



# CERF/CERA REPORT



MEMBER UPDATE

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An Educational Publication of Citizens Equal Rights Foundation and Citizens Equal Rights Alliance



## A Message from the Chair of CERA

By Judy Bachmann

Increasingly, across the country the topic of Federal Government overreach appears in more and more news reports and gatherings of concerned citizens. The scandals surrounding the EPA, IRS, Benghazi, immigration, Fast and Furious, Obama Care and even Ebola swirl around the federal government and its' executive branch overreach into the lives of the people of the United States. CERA and CERF have been working on this matter of overreach for many years through their objection to the Federal Indian Policy of the U.S. Executive Branch. Fee to Trust and Treatment Similar to States are just examples of the way the Department of Interior affects everyday lives across the country. This issue of the CERA/CERF Report contains many stories of just such overreach. Two articles regarding what has happened in New York may be the tip of the iceberg that has the potential of swallowing up little towns and counties all across America under one big Federal Government bureaucracy.

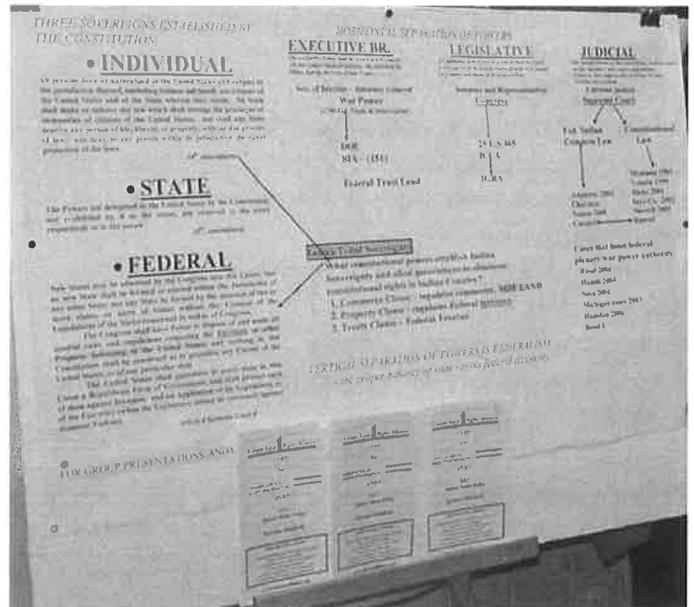
Two of the articles within this issue draw particular attention to the ramifications of what can happen when a state governor colludes with a tribe to eliminate the rights of the people within a state. There has never been any federal land in NY and yet in spite of a federal court order, the states' jurisdiction and sovereignty has been transferred to the federal government on behalf of the tribe. Without any input from the towns most affected, or their citizens, Governor Cuomo of New York, two counties and the tribe recently signed a settlement agreement. The settlement agrees to rescind ALL of the court cases previously won by the state and counties and withdraw the case that was currently before SCOTUS for the second time. Millions of dollars in due tax revenue have been forgiven along with

signed contracts agreeing to NEVER challenge the agreement. The "settlement agreement" reinstated a land claim that was extinguished in the courts and agrees to the establishment of 250,000 acres of federal reservation. This leaves the small towns of Vernon and Verona alone to fight the US Government, State of New York and their county on their own.

In spite of the DOI not signing on to the agreement, and a federal court order stating that the land cannot be taken into trust, **Thousands** of acres have been transferred to title of the Federal Government. Political pressure and financial repercussions are running rampant against the towns. If the towns of Vernon and Verona, New York, are considered expendable today, your town may be next.

## The Constitution Simplified

A few years ago during a discussion of the United States Constitution someone indicated that it was too bad that there wasn't a graphic to help understand the separation of powers and the sovereignty



continued on page 8



## A Municipality Pushes Back

By Elaine Willman

Director of Community Development & Tribal Affairs, Village of Hobart, WI

Sometimes we have to teach people how to treat us, and that is what the elected officials of the Village of Hobart have been doing over the recent years. For decades prior to 2007 the Village Board's policy was to make every effort to cooperate, understand and befriend the co-located tribal government of the Oneida Tribe of Indians of Wisconsin.

Efforts to cooperate with the tribal government resulted in the tribe obstructing a series of major municipal projects, and acquiring over one-fourth of the land in the 33-square mile municipality during a period of time when Hobart officials had signed a service agreement which included not objecting to land proposed for federal trust.

In 2008 Hobart reversed course. It started objecting to any parcels being removed from the municipal tax base, and defended itself against numerous tribal suits filed from 2008 through 2013. The bottom line:

1. Hobart was able to preserve restrictive covenants on a premier golf course acquired by the tribe, prohibiting the tribe from placing the property into federal trust, or implementing any gambling on the site.
2. Prevailed in defending its rights to eminent domain of free-taxable tribal property purchased to block a major mixed-use development project of the municipality.
3. Stopped 3,000 acres of taxable property from being placed into federal trust for the Oneidas, preserving the municipal tax base. The tribe and regional BIA office had simply not bothered following their own regulations.
4. Discovered that an abandoned railway claimed to be held in trust by the tribe was never in federal trust and returned the abandoned railway parcels into the municipal tax base. This has ended the tribe's ability to deny "tribal easements" to landlocked adjacent property owners who were unable to develop their lands.

5. Has recently informed the tribe that nearly 400 acres of existing federal trust has no federal proof of actual federal approvals for "trust" designation; these parcels will also be restored to the tax base unless the tribal government can show proof otherwise. Hobart has lost tax revenue for many years from existing trust parcels not properly placed into federal trust.

Yes, the annual legal expenses were occasionally significant, but the preservation of the municipality's tax base has offset the majority of legal fees. As important, the ability of the Hobart elected officials and staff to retain jurisdiction for purposes of long-term planning, zoning, law enforcement and other pertinent municipal services has been significantly strengthened by taking an assertive position to preserve the local representative government against a previously aggressive tribe. Mutual respect has much improved as well.

## A Regional Conference in Your Area?

For the past dozen years the volunteers that make up the CERA and CERF boards of directors have traveled at their own expense to come together and discuss the issues surrounding applications of Federal Indian Policy on governments and everyday lives of United States citizens. Thousands of miles traveled from all corners of the US to share concerns and consider what can be done to address those situations facing our nation. The boards, who are your neighbors and everyday citizens believe in the constitution and are working to protect its application equally to all. Two years ago the boards decided to take our message to you in the form of **Regional Conferences**. Each of the seven held so far have garnered success and the message has reached a multitude more citizens than are able to afford the time and money for a trip to Washington. Your dues and donations make possible the educational publications necessary to promote **Many Peoples, One Nation, One Law** at these conferences. CERA/CERF would like to come to your area. We need a host and a willingness to support the effort. Contact Judy to discuss your desire for a regional conference in your area (315) 829-3843.

