AGENDA
BIG LAKE CITY COUNCIL WORKSHOP
COUNCIL CHAMBERS

AUGUST 19, 2026
5:00 p.m.

1) CALL TO ORDER

2) ROLL CALL

3) PROPOSED AGENDA

4) BUSINESS

4A. Northland Securities Presentation– Overview of Proposed Tax Increment Financing District No. 1-8

4B. Draft 2027-2031 Pavement Management Plan Discussion

5) OTHER

6) ADJOURN

Disclaimer: This agenda has been prepared to provide information regarding an upcoming work session of the Big Lake City Council. This document does not claim to be complete and is subject to change.

WORKSHOP ITEM
Big Lake City Council

<table>
<tr><td colspan="2">Prepared By:
Deb Wegeleben, Finance Director</td><td>Meeting Date:
8/19/2026</td><td>Item No.
4A</td></tr>
<tr><td rowspan="2">Item Description:
Recommendation to Council on the Modification to Development Program for Municipal Development District No. 1 and Adoption of Tax Increment Financing Plan for Tax Increment Financing District No. 1-8</td><td colspan="3">Reviewed By: Hanna Klimmek, City Administrator</td></tr>
<tr><td colspan="3">Reviewed By: Marie Popp, Community Development Director</td></tr>
</table>

COUNCIL DIRECTION REQUESTED

Informational only. The purpose of the workshop is to provide the City Council with an overview of the proposed Tax Increment Financing District No. 1-8 and the proposed financial assistance for the Packaging Corporation of America (PCA) project prior to the September 16, 2026, public hearing.

BACKGROUND/DISCUSSION

Packaging Corporation of America (PCA) has requested Tax Increment Financing (TIF) assistance in connection with the construction of a major manufacturing facility on recently annexed property within the City of Big Lake.

Based on current project assumptions, the proposed development includes:

- Approximately **$250 million in private investment**
- Approximately **550,000 square feet** of manufacturing space
- Approximately **125 new jobs**
- An increase in estimated taxable market value from approximately **$796,500 to $50 million**
- Expansion of the City's manufacturing and industrial tax base

The primary public purpose of the proposed TIF assistance is job creation and the long-term economic benefit associated with a significant increase in taxable market value.

How the Proposed TIF Would Work

The existing taxable value of the property would continue to generate property taxes for the City, Sherburne County, and Independent School District 727. The TIF District would capture only the **additional property taxes generated by the increase in property value resulting from the new development**.

The proposed assistance would be structured as a **Pay-As-You-Go Tax Increment Revenue Note**. Under the current assumptions for a 550,000-square-foot facility, the developer may receive up to approximately **$6.66 million** in tax increment reimbursement for eligible project costs, including **5.5% simple, non-compounded interest**, over an estimated nine-year period. The City would retain **2% of the annual tax increment** for administrative and reporting costs.

Importantly, the City would **not issue general obligation bonds or advance City funds** for the TIF assistance. PCA would initially finance the eligible costs and would be reimbursed only from tax increment actually generated by the completed project. If the project generates less tax increment than projected, the developer receives less reimbursement. **The City is not obligated to make up the difference from the General Fund, property tax levy, or another City revenue source.**

Proposed Timeline

Notices of the proposed TIF Plan will be provided to Sherburne County and Independent School District 727 by August 17, 2026. The City Council will hold the required public hearing on **September 16, 2026**.

Construction is currently anticipated to begin by June 30, 2027, with completion by December 31, 2028. TIF certification is anticipated by June 30, 2027, with the first tax increment expected in 2029. The district would be decertified no later than December 31, 2037, or earlier if sufficient increment is generated to satisfy the City's obligations under the TIF agreement. Once the district is decertified, the full taxable value of the development will be available to all taxing jurisdictions.

Purpose of the August 19 Workshop

The August 19 workshop is intended to give Council an opportunity to understand the proposed TIF structure and ask questions **before being asked to take formal action at the September 16 public hearing**. Tammy Omdahl of Northland Securities will attend the workshop to review the proposed TIF Plan, financial projections, Pay-As-You-Go structure, and answer questions from Council.

FINANCIAL IMPACT

The proposed TIF District is structured to limit the City's financial risk. The City will not issue general obligation bonds or pledge its General Fund or property tax levy to repay the developer. Reimbursement will be made solely from tax increment generated by the project.

