Subd. 1 (a), clause 7* this TIF Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S., Section 469.175, Subd. 3, clause (b)(2)* and the findings are required in the resolution approving the District.

- (i) In making said determination, reliance has been placed upon (1) written representation made by the Developer to such effects, (2) review of the Developer's proforma; and (3) City staff awareness of the feasibility of developing the project site within the District, which is further outlined in the City Council resolution approving the establishment of the District and Appendix C.



(ii) A comparative analysis of estimated market value both with and without establishment of the District and the use of tax increments has been performed. Such analysis is included with the cashflow in Appendix B 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 District and the use of tax increments.

## **DISTRICT ADMINISTRATION**

Administration of the District will be handled by the Community Development Director.

**Appendix A: Map of Development District No. 1 and the TIF District**

# Tax Increment Financing District No. 2: The Greenhouse

Located in Development District No. 1  
in the City of Hermantown, MN



# Appendix B: Estimated Cash Flow for the District

**P&R Housing Development a/k/a The Greenhouse - New TIF District w/Inflation**  
 City of Hermantown, Minnesota

Redevelopment of Engwall's floral site into approximately 260 units of market-rate apartments (Phase 1 & 2) + 26 single-family homes



**ASSUMPTIONS AND RATES**

<b>DistrictType:</b>	Redevelopment
<b>District Name/Number:</b>	2
<b>County District #:</b>	TBD
<b>First Year Construction or Inflation on Value</b>	2024
<b>Existing District - Specify No. Years Remaining</b>	
Inflation Rate - Every Year:	2.00%
Interest Rate:	4.50%
Present Value Date:	1-Aug-24
First Period Ending	1-Feb-25
Tax Year District was Certified:	Pay 2024
Cashflow Assumes First Tax Increment For Development:	2026
Years of Tax Increment	26
Assumes Last Year of Tax Increment	2051
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	NA
Incremental or Total Fiscal Disparities	
Fiscal Disparities Contribution Ratio	0.0000% Pay 2023
Fiscal Disparities Metro-Wide Tax Rate	0.0000% Pay 2023
Maximum/Frozen Local Tax Rate:	133.831% Pay 2023
Current Local Tax Rate: (Use lesser of Current or Max.)	133.831% Pay 2023
State-wide Tax Rate (Comm./Ind. only used for total taxes)	33.0030% Pay 2023
Market Value Tax Rate (Used for total taxes)	0.11298% Pay 2023

Tax Rates		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First \$150,000	1.50%	
Over \$150,000	2.00%	
Commercial Industrial Class Rate (C/I)	2.00%	
Rental Housing Class Rate (Rental)	1.25%	
Affordable Rental Housing Class Rate (Aff. Rental)		
First \$100,000	0.75%	
Over \$100,000	0.25%	
Non-Homestead Residential (Non-H Res. 1 Unit)		
First \$500,000	1.00%	
Over \$500,000	1.25%	
Homestead Residential Class Rate (Hmstd. Res.)		
First \$500,000	1.00%	
Over \$500,000	1.25%	
Agricultural Non-Homestead	1.00%	

**BASE VALUE INFORMATION (Original Tax Capacity)**

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	395-0010-07045	Saline Prop	4747 Hermantown Rd	19,900	0	19,900	100%	19,900	Pay 2023	Ag Non-Homestead	199	Hmstd. Res.	199	1
1	395-0010-07050	Saline Prop	4747 Hermantown Rd	270,100	314,000	584,100	100%	584,100	Pay 2023	C/I Pref.	10,932	Rental	7,301	2 & 3
1	395-0010-07050	Saline Prop	4747 Hermantown Rd	12,000	146,600	158,600	100%	158,600	Pay 2023	Ag Non-Homestead	1,586	Rental	1,983	2 & 3
				<b>302,000</b>	<b>460,600</b>	<b>762,600</b>		<b>762,600</b>			<b>12,717</b>		<b>9,483</b>	