SEE PHOTO ON BACK PAGE

*The following letter represents the views of the members of the town councils of Vernon and Verona, NY. It was written by Ken Regner, a member of the Verona Town Council.*

To the Editor:

Our founding fathers created this exceptional nation on one basic principle: that we would be a nation of laws, not a nation of men.

In the spirit of July 4 weekend, our choice over two centuries ago to rule ourselves is based on the idea that no man--or one level of government--should possess unlimited authority.

We would be a nation of laws, not a nation of men.

It is this principle that guides the decision of the towns of Verona and Vernon to continue **legal action** preventing the national government from placing land into federal trust. There has not been one federal court decision--zero, zip--that has given the green light to the federal Department of the Interior to set the dangerous precedent of usurping New York State sovereignty by reclassifying property rights within our town borders to satisfy the state and Oneida County's narrow agenda.

Yet those with more influence than two small rural towns continued to push for final resolution, without allowing the taxpayers with the most to lose representation at the negotiating table. What person would agree to sign any business deal in which he had no right to a voice in the negotiations?

Nobody.

And neither will the Verona and Vernon townships under the same circumstances. We don't like the behind-the-doors process in which the contract was reached. And we towns have a right to challenge that process.

Gov. Andrew Cuomo circumvented federal court decisions and Vernon and Verona's taxpayers and strong-armed a deal in exchange for increased tax revenue by expanding casino gambling across the state. The state Legislature follows by quickly

greasing the legislation--voting on a pact that included blank fill-in-the-details-later pages with little thought to the long term impact this deal will have on school, property, sales and bed tax revenues on our taxpayers.

But we are a nation of laws, not of men.

**What person would agree to sign any business deal in which he had no right to a voice in the negotiations? Nobody.**

The Verona and Vernon town councils can take the easy route and become obediently dependent on anticipated state and county payments from Cuomo's pact. We can trust that payments will continue without interruption. We can hope that future payments will increase to cover the rate of inflation, unfounded state mandates, and make up for the lost revenue when a majority of the taxable properties are taken and placed into federal trust.

We can ignore the small print of the pact and not question the impact reclassifying land rights by the federal government will have on us and our municipal home rule rights.

But we, the town councils, cannot make our decisions based solely on speculated revenue and vague legal consults from our elected county representatives. We must consider the impacts this deal will have on all of us 10, 20, even 50 years down the road.

When our Constitution was written, it was agreed that a federal system of government would serve its people best. The vision was not to place the majority of the decision-making with the national government--nor even the states--but rather with the local governments. A central, state and county government that becomes so powerful that it can ignore its own laws and the decisions of the federal courts, does not honor the principle that established this nation.

But we are still a nation of laws, not men.

*continued on page 8*

## Montana: A Self-Imploding State

By Elaine Willman, MPA

It is remarkable how seven small tribes in enormous Montana have substantially co-opted the state legislature, and offices of the Governor and Attorney General. So much so, that nearly one-third of the State's population is now at risk of losing their water rights, State Constitutional protections for citizens, and State jurisdiction within 11 Western counties in Montana. And causing this? A three pronged assault by the Confederated Band of the Salish Kootenai Tribes (CSKT) that is being supported by the State Legislator.

The assaults are:

**Lawsuit:** A February 27th lawsuit filed by the CSKT against the State, two State water courts, irrigation districts, and John Does 1 through thousands, claiming 100% of all waters flowing into, through and beyond the Flathead Indian Reservation. This is the upstream watershed that merges into the Columbia River system.

**Kerr Dam:** A proposed September 2015 takeover of ownership and operation of Kerr Dam in Polson by the CSKT tribe. A promise was made in 1985 to this small tribe that is ill-equipped and inexperienced to take full control of a high-risk terror target such as Ker Dam, not far from Canadian border. When the Twin Towers fell in September 2001, the nations energy and power grid inclusive of all major dams became, and remains a major national security issue. This is not the time for a precedent to be set that transfers the first major dam to a small private tribal government.

**State Compact:** A proposed tri-party compact (Federal government, CSKT and State of Montana that A) removes all water rights (ownership) of private properties, counties and municipalities and converts them to "uses" as determined by the CSKT, B) a tribal government to set water uses and future rates for non-tribal persons and properties within 11 counties, and C) a contribution of \$55 million from Montana taxpayers, among the many benefits the federal government will also throw at the CSKT.

What's bringing this all about? The federal government is rolling out upon one reservation after another to assist tribes in claiming full control of State waters with resulting devastation to crop production and local business economies.

Devalued land will then be easily acquirable by the CSKT or feds. The reality is that the State of Montana is all but entirely giving away its authority and jurisdiction over State waters, properties and persons in 11 of its 55 counties.

If the Proposed CSKT Water Compact is passed by the State legislature in January 2015, the remaining six tribes east of the Rocky Mountains will immediately demand that their existing compacts be reopened to be provided the same control of water flowing into, through and beyond their six reservations, encompassing the Missouri and Mississippi watersheds in Eastern Montana.

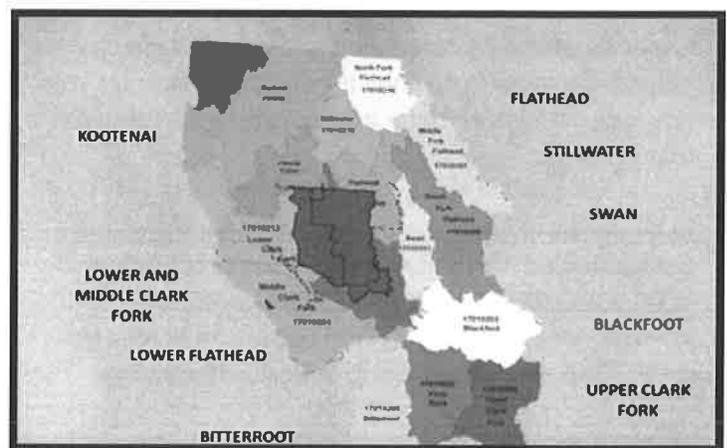
The Native American population in Montana is 6.5% statewide, but only a valiant few legislators in Montana oppose the three-pronged burden keeping 350,000 Montana citizens awake at night in fear of their future. Citizens have been unable to find single law firms in the entire State that will help them fight for their waters rights, property rights, and State constitutional protections.

One of CERA's Board members provided a two-week educational and fact-finding mission among the 11 counties, and has assisted citizens in unifying and organizing their voices to stop the madness before "coin-operated" Montana legislators fully abandon their constituents.

We need to keep Montana in our prayers, and encourage the wonderful folks out there to do as CERA recommends: Fight Like Hell!

We'll let you know how things turned out in a future CERA Report.