If the development does not occur as anticipated, is constructed at a smaller scale, has a lower taxable value, or otherwise generates less increment than projected, the amount available to reimburse the developer would be reduced accordingly.

STAFF RECOMMENDATION

Informational only. No formal action is requested at the August 19 workshop. Staff recommend that Council review the proposed TIF structure and provide any questions or concerns in advance of the September 16, 2026.

ATTACHMENTS

Proposed Tax Increment Financing Plan for Tax Increment Financing District No. 1-8

DRAFT MEMORANDUM

To: City of Big Lake

From: Tammy Omdal, Managing Director

Date: August 3, 2026

Re: Proposed Tax Increment Financing District (Economic Development) No. 1-8

The City of Big Lake (the "City") received a request for financial assistance from Packaging Corporation of America (the "Developer") for the construction of a manufacturing facility to be used for corrugated product manufacturing; the current estimate square feet of the building to be constructed is approximately 550,000 (the "Project"). The estimated total cost of the Project, as prepared by the Developer, is $250 million.

The site for the Project is located on property near U.S. Highway 10 and Lake Street. The City is in the process of annexing three parcels currently within Big Lake Township (identified as 10-00324-4400, 10-00325-1101, and 10-00325-1410) with a combined size of approximately 115.19 acres (the "Property"). After annexation, the City anticipates parcels will be combined. The Property is unoccupied green space.

The City plans to hold a public hearing on Wednesday, September 16, 2026 to consider the establishment of a Tax Increment Financing (Economic Development) District No. 1-8 (the "TIF District") within Development District No. 1. Subject to completion of the process for annexation of the Property, following the public hearing the City Council may consider adoption of a resolution to establish the TIF District. The establishment of the TIF District by the City provides the authority to consider approval of financial assistance to the Developer, which qualifies as a business subsidy under Minnesota Statutes, Section 116J.993 to 116J.995 (the "Business Subsidy Act").

The purpose of this memorandum is to provide information on tax increment financing authority and process followed for establishing the TIF District, along with a summary of the plan for the TIF District.

Background on TIF Authority

The establishment of tax increment financing economic development district is a statutory financing tool that can be used to promote economic development in areas where it would otherwise not occur. The establishment of the TIF District will allow the City to "capture" the revenues generated by the increase in net tax capacity resulting from the Project within the TIF District. The revenue comes from the increase in property taxes, with some limited exceptions to the taxes that may be captured within a tax increment financing district. For example, referendum tax and state property tax cannot be captured with a tax increment financing district.

The maximum duration to capture the tax increments from an economic development tax increment financing district is 8 years after the first year of tax increment collections for a total of 9 years.

The City may use tax increments to assist the Developer with financing of land acquisition and site improvement costs related to the construction of a manufacturing facility. The City must make certain findings when approving the TIF District, including a finding that the project, as proposed, is feasible only through assistance, in part, from tax increment financing. This is commonly referred to as the "but for" finding.

The Project qualifies as an economic development tax increment financing district as the Project consists of the construction of a manufacturing facility. The Project will meet the following conditions:

> (1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or
>
> (2) it will result in increased employment in the state; and
>
> (3) it will result in preservation and enhancement of the tax base of the state.

Process for Approval

As part of the process to establish the TIF District, the City must approve adoption of a Tax Increment Financing Plan for the TIF District (the "TIF Plan"). The TIF Plan provides information about the Project to be funded with tax increment from the TIF District and authorizes the use of tax increment from the district to pay TIF-eligible project costs, among other items.

A tax increment financing district must be located within the boundaries of a specified development project area. The City has previously established Development District No. 1 (the "Project Area"), as modified over time, and set the boundaries of the Project Area as shown in the map included in Exhibit V of the TIF Plan. It is proposed that the City modify the boundaries of the Project Area, and the related Development Program, to include the addition of the Property and establishment of the TIF District within.

After the TIF District is established by the City, the City may consider approval of a contract for private development with the Developer for tax increment financing assistance.

Notice to County and School District

Before the public hearing and the establishment of the TIF District, the City must provide certain notices to the county and the school district, including providing a copy of a draft tax increment financing plan for the district. The county and school district may comment on the proposed TIF Plan but cannot prevent the creation of the TIF District. On behalf of the City, Northland will submit a letter and a draft copy of the TIF Plan to Sherburne County and Big Lake School District on August 17, 2026, with a request for comments. Should comments be received prior to the Public Hearing, they will be noted during the hearing.