Note:

1. Base values are from City property card on September 26, 2022.
2. Located in ISD #700.

**P&R Housing Development a/k/a The Greenhouse - New TIF District w/Inflation**  
 City of Hermantown, Minnesota

Redevelopment of Engwall's floral site into approximately 260 units of market-rate apartments (Phase 1 & 2) + 26 single-family homes



PROJECT INFORMATION (Project Tax Capacity)													
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2024	Percentage Completed 2025	Percentage Completed 2026	Percentage Completed 2027	First Year Full Taxes Payable
1	Apartments	161,329	161,329	140	22,586,000	Rental	282,325	2,017	50%	100%	100%	100%	2027
2	Apartments	152,608	152,608	120	18,312,960	Rental	228,912	1,908	50%	50%	100%	100%	2028
3	Homes	300,000	289,760	26	7,800,000	Hmstd. Res.	75,338	2,898	25%	50%	75%	100%	2029
<b>TOTAL</b>					<b>48,698,960</b>		<b>586,575</b>						
Subtotal Residential				286	48,698,960		586,575						
Subtotal Commercial/Ind.				0	0		0						

Note:

- Market values are based upon a similar 148-unit apartment constructed by the developer in Hermantown at 4498 Ugstad Road for land and building. Single-family home values are estimates from City. Must be confirmed by County Assessor.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Apartments	282,325	0	282,325	377,838	0	0	25,518	403,356	2,881.11
Apartments	228,912	0	228,912	306,355	0	0	20,690	327,045	2,725.38
Homes	75,338	0	75,338	100,825	0	0	8,812	109,638	4,216.83
<b>TOTAL</b>	<b>586,575</b>	<b>0</b>	<b>586,575</b>	<b>785,019</b>	<b>0</b>	<b>0</b>	<b>55,020</b>	<b>840,039</b>	

Note:

- Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law and other factors which cannot be predicted.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	840,039
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(55,020)
less Base Value Taxes	(12,691)
<b>Annual Gross TIF</b>	<b>772,328</b>

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	762,600
New Market Value - Est.	48,698,960
Difference	47,936,360
Present Value of Tax Increment	12,492,643
Difference	35,443,717
Value likely to occur without Tax Increment is less than:	35,443,717



## P&R Housing Development a/k/a The Greenhouse - New TIF District w/Inflation

City of Hermantown, Minnesota

Redevelopment of Engwall's floral site into approximately 260 units of market-rate apartments (Phase 1 & 2) + 26 single-family homes