### Water Basins and Water Sheds subject to Proposed Montana-CSKT Water Compact



## Update from California

By Butch Cranford



### **Voters Can Tell the Governor NO More Casinos!**

Issues related to Federal Indian policy and Indian gaming in California during 2014 have been interesting to say the least. Opponents of an expansion of Indian casinos into urban areas collected the necessary signatures to place a state wide referendum on the November ballot that could override Governor Brown's incomprehensible approval of a two part fee to trust for the North Fork Band for a large Las Vegas style casino on Hwy 99 just North of the City of Madera.

The referendum (Proposition 48) affords the voters of California the opportunity to voice their disapproval of the action taken by the Governor and the California Legislature in approving a casino on Highway 99. Opponents of the casino have raised more than \$11 million for the No on Prop 48 campaign. The YES on Prop 48 campaign has raised a little more than \$400 thousand. Every major newspaper in California is recommending a NO vote on Prop 48. Based on all the media reports and what appears to be an overwhelming NO on Prop 48 campaign I am hopeful that the voters of California will reject this proposed casino. It is time the Governor and Legislature receive a strong message from voters that we do not want any more casinos in California.

### **A Million Dollar a Day Indian Casino Closed!**

In a story related to the proposed casino in Madera, the Picayune Rancheria of Chukchansi Indians who operate the Chukchansi Gold Resort and Casino in Coarsegold had their casino closed by the National Indian Gaming Commission (NIGC) for failure to file gambling revenue reports on time and by a Federal Judge for reasons of public safety. The reason for the late filing has been the infighting among tribal factions who all claim they are the legitimate tribal government. The infighting resulted in the use of firearms by one faction to take over the casino and create a serious public safety issue. This kind of infighting within the small California groups calling themselves

tribes is not unusual. Failure to file gambling revenue reports on time is not unusual either. In fact, according to a recent IG Report, late filing of these reports is the number one problem discovered by the Inspector General's Office during its investigation of the NIGC's oversight of Indian casinos. What is unusual is that the NIGC would actually close this casino for that reason. It is important to know that the Picayune Rancheria of Madera is located only 34 miles away and will seriously impact the more than one million dollar a day take at the Chukchansi casino. Is it possible that the Picayune's and other gaming tribes are being sent a very clear message? Do not mess with the NIGC's and the Governor's approval of a large off reservation Las Vegas style casino on Highway 99. The casino proposed at Madera would, by virtue of its prime location (less than 30 minutes from Fresno and an hour from Modesto), be a much more profitable casino than the Chukchansi casino.

### **Ione Band Not Recognized in 1934**

#### **Decided in Federal Court in 1992**

Finally to news about the June 2012 Federal District Court challenge filed by No Casino in Plymouth (NCIP) and Citizens Equal Rights Alliance (CERA) to the decision to take 228 acres into trust for the Ione Band for an off-reservation casino in Plymouth. Glacial best describes the pace of our case with not a single hearing held in two and a half years. In an effort to expedite a decision NCIP/CERA filed a motion for judgment on the pleadings in February of this year. The motion was based on a 1992 Federal District Court Order and a 1996 Federal District Court Final Decision where the Federal Court agreed with the federal defendant's position and a faction of the Ione Band's testimony that the Ione Band was not recognized and had never been recognized prior to 1992 and intervenor Ione Band failed to address any of the merits of the motion. He then ordered NCIP/CERA to file a motion for summary judgment. That motion for summary judgment filed on October 14th is based on the same 1992 Federal District Court Order and 1996 Final Decision.

*continued on page 8*

*Federal Indian policy in unaccountable, destructive, racist and unconstitutional. It is therefore CERF and CERA's mission to ensure the equal protection of the law as guaranteed to all citizens by the Constitution of the United States*

Citizens Equal Rights Foundation, Inc.  
Citizens Equal Rights Alliance, Inc.  
P.O. BOX 0379  
Gresham, WI 54128

Non-Profit  
Organization  
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Permit # 788

ADDRESS SERVICE REQUESTED

Aitkin County Commissioners  
217 2nd St NW  
Aitkin, MN 56431

NOV 24 2014

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**Recent gathering of CERA & CERF Boards of Directors**

## LINE 3 REPLACEMENT PROJECT

Edmonton (Hardisty), Alberta to Superior, Wisconsin



**Enbridge Energy, Limited Partnership**  
1409 Hammond Ave.  
Superior, WI 54880  
[www.enbridge.com](http://www.enbridge.com)

**John McKay**  
Senior Manager, Land Services (U.S. Projects)  
(855) 788-7812  
[Line3ReplacementProject@enbridge.com](mailto:Line3ReplacementProject@enbridge.com)

November 19, 2014

### Line 3 Replacement Project Open Houses

Aitkin County, Minnesota  
209 2nd St NW  
Aitkin, MN 56431

Dear Landowner:

NOV 21 2014

Based on pipeline assessments conducted in 2013, Enbridge is proposing the Line 3 Replacement Project, which will include replacement of the existing Line 3, 34-inch crude oil pipeline with construction of approximately 350 miles (approximately 12 in North Dakota, 338 in Minnesota) of new 36-inch crude oil pipeline.

The Project will include construction of new pipeline, generally along the Line 3 pipeline corridor from Joliette, North Dakota to Clearbrook, Minnesota, and generally along the proposed Sandpiper pipeline route from Clearbrook to Superior, Wisconsin.

The Line 3 Replacement Project is part of Enbridge's ongoing pipeline maintenance program and will reduce the amount of future maintenance activities and landowner disruptions that would otherwise be required to maintain safe operations. The Project will allow the Line 3 pipeline to safely achieve historical operating parameters necessary to meet the growing demand from refineries for reliable and efficient supplies of North American crude oil.

As part of Enbridge's public outreach for the Project, we are hosting open houses along the pipeline's proposed route. Open houses in Minnesota will include:

**Wednesday, December 3 – 4:00 p.m. – 7:00 p.m.**  
**Clearbrook, MN**

Clearbrook City Hall – Gymnasium  
200 Elm St. SW, Clearbrook, MN 56634

**Thursday, December 4 – 10:00 a.m. – 1:00 p.m.**  
**Thief River Falls, MN**

Ralph Engelstad Arena – Imperial Room  
525 Brooks Ave, Thief River Falls, MN 56701

**Thursday, December 4 – 4:00 p.m. – 7:00 p.m.**  
**Hallock, MN**

Kittson County Courthouse  
Upstairs Meeting Room  
410 5<sup>th</sup> St. S, Hallock, MN 56728

**Wednesday, December 10 – 10:00 a.m. – 1:00 p.m.**  
**Park Rapids, MN**

Park Rapids American Legion  
90 1<sup>st</sup> St. E, Park Rapids, MN 56470

**Wednesday, December 10 – 4:00 p.m. – 7:00 p.m.**  
**Pine River, MN**

Pine River Railway Depot  
102 Barclay Ave. W, Pine River, MN 56474

**Thursday, December 11 – 10:00 a.m. – 1:00 p.m.**  
**McGregor, MN**

McGregor Community Center  
41442 State Hwy. 65, McGregor, MN 55760

**Thursday, December 11 – 4:00 p.m. – 7:00 p.m.**  
**Carlton, MN**

Carlton County Transportation Department  
1630 County Rd. 61, Carlton, MN 55718

You are welcome to attend these come-and-go open houses at any time between 4:00 pm. and 7:00 p.m. or 10:00 a.m. and 1:00 p.m. (depending on location start times). You will be able to view maps and displays, meet Project team members and ask questions.