Adoption of TIF Plan

Following the public hearing, subject to completion of the annexation of the Property, the City Council may adopt the resolution approving modification to Development District No. 1 and adopting the modified Development Program relating thereto, and the establishment of the TIF District and the adoption of the TIF Plan relating thereto, among other actions.

TIF Plan Summary and Terms for Assistance

Pursuant to a proposed Tax Increment Financing Development Agreement by and among the City and the Developer (the "Agreement"), the City may execute a Tax Increment Revenue Note (the "Note") for the Project.

The principal amount of the Note, as defined in the Agreement, shall not exceed **$6,661,000** for a 550,000 square foot building, or **$12.11 per square foot** if the final building size is less than 550,000 square feet. The outstanding principal balance will accrue simple (non-compounded) interest at a rate of **5.5% per annum**, beginning on the date of the Note.

The amounts due under the Note shall be payable on August 1, 2029, and on each February 1 and August 1 thereafter to and including February 1, 2038, pursuant to the Agreement. On each payment date the City shall pay an amount equal to the sum of the Tax Increments (as defined in the Agreement) received by the City during the six-month period preceding such payment date. Pursuant to the Agreement, all payments made by the City under the Note shall first be applied to accrued interest and then to principal. The Note shall be prepayable by the City, in whole or in part, on any date.

The Payment Amounts (as defined in the Agreement) due shall be payable solely from 98% of tax increments from the Development Property (as defined in the Agreement) within the TIF District which are paid to the City and which the City is entitled to retain pursuant to the provisions of Minnesota Statutes, Sections 469.174 through 469.1794, as the same may be amended or supplemented from time to time (the "TIF Act"). The Note shall terminate and be of no further force and effect following the last Payment Date, on any date upon which the City shall have terminated the Agreement or the Developer shall have terminated the Agreement pursuant to the terms in the Agreement, on the date the TIF District is terminated, or on the date that all principal and interest payable hereunder shall have been paid in full, whichever occurs earliest.

Developer Background

The Developer's application for TIF assistance states the following:

> Packaging Corporation of America (PCA) produces corrugated and protective packaging products at over 90 facilities throughout the US. Each facility competes for a portion of the finite company-wide capital expenditure for capital projects. Return on investment (ROI) is a significant factor in whether a capital project will be approved for funding. Incentives, such as TIF assistance, improve the ROI for a given capital project, thereby increasing its chances of Board approval.

PCA projects the company will create 100 hourly and 25 salaried jobs, and that the hourly jobs will pay $25-$45 per hour before benefits are included.

TIF Plan Summary

The summary that follows highlights the key elements of the TIF Plan. The TIF Plan provides for the City to capture 100% of the tax increments collected from the Property within the TIF District to reimburse project costs, including land acquisition and site/preparation costs of the Developer, and City administrative costs in an amount not to exceed $6,849,000.

Item	Plan Section	Highlights from TIF Plan
City Plans and Development Program	3.02	Section 2.02 of the TIF Plan summarizes the proposed development and explains how this development is consistent with local plans and policies of the City.
Boundaries of TIF District	3.03.2	The TIF District will include two parcels. The parcels will be owned by the Developer.
Type of District	3.03.3	The TIF District is an economic development district. The district will meet the statutory criteria for this type of district as a manufacturing facility.
Estimated Tax Increment	3.04.1	The Project is estimated to create annual tax increment revenue (net of State Auditor's fee) of approximately $1,074,376 in the second year of the TIF District (2030), following completion of the Development in 2028. This amount is based on the following factors: • Total estimated taxable market value of the Property is $50,050,000 after completion of the Project, with the property classified as commercial-industrial. • The original net tax capacity value of the TIF District is estimated based on the current market value of the Property for taxes payable in 2026. A property's net tax capacity is determined by multiplying the property's taxable market value by the relevant class rate or rates. Class rates are set by statute, vary by property type, and are uniform statewide. For purpose of calculating tax increments, the county auditor will set the original net tax capacity value of the TIF District based on the future use (commercial-industrial). The annexation of the Property into the City may impact the County's determination of the base value of the Property for creation of tax increments. • The estimated combined local tax rate is 109.07% based on Pay 2026 tax rates. This rate is used to estimate tax increments. Upon request to the county auditor to certify the TIF District, and the anticipated timing of the request, it is anticipated that the final certified tax rate for the TIF District will be based on the local tax rate for taxes payable in 2027. The County Assessor will set the actual estimated market value of the property. Changes in property values and tax rates will alter the amount of tax increment revenue from year-to-year. The TIF Plan includes estimates for planning purposes only and the actual amounts will vary.
Project Costs, Estimated Source and Uses of Funds,	3.04.2 3.04.3 3.04.4	Tax increment revenue will be used to pay Project Costs related to development of the Property. The TIF Plan provides for the reimbursement of up to $6,849,000 of total estimated Project costs.