TAX INCREMENT CASH FLOW														
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
														02/01/25
														08/01/25
														02/01/26
100%	159,997	(9,483)	-	150,514	133.831%	201,435	100,717	(363)	(10,035)	90,319	82,628	0.5	2026	08/01/26
							100,717	(363)	(10,035)	90,319	163,438	1	2026	02/01/27
100%	434,450	(9,483)	-	424,967	133.831%	568,738	284,369	(1,024)	(28,335)	255,011	386,578	1.5	2027	08/01/27
							284,369	(1,024)	(28,335)	255,011	604,808	2	2027	02/01/28
100%	573,387	(9,483)	-	563,904	133.831%	754,678	377,339	(1,358)	(37,598)	338,383	888,014	2.5	2028	08/01/28
							377,339	(1,358)	(37,598)	338,383	1,164,987	3	2028	02/01/29
100%	602,559	(9,483)	-	593,076	133.831%	793,720	396,860	(1,429)	(39,543)	355,888	1,449,879	3.5	2029	08/01/29
							396,860	(1,429)	(39,543)	355,888	1,728,502	4	2029	02/01/30
100%	614,610	(9,483)	-	605,127	133.831%	809,848	404,924	(1,458)	(40,347)	363,120	2,006,531	4.5	2030	08/01/30
							404,924	(1,458)	(40,347)	363,120	2,278,442	5	2030	02/01/31
100%	626,902	(9,483)	-	617,419	133.831%	826,299	413,149	(1,487)	(41,166)	370,496	2,549,771	5.5	2031	08/01/31
							413,149	(1,487)	(41,166)	370,496	2,815,130	6	2031	02/01/32
100%	639,440	(9,483)	-	629,957	133.831%	843,078	421,539	(1,518)	(42,002)	378,019	3,079,920	6.5	2032	08/01/32
							421,539	(1,518)	(42,002)	378,019	3,338,883	7	2032	02/01/33
100%	652,229	(9,483)	-	642,746	133.831%	860,194	430,097	(1,548)	(42,855)	385,694	3,597,289	7.5	2033	08/01/33
							430,097	(1,548)	(42,855)	385,694	3,850,009	8	2033	02/01/34
100%	665,274	(9,483)	-	655,791	133.831%	877,651	438,826	(1,580)	(43,725)	393,521	4,102,184	8.5	2034	08/01/34
							438,826	(1,580)	(43,725)	393,521	4,348,810	9	2034	02/01/35
100%	678,579	(9,483)	-	669,096	133.831%	895,458	447,729	(1,612)	(44,612)	401,506	4,594,902	9.5	2035	08/01/35
							447,729	(1,612)	(44,612)	401,506	4,835,580	10	2035	02/01/36
100%	692,151	(9,483)	-	682,668	133.831%	913,621	456,811	(1,645)	(45,517)	409,649	5,075,735	10.5	2036	08/01/36
							456,811	(1,645)	(45,517)	409,649	5,310,606	11	2036	02/01/37
100%	705,994	(9,483)	-	696,511	133.831%	932,147	466,074	(1,678)	(46,440)	417,956	5,544,967	11.5	2037	08/01/37
							466,074	(1,678)	(46,440)	417,956	5,774,171	12	2037	02/01/38
100%	720,114	(9,483)	-	710,631	133.831%	951,044	475,522	(1,712)	(47,381)	426,429	6,002,875	12.5	2038	08/01/38
							475,522	(1,712)	(47,381)	426,429	6,226,546	13	2038	02/01/39
100%	734,516	(9,483)	-	725,033	133.831%	970,319	485,159	(1,747)	(48,341)	435,072	6,449,729	13.5	2039	08/01/39
							485,159	(1,747)	(48,341)	435,072	6,668,001	14	2039	02/01/40
100%	749,206	(9,483)	-	739,723	133.831%	989,979	494,990	(1,782)	(49,321)	443,887	6,885,795	14.5	2040	08/01/40
							494,990	(1,782)	(49,321)	443,887	7,098,797	15	2040	02/01/41
100%	764,190	(9,483)	-	754,707	133.831%	1,010,033	505,016	(1,818)	(50,320)	452,878	7,311,331	15.5	2041	08/01/41
							505,016	(1,818)	(50,320)	452,878	7,519,189	16	2041	02/01/42
100%	779,474	(9,483)	-	769,991	133.831%	1,030,487	515,244	(1,855)	(51,339)	462,050	7,726,589	16.5	2042	08/01/42
							515,244	(1,855)	(51,339)	462,050	7,929,425	17	2042	02/01/43
100%	795,064	(9,483)	-	785,581	133.831%	1,051,351	525,675	(1,892)	(52,378)	471,405	8,131,815	17.5	2043	08/01/43
							525,675	(1,892)	(52,378)	471,405	8,329,751	18	2043	02/01/44
100%	810,965	(9,483)	-	801,482	133.831%	1,072,631	536,316	(1,931)	(53,438)	480,946	8,527,249	18.5	2044	08/01/44
							536,316	(1,931)	(53,438)	480,946	8,720,402	19	2044	02/01/45
100%	827,184	(9,483)	-	817,701	133.831%	1,094,338	547,169	(1,970)	(54,520)	490,679	8,913,127	19.5	2045	08/01/45
							547,169	(1,970)	(54,520)	490,679	9,101,611	20	2045	02/01/46
100%	843,728	(9,483)	-	834,245	133.831%	1,116,478	558,239	(2,010)	(55,623)	500,607	9,289,677	20.5	2046	08/01/46
							558,239	(2,010)	(55,623)	500,607	9,473,605	21	2046	02/01/47
100%	860,602	(9,483)	-	851,120	133.831%	1,139,062	569,531	(2,050)	(56,748)	510,733	9,657,124	21.5	2047	08/01/47
							569,531	(2,050)	(56,748)	510,733	9,836,605	22	2047	02/01/48
100%	877,814	(9,483)	-	868,332	133.831%	1,162,097	581,048	(2,092)	(57,896)	521,061	10,015,686	22.5	2048	08/01/48
							581,048	(2,092)	(57,896)	521,061	10,190,826	23	2048	02/01/49
100%	895,371	(9,483)	-	885,888	133.831%	1,185,593	592,796	(2,134)	(59,066)	531,596	10,365,576	23.5	2049	08/01/49
							592,796	(2,134)	(59,066)	531,596	10,536,480	24	2049	02/01/50
100%	913,278	(9,483)	-	903,795	133.831%	1,209,558	604,779	(2,177)	(60,260)	542,342	10,707,002	24.5	2050	08/01/50
							604,779	(2,177)	(60,260)	542,342	10,873,771	25	2050	02/01/51
100%	931,544	(9,483)	-	922,061	133.831%	1,234,003	617,002	(2,221)	(61,478)	553,302	11,040,168	25.5	2051	08/01/51
							617,002	(2,221)	(61,478)	553,302	11,202,902	26	2051	02/01/52
<b>Total</b>							<b>24,493,840</b>	<b>(88,178)</b>	<b>(2,440,566)</b>	<b>21,965,096</b>				
<b>Present Value From 08/01/2024</b>							<b>12,492,643</b>	<b>(44,974)</b>	<b>(1,244,767)</b>	<b>11,202,902</b>				
<b>Present Value Rate</b>							<b>4.50%</b>							