If you have questions about this Project or the open houses, please visit our website [www.enbridge.com/Line3ReplacementProject](http://www.enbridge.com/Line3ReplacementProject), or contact us toll-free at 855-788-7812 or via e-mail at [Line3ReplacementProject@enbridge.com](mailto:Line3ReplacementProject@enbridge.com). | or one of our representatives working in your area will get back to you.

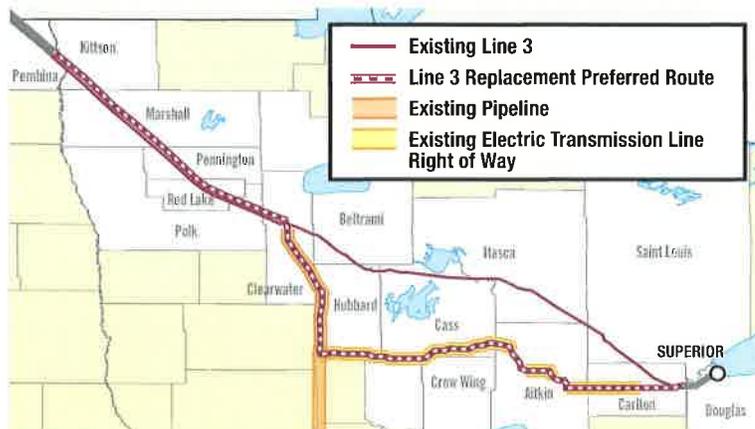
Kind Regards,

A handwritten signature in blue ink that reads "John McKay". The signature is written in a cursive style with a large, sweeping "J" and "M".

John McKay  
Senior Manager, Land Services (U.S. Projects)

# LINE 3 REPLACEMENT PROJECT

Joliette, North Dakota to Superior, Wisconsin



Crude oil is refined into petroleum products we use everyday - from fuel for our cars to heating oil for our homes, to the clothes we wear and the household products we buy.

Enbridge has been safely and reliably transporting crude oil to U.S. refineries through its pipelines for decades. Built in 1968, Line 3 is part of the Enbridge crude oil pipeline system known as the Lakehead System. Line 3 is a 34-inch diameter, 1,031-mile pipeline from Edmonton, Alberta to Superior, Wisconsin and currently operates below its designed capacity.

Enbridge is proposing to replace Line 3 to maintain high safety standards, reduce future maintenance activities and disruptions to landowners and the environment, as well as to provide reliable delivery capacity of supplies of North American crude oil. A new 36-inch pipeline will replace the existing 34-inch pipeline along most of the Line 3 route.

In the U.S., the replacement pipeline will follow Enbridge's existing Line 3 route from Joliette, North Dakota to Clearbrook, Minnesota, and then will follow a proposed new pipeline route from Clearbrook to Superior, Wisconsin.

Line 3 will continue to operate during the replacement work to ensure the needed supplies of crude oil reach markets throughout North America. The replaced pipeline will be permanently removed from operation, or 'deactivated', once the new pipeline is installed, tested, and commissioned for service.

## Project Details

<b>Ownership:</b>	Enbridge Energy, Limited Partnership
<b>Length:</b>	Approximately 340 miles in the U.S.
<b>Pipe:</b>	36-inch diameter
<b>Construction:</b>	Pending regulatory approval, 2016-2017
<b>In-service Date:</b>	2017

## Project Timing

Pending receipt of regulatory and associated permit approvals, construction will begin in 2016 with Line 3 in service in 2017. We will update individual landowners and other stakeholders as we move through the planning and regulatory process. Pre-construction activities, including surveying, land acquisition, engineering and design, will begin in 2014.

## Project Cost

Overall cost of the pipeline project, including replacement of the existing pipeline and associated station and terminal facilities, is estimated at \$2.3 billion in the U.S.

**For more information, please call Enbridge at 855-788-7812 or email [Line3ReplacementProject@enbridge.com](mailto:Line3ReplacementProject@enbridge.com).**



*Pipeline replacement will reduce the level of future maintenance activities and landowner disruption that would otherwise be required to maintain safe operations.*

## Project Benefits

This Project provides a two-fold benefit and purpose:

- Reduces the level of future maintenance activities and landowner disruption; and,
- Restores Line 3's capacity to meet shipper and refinery demands for pipeline transportation capacity to support North American energy independence.

In addition, installing new facilities will bring added property tax revenue to Minnesota communities, as well as provide an influx of sales taxes from locally purchased materials and equipment. Hundreds of skilled workers and laborers will be needed during peak construction resulting in increased local employment opportunities. Many workers will be drawn from the local workforce. There will be fewer disruptions to landowners and local communities in the long term by reducing the level of future maintenance activities that would otherwise be required to maintain safe operations.

## Regulatory Oversight and Permitting

Interstate liquid petroleum pipelines are regulated by various federal and state laws and regulations. Comprehensive national standards, federal laws and regulations have been developed over decades that prescribe the design, construction, operation and maintenance of liquid petroleum pipelines. The agency exclusively responsible for regulating interstate crude oil pipeline safety is the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration, as designated by the Pipeline Safety Act. More information on pipeline operation and regulation is available at [www.pipeline101.org](http://www.pipeline101.org).



## Maintaining Safe, Reliable Pipelines

Enbridge builds safety into every step of pipeline construction and operations. Preventive measures are taken to promote the safe, reliable operation of our liquid petroleum pipelines and related facilities, including:

- Using high-quality steel and anti-corrosion coatings when constructing our pipelines;
- Installing cathodic protection (a low-level electrical charge) to inhibit corrosion;
- Testing new and existing pipelines as required by regulation;
- Periodically inspecting the inside of the pipeline with sophisticated tools;
- Conducting preventive maintenance and inspection;
- 24-hour pipeline monitoring from Enbridge's control center, which has remote shut-down capabilities and can monitor pipeline pressures and conditions during operation;
- Completing regular ground and aerial inspections of the right-of-way; and
- Providing public awareness safety information to emergency responders, local public officials, excavators and those who live and work along our pipelines.