Item	Plan Section	Highlights from TIF Plan
Administrative Expense		The Project Costs include $4,400,000 for land acquisition and $2,261,000 for site improvement/preparation costs to be incurred by the Developer and $188,000 for City administrative costs. Reimbursement of Project Costs will be on a pay-go basis. As tax increments are collected by the City upon distribution of taxes from the County, the City will use the available tax increments to reimburse the Developer and itself for actual costs incurred. The terms for payment to the Developer will be detailed in a written contract between the City and the Developer.
Bonded Indebtedness	3.04.6	All payments made by the City will be on a “pay-go” basis payable solely from available tax increments and will not be a general obligation of the City.
Duration	3.04.7	The TIF Plan elects a duration of nine (9) years which is the maximum duration allowed for an economic development district. The estimated month and year of first receipt of tax increment is July 2029. The estimated required decertification date of December 31, 2037 is based on year 2029 as the first year of tax increment collection.

DRAFT

CITY OF BIG LAKE, MINNESOTA

MODIFIED DEVELOPMENT PROGRAM FOR

DEVELOPMENT DISTRICT NO. 1

AND TAX INCREMENT FINANCING PLAN FOR

TAX INCREMENT FINANCING (ECONOMIC DEVELOPMENT)

DISTRICT NO. 1-8

(PCA PROJECT)

Proposed to be Adopted by City Council of City of Big Lake, Minnesota

PUBLIC HEARING DATE: ____________, 2026

PLAN APPROVED DATE: ____________, 2026

PLAN CERTIFICATION REQUEST DATE: ___________, 2026

PLAN CERTIFICATION DATE: _______, 2026

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Minneapolis, MN 55402
(800) 851-2920
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Registered with SEC and MSRB

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ARTICLE I – INTRODUCTION AND DEFINITIONS

SECTION 1.01 INTRODUCTION

The City of Big Lake proposes to provide tax increment financing assistance to assist with economic development within the City. This document contains the modified and restated plan for achieving the objectives of the Development Program for Development District No. 1 through the establishment and use of Tax Increment Financing District No. 1-8 to assist with economic development within the City.

SECTION 1.02 DEFINITIONS

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

1. “Authority” means the Big Lake Economic Development Authority.
2. “City” means the City of Big Lake, Minnesota.
3. “City Council” means the City Council of the City.
4. “County” means Sherburne County, Minnesota.
5. “Developer” means Packaging Corporation of America (PCA), the private party undertaking construction in the TIF District, its successors or assigns.
6. “Development” means the construction of an approximate 550,000 square foot manufacturing facility within the TIF District to be used for corrugated product manufacturing.
7. “Development District” means Development District No. 1 in the City, created and established and modified pursuant to and in accordance with the Development District Act.
8. “Development District Act” means Minnesota Statutes, Sections 469.124 through 469.133, as amended and supplemented from time to time.
9. “Development Program” means the modified Development Program for the Development District, as amended and supplemented from time to time, all pursuant to the Development District Act.
10. “Project Area” means the geographic area of the Development District.
11. “Project Costs” means the cost of the development activities that will or are expected to occur within the Project Area or TIF District.
12. “School District” means Big Lake School District (ISD #727).
13. “State” means the State of Minnesota.
14. “Bonds” means general obligation tax increment financing bonds, and other tax increment financing bonds, including pay-as-you-go revenue notes, and interfund loans.
15. “TIF Act” means Minnesota Statutes, Sections 469.174 through 469.1794 as amended, both inclusive.
16. “TIF District” means Tax Increment Financing (Economic Development) District No. 1-8 (PCA Project).
17. “TIF Plan” means the tax increment financing plan for the TIF District (this document).