## Appendix C: Findings Including But/For Qualifications

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan (TIF Plan) for Tax Increment Financing District No. 2: The Greenhouse (the “District”), as required pursuant to *Minnesota Statutes (M.S.), Section 469.175, Subdivision 3* are as follows:

1. *Finding that Tax Increment Financing District No. 2: The Greenhouse is a redevelopment district as defined in M.S., Section 469.174, Subd. 10.*

The District consists of two (2) parcels and vacant right-of-way, with plans to redevelop the area for the development of the Engwall’s floral site into approximately 260 units of market-rate apartments (Phase 1 and 2) plus 26 single-family homes. Parcels consisting of 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 in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. (See Appendix D of the TIF Plan.)

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 2: The Greenhouse permitted by the TIF Plan.*

*The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future:* This finding is supported by the fact that the redevelopment proposed in the TIF Plan meets the City’s objectives for redevelopment. Due to the high cost of redevelopment on the parcels currently occupied by a substandard building, the incompatible land uses at close proximity, and the cost of financing the proposed improvements, this project is feasible only through assistance, in part, from tax increment financing. The Developer was asked for and provided a letter and a pro forma as justification that the Developer would not have gone forward without tax increment assistance.



*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 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 District permitted by the TIF Plan:* This finding is justified on the grounds that the cost of site and public improvements and utilities add to the total redevelopment cost. Historically, construction costs, site and public improvements costs in this area have made redevelopment infeasible without tax increment assistance. The City reasonably determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

Therefore, the City concludes as follows:

- a. The City's estimate of the amount by which the market value of the entire District will increase without the use of tax increment financing is \$0.
  - b. If the proposed development occurs, the total increase in market value will be \$47,936,360.
  - 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 \$12,492,643.
  - d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$35,443,717 (the amount in clause b less the amount in clause c) without tax increment assistance.
3. *Finding that the TIF Plan for the District conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The Planning Commission reviewed the TIF Plan on July 18, 2023 and found that the TIF Plan conforms to the general development plan of the City.