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November 13, 2014

Aitkin County  
Kirk Peysar, County Auditor  
209 2nd St NW, Room 202  
Aitkin, MN 56431

[kpeysar@co.aitkin.mn.us](mailto:kpeysar@co.aitkin.mn.us)

**RE: City of Aitkin, MN  
Proposed Establishment of TIF District No. 9  
within Municipal Development District No. 3  
(Armory Redevelopment Project)**

Dear County Board and Mr. Peysar,

The City of Aitkin proposes to create TIF District No. 3-9, a redevelopment district in the City. The District will assist a local developer is proposing to renovate the former armory facility to convert it for use as a senior assisted living facility. The City is intending to utilize tax increments generated by the proposed redevelopment project to assist in reimbursing the developer for costs associated with meeting code requirements. The property is located on just one parcel at the southwest corner of the intersection of Pacific Street SW and Minnesota Avenue South.

Pursuant to Minnesota Statutes, Section 469.175, Subdivision 2, enclosed please find a draft TIF Plan. The Statement of Estimated Fiscal and Economic Impact of the district on taxing entities is found as Exhibit 4.

The City has scheduled a public hearing for Monday, December 15, at 7:00 p.m., or as soon as possible thereafter, to receive public comment on the proposed TIF District. You are invited to attend this meeting and/or to share any comments you may have in writing prior to that meeting.

If you have any questions, please contact the undersigned, or Tammy Pfaff, City Clerk, at 218-927-2527.

On behalf of the City,

A handwritten signature in cursive script that reads 'Sue Goodspeed'.

Sue Goodspeed  
David Drown Associates

DRAFT

# City of Aitkin, Minnesota

## Tax Increment Financing Plan for Tax Increment Financing District No. 3-9 (Armory Redevelopment Project II)

To be adopted: December 15, 2014



Minneapolis Office:  
5029 Upton Avenue South  
Minneapolis, MN 55410  
612-920-3320 (phone); 612-605-2375 (fax)  
[www.daviddrown.com](http://www.daviddrown.com)

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# Tax Increment Financing Plan for Tax Increment Financing District No. 3-9

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## **Introductory Statement:**

The primary purpose of this TIF District and Plan is to promote private development and redevelopment within the boundaries of the TIF District. This includes the proposed redevelopment of the Armory site and former post office.

## **Section 1 Definitions**

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

"Authority" means the City Council of the City of Aitkin, Minnesota.

"City" means the City of Aitkin, Minnesota.

"City Council" means the City Council of the City of Aitkin, Minnesota.

"County" means Aitkin County, Minnesota.

"County Board" means the County Board of Aitkin County.

"Developer" means any person undertaking construction or renovation in the Project Area.

"Development District" means Municipal Development District No. 3 in the City.

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

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

"School District" means the Aitkin School District.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1799, both inclusive.

"TIF District" means Tax Increment Financing District No. 3-9.

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

## **Section 2 Statement of Need and Public Purpose**

See the Development Program for Municipal Development District No. 3.

## **Section 3 Statutory Authorization**

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

## **Section 4 Statement of Objectives**

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

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

A local developer is proposing to renovate the former armory facility to convert it for use as a senior assisted living facility. The armory facility has been found by the City's building official to be substandard, and in need of significant improvements to bring the facility up to current building code. The City is intending to utilize tax increments generated by the proposed redevelopment project to assist in reimbursing the developer for costs associated with meeting code requirements.

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

The TIF District includes one commercial property owned by Scott Duffney and located adjacent to Minnesota Avenue South in the City of Aitkin. A map showing the location of the TIF District is provided in Exhibit 1. A complete listing of parcels, together with valuation and other statistics, is included in Exhibit 2. The area encompassed by the TIF District also includes all street rights-of-way and utility or drainage easements located upon or adjacent to the property described above.

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

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

**Uses of Funds (Public Costs)**

<u>Capital Costs:</u>	
Demolition & Renovation	\$761,139
 <u>Finance Costs:</u>	
Bond & Note Interest Payments	257,316
 <u>Administrative Costs</u>	
Administration funded with TIF	110,384
Administration funded with other	<u>0</u>
	\$110,384
 <b>Total Uses of Funds</b>	 <b>\$1,128,839</b>

**Sources of Funds**

Tax Increments	\$1,103,839
Interest Earnings	<u>25,000</u>
 <b>Total Sources of Funds</b>	 <b>\$1,128,839</b>

The Authority reserves the right to adjust the amount of any of the line items listed above or to incorporate additional eligible items, so long as the total estimated public cost is not increased. The Authority also reserves the right to fund the full amount of public costs with tax increment revenues.

**Section 8 Estimated Impact on Other Taxing Jurisdictions**

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

**Section 9 Fiscal and economic implications**

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

City Service Costs: The City is intending to capture tax increments from the project to assist in the redevelopment of existing commercial property. Demands on other City services are expected to be handled without significant increases to public costs. City utilities are operated on a fee for service basis so usage revenues will cover increased costs. Impacts on police, fire and administrative costs are expected to be negligible.

The City is intending to provide pay-as-you-go tax increment assistance which will not impact the City's ability to borrow money for other projects.

TIF Attribution. The City projects TIF collections will total \$1,103,839 over the 26-year life of the TIF District. Of this total, \$681,287 is attributable to the City's share of the tax levy; \$393,142 from the County's share of tax levy, and \$27,761 from the School Districts share of tax levy.

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

The Authority reserves the right to acquire or reimburse developers for the acquisition costs of property in the TIF District, as itemized on Exhibit 2.

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

The Authority reserves the right to fund all Project costs using internal funding, general obligation bonds, pay-as-you-go financing or any other financing mechanism authorized by law. The maximum amount of bonds to be funded with tax increment revenues is \$761,139.

The Authority may incur "internal debt", including a negative balance in the TIF fund and other internal loans or transfers of funds. All such forms of internal debt are hereby explicitly authorized by this TIF Plan, may include interest at a rate not to exceed the prime rate, may be fully repaid with tax increment revenues or proceeds of tax increment bonds payable from tax increment revenues over the life of the TIF District, and shall be in addition to and not be counted against the debt limit created by this section.

### **Section 12 Designation of TIF District as a Redevelopment District**

The Tax Increment District qualifies as a redevelopment district. M.S. 469.174, Subd. 10 defines a redevelopment district as an area where the following conditions are reasonably distributed throughout the district:

- a. Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or
- b. The property consists of vacant, unused, underused, inappropriately used, or infrequently used rail yards, rail storage facilities or excessive or vacated railroad rights-of-way.

For purposes of this section, "structurally substandard" means containing defects in structural elements, essential utilities, light and ventilation, fire protection, interior layout and condition or similar factors of significant total significance to justify substantial renovation or clearance. A building is not substandard if it could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. A parcel cannot be considered "occupied by buildings, streets, utilities or other improvements" unless 15 percent of the area of the parcel contains improvements.

As summarized on Exhibit 2, improved parcels constitute one hundred percent (100%) of the area of the TIF District, and the existing principal structure has been found to be structurally substandard. Accordingly, it is our finding that the proposed parcel satisfies the standards for a redevelopment district.