SECTION 1.03 EXHIBITS

The following exhibits are attached to and by reference made a part of this Development Program and Tax Increment Financing Plan:

Exhibit I:	Present Value Analysis
Exhibit II:	Projected Tax Increment
Exhibit III:	Impact on Other Taxing Jurisdictions
Exhibit IV:	Estimated Tax Increment Over Life of District
Exhibit V:	Map of Development District No. 1 and Tax Increment Financing District 1-8

SECTION 1.04 PLAN PREPARATION

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

ARTICLE II - DEVELOPMENT PROGRAM

SECTION 2.01 OVERVIEW

Article II includes the Modified Development Program for Municipal Development District No. 1.

The City has heretofore established the Development District, initially established in February 1983, and adopted a Development Program therefor pursuant to the Development District Act.

Following the initial establishment, over the years since, at time of establishment of tax increment financing districts within the boundaries of the Development District, various amendments were adopted with respect to the Development Program.

The City previously established Tax Increment Financing (TIF) Districts No. 1 through 7 within Development District No. 1 of which TIF Districts 1-3, 1-4, and 1-5 remain open; the other TIF Districts are decertified.

The City has determined that it is necessary to further amend the Development Program to plan for the establishment and use of Tax Increment Financing District No. 1-8 within the Development District. The amendment includes the enlargement of the boundaries of the Development District to be coterminous with the City's current municipal boundaries.

The modified Development Program amends and restate the Development Program in its entirety.

SECTION 2.02 STATEMENT OF OBJECTIVES

The establishment of the Development District in the City pursuant to the Development District Act is necessary and in the best interests of the City and its residents and is necessary to give the City the ability to meet certain public purpose objectives that would not be obtainable in the foreseeable future without intervention by the City in the normal development process.

The City intends, to the extent permitted by law, to accomplish the following objectives through the implementation of the Development Program:

1. Provide for the acquisition of land and construction and financing of the private development in the Development District which are necessary for the orderly and beneficial development of the Development District and adjacent areas of the City.
2. Encourage the redevelopment of blighted and under-utilized areas of the City.
3. Facilitate the removal of deteriorated structures and encourage redevelopment in commercial areas providing high levels of property maintenance and private investment.
4. Provide parking needed to support development and encourage use of shared parking to promote additional private development.
5. Build, maintain, improve, and reconstruct public improvements and utilities needed to support development.
6. Promote and secure the prompt and unified development of certain property in the Development District, which property is not now in productive use or in its highest and best use, with a minimum adverse impact on the environment, and thereby promote and secure the desirable development of other land in the City.
7. Promote and secure additional employment opportunities within the Development District and the City for residents of the City and the surrounding area, thereby improving living standards and reducing unemployment and the loss of skilled and unskilled labor and other human resources in the City.

8. Secure the increase in values of property subject to taxation by the City, the School District, the County, and other taxing jurisdictions in order to better enable such entities to pay for governmental services and programs that they are required to provide.
9. Promote the concentration of new unified development consisting of desirable industrial and other appropriate development in the Development District so as to maintain the area in a manner compatible with its accessibility and prominence in the City.
10. Encourage the expansion and improvement of local business, economic activity and development, whenever possible.
11. Create a desirable and unique character within the Development District through quality land use alternatives and design quality in new buildings.

SECTION 2.03 BOUNDARIES OF DEVELOPMENT DISTRICT

The boundaries of the Development District are depicted in Exhibit V. The boundaries of the Development District shall be coterminous with the municipal boundaries of the City, as may be amended through annexation from time to time.

SECTION 2.04 DEVELOPMENT ACTIVITIES

The City will perform or cause to be performed, to the extent permitted by law, all project activities pursuant to the Development District Act, the Tax Increment Financing Act and other applicable state laws, and in doing so anticipates that the following may, but are not required, to be undertaken by the City:

1. The making of studies, planning, and other formal and informal activities relating to the Development Program.
2. The implementation and administration of the Development Program.
3. The rezoning of land within the Development District.
4. The acquisition of property or interests in property, by purchase or condemnation, which acquisition is consistent with the objectives of the Development Program.
5. The preparation of property for use and development in accordance with applicable land use regulations and any development agreement, including demolition of structures, clearance of sites, placement of fill and grading.
6. The resale of property to private parties.
7. The construction or reconstruction of site improvements to property within a tax increment financing district.
8. The construction, improvement and maintenance of parking facilities.
9. The construction, improvement and maintenance of streets, sidewalks, alleys, and public utilities.
10. The issuance of Bonds to finance the Project Costs of the Development Program, and the use of Tax Increments or other funds available to the City to pay or finance the Project Costs of a tax increment financing plan incurred or to be incurred by it pursuant to the Development Program.
11. The use of tax increments to pay debt service on the Bonds or otherwise pay or reimburse with interest the Project Costs of a tax increment financing plan.