4. *Finding that the TIF Plan for Tax Increment Financing District No. 2: The Greenhouse will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 1 by private enterprise.*

The project to be assisted by the District will result in increased employment in the City and the State of Minnesota, the renovation of substandard properties, increased tax base of the State and add a high-quality development to the City.

Through the implementation of the TIF Plan, the City will increase the availability of safe and decent life-cycle housing in the City.

## **Appendix D: Redevelopment Qualifications for the District**

*To be added to prior to the public hearing*

Hermantown Economic Development Authority  
**Resolution No. 2023-11H**

HEDA Commissioner                      introduced the following resolution and moved its adoption:

**RESOLUTION APPROVING THE INDEPENDENT PRODUCER AGREEMENT WITH  
STORY NORTH PRODUCTIONS, LLC AND AUTHORIZING AND DIRECTING THE  
EXECUTION BY HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY**

WHEREAS, the Hermantown Economic Development Authority (“HEDA”) desires to highlight the City of Hermantown by developing storytelling videos featuring Hermantown Businesses; and

WHEREAS, Story North Productions, LLC (“Producer”) is in the business of producing creative video production to meet HEDA’s requirements; and

WHEREAS, HEDA and Producer desire to enter into an Independent Producer Agreement in form and substance of the one attached hereto as Exhibit A; and

WHEREAS, the HEDA Commissioners have reviewed the Independent Producer Agreement and hereby believes that it is in the best interests of HEDA that the Independent Producer Agreement be approved.

NOW THEREFORE, BE IT RESOLVED by the Commissioners of HEDA as follows:

1. The Independent Producer Agreement is hereby approved.
2. The President and Secretary are hereby authorized to execute the Independent Producer Agreement attached hereto as Exhibit A and any other documents necessary to effectuate the release on behalf of the HEDA.

The motion for the adoption of the foregoing resolution was duly seconded by HEDA Commissioner                      and, after full discussion thereof and upon a vote being taken thereon, the following HEDA Members voted in favor thereof:

Commissioners

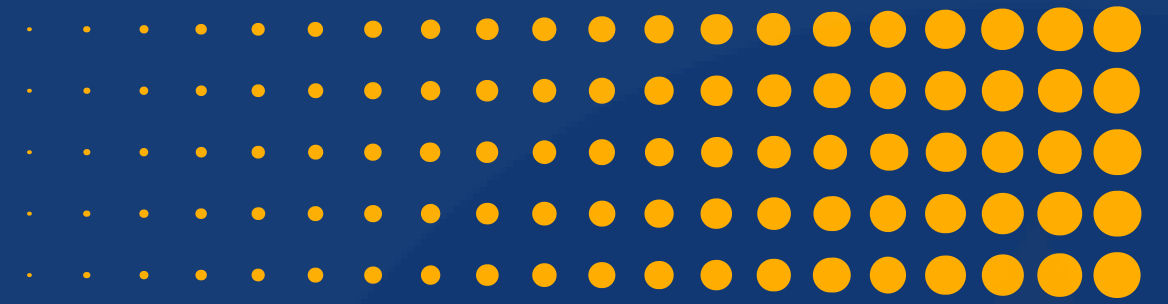
and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this 27th day of July, 2023.