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

The County Auditor will certify the Original Net Tax Capacity of the TIF District. The Estimated Market Value of

the property in the TIF District as of January 1, 2013, for taxes payable in 2014 is estimated to be \$183,700. The original net tax capacity of the TIF District is estimated to be approximately **\$2,924**.

Each year the County Auditor will certify the amount that the Original Net Tax Capacity has increased or decreased as a result of:

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

**Section 14 Original Local Tax Rate**

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

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

The sum of all local tax rates that apply to property in the TIF District for taxes levied in 2013 and payable in 2014 is **150.065%**. The final Original Local Tax Rate may be higher or lower than this value, depending upon the final local tax rates for payable 2015.

<u>Taxing Jurisdiction</u>	<u>2013/2014 Local Tax Rate</u>
City of Aitkin	74.355%
Aitkin County	42.908%
Aitkin School District*	3.029%
Other	<u>0.179%</u>
<b>Total</b>	<b>120.471%</b>

The projected original local tax rate does not include the State of Minnesota property tax rate on commercial and industrial property which is 52.160% for taxes payable 2014. The state property tax is *not* captured as tax increment.

\*The captured tax rate will also exclude a portion of the local school district levy that is estimated to be the local general levy. Minnesota Statutes were amended in 2013 to exclude from TIF Districts that portion of the local school levy attributed to the general levy.

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

Each year the County Auditor will determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the Original Net Tax Capacity, the difference shall be known as the Captured Net Tax Capacity of the TIF District. It is the Authority's intention to retain 100% of the Captured Net Tax Capacity of the TIF District. Exhibit 3 estimates the total amount of retained net captured tax capacity, gross tax increments, adjustments, and the net tax increment revenues which will be available annually and cumulatively over the life of the TIF District.

## **Section 16 Statutory Duration of the TIF District**

Redevelopment districts may remain in existence for 25-years from receipt of the first tax increment. This results in 26 collections of tax increments. **The City is requesting that the first tax increment be collected in 2017**, which would result in the District terminating at year-end 2042. Modifications of this plan (see Section 28) may not extend these duration limits.

## **Section 17 Use of Tax Increments – Redevelopment Districts**

Ninety percent (90%) of the tax increments generated from the TIF District must be used to finance the cost of correcting conditions that allow designation as a redevelopment district. These costs include acquiring properties containing substandard buildings or improvements, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition of structures, clearing of the land, and installation of utilities, roads, sidewalks and parking facilities for the site. The allocated administrative expenses of the City may be included in the qualifying costs.

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

Each year County Treasurer shall deduct an estimated 0.36% of the annual tax increment generated by the TIF District and pay such amount to the state general fund. Such amounts will be appropriated to the state auditor for the cost of financial reporting and auditing of tax increment financing information throughout the state. Exhibit 3 shows the projected deduction for this purpose over the anticipated life of the TIF District.

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

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

Tax increments from property located in one County must be expended for the direct and primary benefit of a project located within that County, unless both County boards involved waive this requirement. Tax increments shall not be used to circumvent levy limitations.

Tax increment shall not be used to finance the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, County, school district, or any other local unit of government or the State or federal government, including social, recreational or conference facilities or a public park used as a commons area. Tax increments may be used to finance public parking facilities.

If there exists any type of agreement or arrangement providing for the developer, or other beneficiary of assistance, to repay all or a portion of the assistance that was paid or financed with tax increments, such payments shall be subject to all of the restrictions imposed on the use of tax increments. Assistance includes sales of property at less than the cost of acquisition or fair market value, grants, ground or other leases at less than fair market rent, interest rate subsidies, utility service connections, roads, or other similar assistance that would otherwise be paid for by the developer or beneficiary.

**Section 19 “Green Acres”**

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

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

If after four years from certification of the TIF District no demolition, rehabilitation, renovation, or qualified improvement of an adjacent street has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the Original Net Tax Capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The Authority must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

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

**Section 21 Tax Increment Pooling – 5-year Rule**

At least 80% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District. No more than 20% of the tax increments may be spent on costs outside of the TIF District, but within the boundaries of the Project Area. All administrative expenses are considered to have been spent outside of the TIF District. Tax increments are considered to have been spent within the TIF District if such amounts are:

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

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

**Section 22 Excess Tax Increment**

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

1. prepay any outstanding tax increment Bonds;
2. discharge the pledge of tax increments on any outstanding Bonds;

3. pay amounts into an escrow account dedicated to the payment of any outstanding Bonds; or
4. return excess tax increments to the County Auditor for redistribution to the City, County and School District in proportion to their local tax capacity rates. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

### **Section 23 Limitation on Administrative Expenses**

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

1. amounts paid for the purchase of land;
2. amounts paid for materials and services, including architectural and engineering services directly connected with the proposed development within the TIF District;
3. relocation benefits paid to, or services provided for, persons or businesses located within the TIF District; or
4. amounts used to pay interest on, fund a reserve for, or sell at a discount, tax increment bonds.

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

### **Section 24 Prior Planned Improvements**

The City shall accompany its request for certification to the County Auditor with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the Original Net Tax Capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

The City will include a complete listing of all building permits issued in the last 18 months in conjunction with all properties within the TIF District.

### **Section 25 Development Agreements**

If more than 25% of the acreage of a project (which contains a redevelopment district) is to be acquired by the City with proceeds from tax increment bonds then, prior to such acquisition, the City must enter into an agreement for the development of the property. Such agreement must provide recourse for the City should the development not be completed.

### **Section 26 Business Subsidy Laws**

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

Before granting a business subsidy, the Authority must complete the following:

1. Adopt criteria for awarding business subsidies following a public hearing.
2. Enter into a subsidy agreement which must include the following information and requirements:

- a. A description of the subsidy.
- b. A statement of the public purpose and goals of the subsidy.
- c. Wage and job creation goals (or job retention goals, if job loss is imminent and demonstrable) to be achieved within 2 years of receiving the subsidy;
- d. A description of the recipient's financial obligation if the goals are not met. The recipient must pay back the assistance with interest if goals are not met, although pro-ratio to reflect partial fulfillment of goals is permitted.
- e. A statement of why the subsidy is needed.
- f. A commitment from the recipient to continue operations at the site for at least 5 years;
- g. The name and address of the parent company of the recipient;
- h. A list of all other financial assistance to the project; and
- i. A requirement for the recipient to provide the Authority and the Department of Employment and Economic Development with annual information regarding goals for two years after receiving the subsidy or until the goals are achieved. The reports must be filed by March 1 for the prior year.

If the business subsidy exceeds \$150,000, the Authority must conduct a public hearing on the subsidy, after providing at least 10 days published notice in the local newspaper.