SECTION 2.05 PAYMENT OF PROJECT COSTS

The Project Costs and the plan for their payment will be described in the tax increment financing plans. It is anticipated that the Project Costs of the Development Program will be paid primarily from tax increments.

SECTION 2.06 ENVIRONMENTAL CONTROLS; LAND USE REGULATIONS

All municipal actions, public improvements and private development shall be carried out in a manner consistent with existing environmental controls and all applicable land use regulations of the City.

SECTION 2.07 PARK AND OPEN SPACE TO BE CREATED

Park and open space within the Development District if created will be created in accordance with the City's comprehensive plan and zoning and subdivision ordinances.

SECTION 2.08 PROPOSED REUSE OF PROPERTY

The Development Program reserves the authority for the City to acquire property and reconvey the same to another entity. All parcels in the Development District are eligible for acquisition. In acquiring land, the City Council will require the execution of a binding development agreement with respect thereto and evidence that Tax Increments or other funds will be available to repay the costs associated with the acquisition. It is the intent of the City to negotiate the acquisition of property whenever possible. Appropriate restrictions regarding the reuse and redevelopment of property shall be incorporated into any development agreement to which the City is a party.

SECTION 2.09 ADMINISTRATION AND MAINTENANCE OF DEVELOPMENT DISTRICT

Maintenance and operation of the Development District will be the responsibility of the City Administrator of the City, or designee, who shall serve as administrator of the Development District for the City. The Administrator will administer the Development District and comply with provisions of Section 469.131 of the Development District Act; provided, however, that such powers may only be exercised at the direction of the City Council. No action taken by the Administrator pursuant to the above-mentioned powers shall be effective without authorization by the City Council.

SECTION 2.10 AMENDMENTS

The City reserves the right to alter and amend the Development Program, subject to the provisions of State law regulating such action. The City specifically reserves the right to enlarge or reduce the size of the Development District, the Development Program and the Project Costs of the development.

ARTICLE III - TAX INCREMENT FINANCING PLAN

SECTION 3.01 STATUTORY AUTHORITY

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

SECTION 3.02 PLANNED DEVELOPMENT

3.02.1 Project Description

The Developer proposes to construct an approximate 550,000 square foot manufacturing facility to be used for corrugated product manufacturing. The building will be constructed on private property to be acquired by the Developer. The project is expected to commence by June 30, 2027 and be completed by December 31, 2028.

3.02.2 City Plans and Development Program

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

3.02.3 Land Acquisition

The City does not plan to acquire property within the TIF District.

3.02.4 Development Activities

The City plans to enter into a contract for private development with the Developer for the use of tax increments from the TIF District to assist the Development.

3.02.5 Need for Tax Increment Financing

The Development would not occur solely through private investment within the reasonably foreseeable future and, therefore, the use of tax increment financing is deemed necessary. The Developer has represented to the City that it could not proceed with the construction of the Development in the TIF District without tax increment assistance to offset the high cost of the land acquisition and site improvements for the Development.

The TIF Plan conforms with the general development plan of the City and will generally complement and serve to implement policies adopted in the City's comprehensive plan. The Development shall be in accordance with the zoning for the Property and the City's Planning Commission has determined that the Development is consistent with the comprehensive plan.

The TIF Plan will afford maximum opportunity consistent with the sound needs of the City as a whole for the development of the TIF District by private enterprise. The Development will be used by the Developer, a private enterprise, for manufacturing, warehousing and distributing products and will afford maximum opportunity for the development of the applicable parcels consistent with the needs of the City. The Development will maximize the potential of an underutilized site and will increase the taxable market valuation of the City and the available manufacturing, warehousing and distribution facilities in the City.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above and is shown in Exhibit I. This analysis indicates that the increase in estimated market value of the Development (less the present value of the projected tax increments for the maximum duration permitted by the TIF Plan) exceeds the estimated market value of the site prior to the establishment of the TIF District. The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Development District by private enterprise.

SECTION 3.03 TAX INCREMENT FINANCING DISTRICT

3.03.1 Designation

The TIF District is designated Tax Increment Financing (Economic Development) District No. 1-8 pursuant to the TIF Act.