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HEDA Administrator



# ELEVATE YOUR STORY

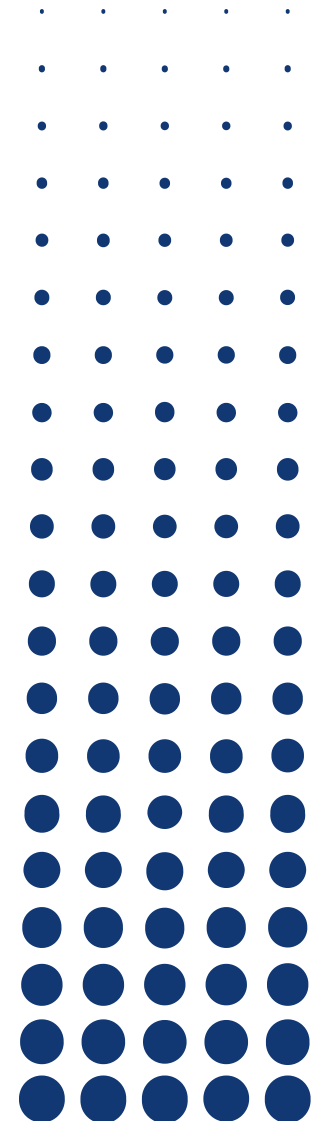
**CITY OF HERMANTOWN**  
YOUTH SPORTS + HERMANTOWN BUSINESS FILMS

Attention is shorter than ever.  
Yet people crave real connections.



**That's where we come in.**

**WE FIND AND TELL STORIES THAT USE  
SCIENCE TO SHIFT BEHAVIOR.**



# WHY WE WANT TO PARTNER WITH THE CITY OF HERMANTOWN

We are passionate about our region and sharing the stories of folks who make Northern Minnesota a better place to live, work and play.

Hermantown is a community that celebrates its people and what they love to do. The city gets marketing and isn't afraid to have a little fun while doing it.

We're excited about the potential to partner with the city on a second round of videos that truly get to the heart of the community's story.

STORY  
**NORTH**  
PRODUCTIONS

# OUR STORYFINDING PROCESS

## FOUR PILLAR STORYTELLING SYSTEM

---

The power of story drives the content Story North Productions creates.

The Four Pillar Storytelling System is a step-by-step framework to create stories that inspire, engage and call people to action.

Story North has had the opportunity to teach storytelling best practices to business leaders and nonprofits organizations.



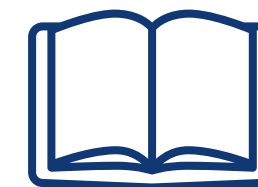
**PEOPLE**

**Who is the heart  
of the story?**



**PURPOSE**

**Why are you  
telling this story?**



**PLOT**

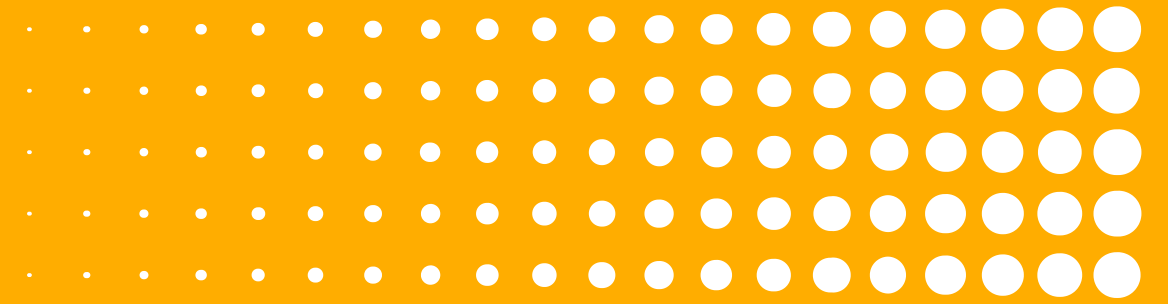
**What is the  
core question?**



**PLACES**

**Where does  
the story live?**





**WHAT WE CAN BUILD WITH HERMANTOWN**



# HERMANTOWN YOUTH SPORTS

Short vignettes proving youth is only how young you feel

Building upon the initial series, these vignettes will include more in-depth scripting + voice over to tell a complete story from the point of view of the subject.