### **Section 27 Assessment Agreements**

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

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

### **Section 28 Modifications of the Tax Increment Financing Plan**

Any reduction or enlargement in the geographic area of the Project Area or the TIF District; increase in the amount of bonded indebtedness to be incurred; increase in the amount of capitalized interest; increase in that portion of the Captured Net Tax Capacity to be retained by the Authority; increase in the total estimated public costs; or designation of additional property to be acquired by the Authority shall be approved only after satisfying all the necessary requirements for approval of the original TIF Plan. This paragraph does not apply if:

1. the only modification is elimination of parcels from the Project Area or the TIF District; and
2. the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's Original Net Tax Capacity, or the Authority agrees that the TIF District's Original Net Tax Capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The Authority must notify the County Auditor of any modification that reduces or enlarges the geographic area of

the Project Area or the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

### **Section 29 Administration of the Tax Increment Financing Plan**

Upon adoption of the TIF Plan, the Authority must submit a copy of such plan to the State Auditor's Office and the Department of Revenue. The Authority must also request that the County Auditor certify the Original Net Tax Capacity and Net Tax Capacity Rate of the TIF District. To assist the County Auditor in this process, the Authority must submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements. The Authority must also send the County Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District, and shall request that the County Assessor review and certify this assessment agreement as reasonable.

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

1. Prior to July 1, the Authority shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to insure that the new value will be recorded in a timely manner.
2. If the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.
3. Each year the County Auditor shall certify the amount of the Original Net Tax Capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:
  - a) the value of property that changes from tax-exempt to taxable shall be added to the Original Net Tax Capacity of the TIF District. The reverse shall also apply;
  - b) the Original Net Tax Capacity may be modified by any approved enlargement or reduction of the TIF District;
  - c) if laws governing the classification of real property cause changes to the percentage of Estimated Market Value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the Original Net Tax Capacity and the Retained Captured Net Tax Capacity of the TIF District.

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

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

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

1. Prepare and Publish an Annual Statement. No later than August 1 of each year, the Authority must prepare and publish an annual statement which includes at least the following information:
  - (a) tax increment received and expended in that year
  - (b) Original Net Tax Capacity

- (c) captured Net Tax Capacity
- (d) amount of outstanding bonded indebtedness
- (e) increments paid to other government bodies
- (f) administrative costs
- (g) increments paid directly or indirectly outside of the district
- (h) if a fiscal disparities contribution is computed under section 469.177, Subd. 3(a), the increase in property tax imposed on other properties in the municipality as a result of the fiscal disparities contribution in the manner prescribed by the commissioner of revenue.

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

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

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

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

1. The TIF District qualifies as a redevelopment district;

See Section 12 of this document for the reasons and facts supporting this finding.

2. The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and the increased market value of the site that could reasonably be expected to occur without the use of tax increment would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan;

The reasons and facts supporting this finding are that the City has determined that in order to proceed with the project, tax increment financing assistance is necessary to make the project financially feasible.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed. Such analysis is included as Exhibit 5, indicates that:

- a) the increase in estimated market value of the proposed development is \$2,869,300;
- b) the present value of expected tax increments collected over the maximum duration of the TIF

District is \$491,326; and

c) the expected increased estimated market value of the site without the use of tax increment is \$0.

3. The TIF Plan conforms to the general plan for development or redevelopment of the City as a whole.

The reasons and facts supporting this finding are that the project area within the TIF plan is guided through zoning for projects that are consistent with those proposed.

4. The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the redevelopment and development of the Project Area by private enterprise.

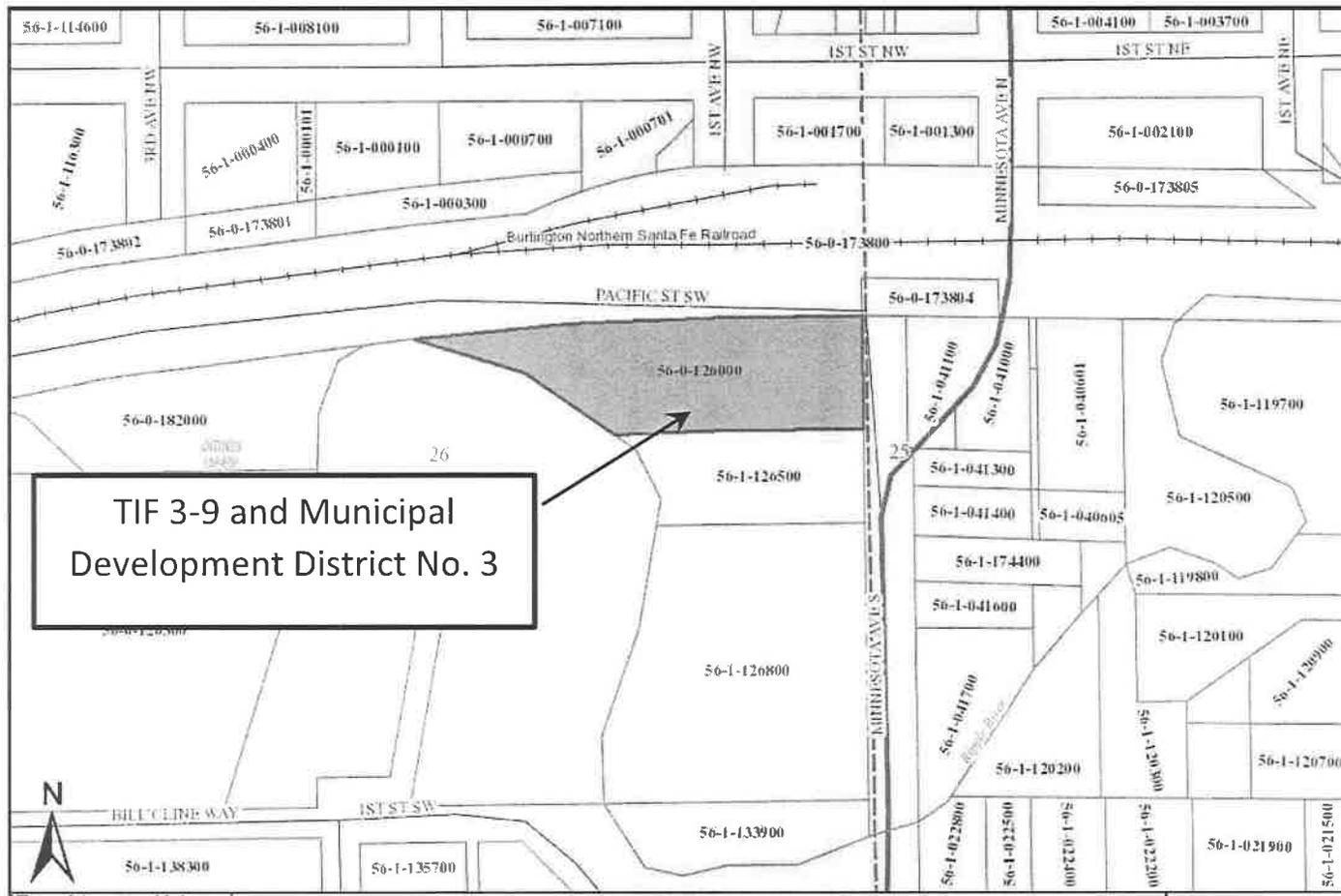
The reasons and facts supporting this finding are that the development activities are necessary so that development and redevelopment by private enterprise can occur within the Development District.