3.03.2 Boundaries of TIF District

The boundaries of the TIF District are shown in Exhibit V. The TIF District encompasses all rights-of-way and abutting roadways to the property within the TIF District. Subject to annexation to be completed prior to the establishment of the TIF District, the following described property will be included within the boundaries of the TIF District. The City anticipates after annexation the two parcels, as described below, may be further combined with the outside boundaries of the TIF District remaining the same. The below-described property consists of a total of 115.19 acres, more or less:

Parcel 1:

The Northeast Quarter of the Northeast Quarter of Section 25, Township 33, Range 28, Sherburne County, Minnesota; and

That part of the Southeast Quarter of the Northeast Quarter and that part of the Northeast Quarter of the Southeast Quarter, all in Section 25, Township 33, Range 28, Sherburne County, Minnesota, described as follows:

Commencing at the Northeast corner of said Section 25; thence South 00 degrees 01 minutes 51 seconds West, assumed bearing along the East line of the Northeast Quarter of said Northeast Quarter, a distance of 1319.25 feet, to the Northeast corner of said Southeast Quarter of the Northeast Quarter, and the point of beginning of the tract of land to be described; thence continuing South 00 degrees 01 minutes 51 seconds West, along the East line of said Southeast Quarter of the Northeast Quarter, a distance of 765.56 feet, to a Northerly line of Minnesota Department of Transportation Right of Way Plat No. 71-5, Sherburne County, Minnesota, according to the recorded plat thereof; thence South 53 degrees 51 minutes 34 seconds West, along said Northerly line, a distance of 24.78 feet; thence South 00 degrees 28 minutes 18 seconds East, a distance of 0.43 feet; thence South 85 degrees 29 minutes 28 seconds West, a distance of 151.61 feet; thence South 00 degrees 01 minutes 51 seconds West, parallel with said East line of said Southeast Quarter of the Northeast Quarter, a distance of 129.04 feet, to said Northerly line; thence South 53 degrees 51 minutes 34 seconds West, along said Northerly line, a distance of 24.83 feet; thence North 36 degrees 08 minutes 26 seconds West, along said Northerly line, a distance of 25.00 feet; thence South 53 degrees 51 minutes 34 seconds West, along said Northerly line, a distance of 1378.46 feet, to the West line of said Northeast Quarter of the Southeast Quarter; thence North 00 degrees 02 minutes 16 seconds East, along said West line of said Northeast Quarter of the Southeast Quarter, a distance of 387.98 feet, to the Northwest corner of said Northeast Quarter of the Southeast Quarter; thence North 00 degrees 02 minutes 23 seconds East, along the West line of said Southeast Quarter of the Northeast Quarter, a distance of 1315.43 feet, to the Northwest corner of said Southeast Quarter of the Northeast Quarter; thence North 88 degrees 53 minutes 19 seconds East, along the North line of said Southeast Quarter of the Northeast Quarter, a distance of 1318.72 feet, to the point of beginning.

Parcel 2:

The Southeast Quarter of the Southeast Quarter of Section 24, Township 33, Range 28, Sherburne County, Minnesota,

EXCEPT a 100 foot strip of land conveyed to the St. Paul, Minneapolis and Manitoba Railway in deed dated April 20, 1880, recorded April 26, 1880;

AND EXCEPT a 25 foot strip of land conveyed to the St. Paul and Northern Pacific Railway in deed dated February 2, 1884, recorded May 31, 1884

3.03.3 Type of District

The TIF District is established as an "economic development" district pursuant to Sections 469.174 subd. 12, and 469.176, subd. 4c of the TIF Act.

The TIF Act allow tax increments from an economic development district as a tax increment financing district that consists of any project or portions of a project which the City finds to be in the public interest because:

(1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality;

(2) it will result in increased employment in the state;

(3) it will result in preservation and enhancement of the tax base of the state; or

(4) it satisfies the requirements of a workforce housing project under Section 469.176, subd. 4c, paragraph (d) of the TIF Act.

The City finds the Development to be in the public interest because it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality, it will result in increased employment in the state and it will result in preservation and enhancement of the tax base of the state.

Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

(1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;

(2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) research and development related to the activities listed in clause (1) or (2);

(4) telemarketing if that activity is the exclusive use of the property;

(5) tourism facilities;

(6) space necessary for and related to the activities listed in clauses (1) to (5) or

(7) a workforce housing project that satisfies the requirements of Section 496.176, subd. 4c, paragraph (d) of the TIF Act.