We'll produce a total of 6x 30 second videos highlighting various "youth sports" in Hermantown, i.e. 148th Fighter Wing, Robotics, Hiking, Baseball, etc.

We'll also produce a short "hero" version featuring all six subjects.

## INVESTMENT:

\$11,500 for 7x deliverables





## HERMANTOWN BUSINESSES

Documentary-style films telling the story of Hermantown's business culture

From an airplane manufacturer to a lemonade stand, Hermantown is the place to do business.

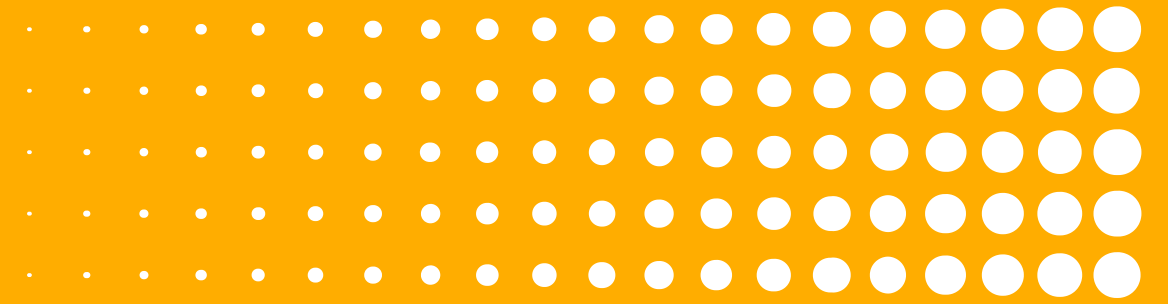
We'll produce up 6x 2 minute documentary-style films highlighting some of these standout businesses and learn why Hermantown is a good place for business.

We'll also produce a short trailer featuring highlights from each film.

### INVESTMENT:

\$12,000 for 7x deliverables





# ABOUT STORY NORTH PRODUCTIONS



# ABOUT US

Wife and husband duo, Annie and Kevin, designed Story North to cater to the demand for high quality visual storytelling.

Kevin, an Emmy award winning journalist, brings two decades of visual storytelling experience to the team.

Working in education, business + local government, Annie offers an unmatched depth of knowledge across multiple sectors.

Story North Productions is a woman-owned business.

STORY  
**NORTH**  
PRODUCTIONS

# OUR PAST WORK (Click to Watch)



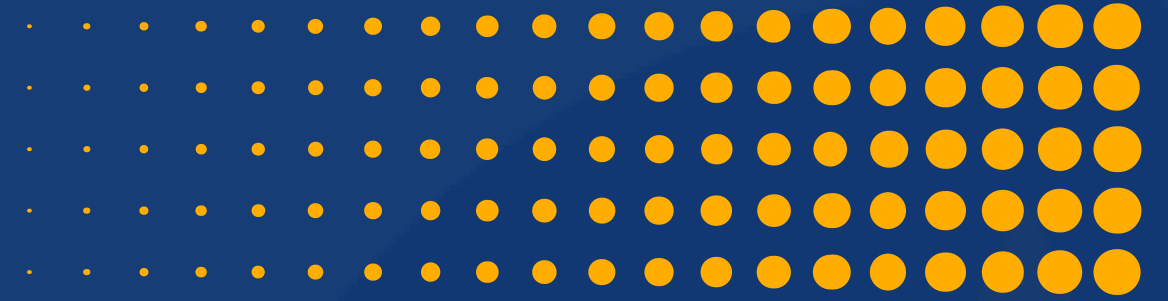
## HERMANTOWN HOMETOWN

City of Hermantown



## YOUTH SPORTS

City of Hermantown



THANK YOU.

Kevin Jacobsen

Co-Owner + Creative Director

[kevin@storynorthproductions.com](mailto:kevin@storynorthproductions.com)

218.343.4401