# Exhibits

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Map of Municipal Development District No. 2 and Tax Increment Financing District No. 3-9..... Exhibit 1  
Parcels and Valuations..... Exhibit 2  
Tax Increment Projections ..... Exhibit 3  
Statement of Fiscal and Economic Impacts ..... Exhibit 4  
Market Value Analysis..... Exhibit 5

**City of Aitkin**  
**Tax Increment Financing District No. 3-9**  
**Within Municipal Development District No. 3**



The Boundaries of Municipal Development District No. 3 are coterminous with the TIF District.

**City of Aitkin, Minnesota**  
**TIF District No. 3-9**

**Parcel Summary -- Areas, Values & Conditions**

Owner of Record	Current or Rail ROW	Apr-14 Land Use	Parcel I.D.#	Parcel Acres	Substd Bldgs?	Land Improved?	Pay 14 Land	Pay 14 Building	Total Value	Est. Original Tax Cap.
Scott Duffney		Vacant	56-0-126000	1.53	yes	Yes	68,000	115,700	183,700	2,924
				1.53				183,700	2,924	

Number of Parcels 1  
Area Included (acres not including road) 1.53  
Area of Unimproved Parcels (Acres) 1.53  
Percent of Area Improved 100.00%

# of Parcels with Buildings (not on Rail) 1  
# of Substandard Buildings (not on Rail) 1  
% of Substandard Buildings\* 100.00%

**City of Aitkin, Minnesota  
TIF District No. 3-9**

**Tax Increment Projection**

**Valuations & Projected Increases**

	Market	Tax Capacity
Original Values	183,700	2,924
Increased Value: (New Development)	3,053,000	38,163

**Tax Rate Assumptions:**

	2014 Tax Rate	Projected Avg. Rate
City of Aitkin	74.360%	74.360%
Aitkin County	42.910%	42.910%
School District	3.030%	3.030%
Other	0.180%	0.180%
	120.480%	120.480%

**Projected Tax Increment**

Payable Year	Original Tax Capacity	Projected Capacity	Net Captured Tax Capacity	Less Fiscal Disparities	Retained Net Captured Tax Capacity	Projected Tax Rate*	Gross Tax Increment	Adjustments		TOTAL NET REVENUES
								10.00% Admin. Retainage	0.36% State Auditor's Deduction	
2014	2,924	2,924	-	-	-	120.48%	-	-	-	-
2015	2,924	2,924	-	-	-	120.48%	-	-	-	-
2016	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2017	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2018	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2019	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2020	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2021	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2022	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2023	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2024	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2025	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2026	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2027	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2028	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2029	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2030	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2031	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2032	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2033	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2034	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2035	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2036	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2037	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2038	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2039	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2040	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
2041	2,924	38,163	35,239	-	35,239	120.48%	42,455	4,246	153	38,057
							<b>1,103,839</b>	<b>110,384</b>	<b>3,974</b>	<b>989,481</b>

**City of Aitkin, Minnesota  
TIF District No. 3-9**

**STATEMENT OF FISCAL AND ECONOMIC IMPACTS OF PROPOSED TIF DISTRICT**

Taxing Jurisdiction	Without TIF District		With TIF District					
	2014 Taxable Net Tax Capacity <sup>(1)</sup>	2014 Local Tax Rate	2014 Taxable Net Tax Capacity <sup>(1)</sup>	Projected Captured Net Tax Capacity	Hypothetical Tax Generated By TIF	New Taxable Net Tax Capacity	Hypothetical Adjusted Local Tax Rate	Hypothetical Decrease in Tax Rate
City of Aitkin, Min	966,240	74.36%	966,240	35,239	26,203	1,001,479	71.744%	2.616%
Aitkin County	27,077,480	42.91%	27,077,480	35,239	15,121	27,112,719	42.854%	0.056%
School District	14,921,166	3.03%	14,921,166	35,239	1,068	14,956,405	3.023%	0.007%
Other <sup>(2)</sup>	--	0.18%	--	-	-	--	0.18%	--
<b>Totals</b>		<b>120.48%</b>			<b>42,392</b>		<b>117.801%</b>	<b>2.679%</b>

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

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

**Statement #3:** The estimated amount of tax increment generated over the life of the TIF District is estimated to be \$1,103,839.

**Statement #4:** A description of the probable impact of the TIF District on City services as a result of the creation of this TIF District would include the following: The City will be collecting an estimated \$681,287 in city property tax revenue from the proposed project area and applying it to project related expenses rather than general services such as police, fire, and other services not paid by user fees.

**Statement #5:** The estimated amount of increment attributed to the school districts' tax levies and captured as a result of the creation of this TIF District are \$27,761 for the Aitkin School District.

**Statement #6:** The estimated amount of increment attributed to the county tax levy and captured as a result of the creation of this TIF district is \$393,142.

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

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

# City of Aitkin, Minnesota

## TIF District No. 3-9

### Market Value Analysis

Increased Market Value of Site	\$ 2,869,300
Less Present Value of TIF Revenues	\$ 491,326
	<u>\$ 2,377,974</u>
Estimated Increased Site Value w/out TIF	\$ -
Net Value Increase	<u>\$ 2,377,974</u>

### Present Value of Tax Increments

Calculation Date: 11/11/2014  
 Present Value Factor: 6.00%

#	Year	Gross Tax Increment	Present Value
1	2014	-	-
2	2015	-	-
3	2016	42,455	35,646
4	2017	42,455	33,629
5	2018	42,455	31,725
6	2019	42,455	29,929
7	2020	42,455	28,235
8	2021	42,455	26,637
9	2022	42,455	25,129
10	2023	42,455	23,707
11	2024	42,455	22,365
12	2025	42,455	21,099
13	2026	42,455	19,905
14	2027	42,455	18,778
15	2028	42,455	17,715
16	2029	42,455	16,712
17	2030	42,455	15,766
18	2031	42,455	14,874
19	2032	42,455	14,032
20	2033	42,455	13,238
21	2034	42,455	12,488
22	2035	42,455	11,782
23	2036	42,455	11,115
24	2037	42,455	10,486
25	2038	42,455	9,892
26	2039	42,455	9,332
27	2040	42,455	8,804
28	2041	42,455	8,306
		<u>1,103,839</u>	<u>491,326</u>