The Development will be used for the purpose of manufacturing and 100% of the planned building will be used for this purpose. The Development is a qualified facility and meets the requirements in the TIF Act.

SECTION 3.04 PLAN FOR USE OF TAX INCREMENT

3.04.1 Estimated Tax Increment

The original net tax capacity value of the TIF District will be set by the County upon request for certification. The City intends to file the request for certification of the TIF District before June 30, 2027. As such, the original net tax capacity value will based on valuation as of January 2, 2026 for tax payable in 2027.

For the purposes of the TIF Plan, the estimated original net tax capacity value is $15,930. This is based on the combined estimated taxable market value of the property to be included within the TIF District of $796,500, calculated for commercial-industrial property.

The net tax capacity value of the property after completion of the Development is estimated to be $1,001,000 for tax payable 2030. This is based on a total estimated market value of $50,050,000 with property classified as commercial-industrial. The difference between the net tax capacity value and the original net tax capacity value is $985,070 — the captured tax capacity value for creation of tax increments in 2030. The TIF Plan partial-completion value in 2029 with full value in 2030 for tax increments.

The original net tax capacity rate for the TIF District is estimated at 109.07% for purposes of the TIF Plan, the actual rate will vary. At the time of the certification of the original net tax capacity value for the TIF District, the County will certify the original net tax capacity rate that will apply for the duration of the TIF District. The original net tax capacity rate is the sum of all the local tax rates, excluding that portion of the school rate attributable to the general education levy under Minnesota Statutes section 126C.13, that apply to a property in the TIF District. The original net tax capacity rate to be certified by the County is the rate in effect for the same taxes payable year applicable to the original net tax capacity value.

Under these assumptions, the estimated annual tax increments will be $1,070,508 in tax payable 2030, after completion of the Development. This is an estimate for planing purposes only, the actual amount will vary. The estimated annual tax increments is after deducting for the 0.36% fee payable by the County to the Minnesota Office of the State Auditor. The actual tax increments for the TIF District will vary according to the certified original net tax capacity value and original net tax capacity rate, the actual property value produced by the Development and the year-to-year changes in property value, local property tax rates, and State tax policy over the duration of the TIF District.

The City will retain 100% of the captured tax capacity value for the duration of the TIF district. Exhibit II contains the projected tax increment over the duration of the TIF District.

3.04.2 Project Costs

The City plans to use tax increment to pay the Project Costs. The Project Costs eligible for reimbursement from tax increment pursuant to the TIF Act may include land acquisition, site improvements and preparation costs, utilities, other qualified costs, and costs related to the establishment of the TIF District and other administration costs.

3.04.3 Estimated Sources and Uses of Funds

The estimated sources of revenue, along with the Public Development Costs of the TIF District, are itemized in Figure 3-1 on page 10. These estimates are based on the best available information for the sources and uses of funds. Such costs are eligible for reimbursement from tax increment from the TIF District. The City reserves the right to administratively adjust the amount of any of the Project Cost line items listed in Figure 3-1, so long as the total “Estimated Tax Increment Project Costs” is not increased, not including interest expense.

The Authority reserves the right to administratively adjust the amount of any of the items listed in Figure 3-1 or to incorporate additional eligible items, so long as the total estimated project/

Figure 3-1
City of Big Lake
Tax Increment Financing District No. 1-8
Projected Tax Increment
Industrial Project

	Total
Estimated Tax Increment Revenues (from tax increment generated by the district)	
Tax increment revenues distributed from the county	$9,396,000
Interest and investment earnings	$25,000
Sales/lease proceeds	$0
Market value homestead credit	$0
Total Estimated Tax Increment Revenues	$9,421,000
Estimated Project/Financing Costs (to be paid or financed with tax increment)	
Project costs	
Land/building acquisition	$4,400,000
Site improvements/preparation costs	$2,261,000
Subtotal	*$6,661,000*
Administrative costs	$188,000
Estimated Tax Increment Project Costs	$6,849,000
Estimated financing costs	
Interest expense	$2,572,000
Total Estimated Project/Financing Costs to be Paid from Tax Increment	$9,421,000
Estimated Financing	
Total amount of bonds to be issued	$6,849,000

financing costs to be paid from tax increment is not increased.

3.04.4 Administrative Expense

The City reserves the right to use up to a maximum of ten percent (10%) of annual tax increment revenues, less fees paid to the State and County on administrative expenses. The City will use these monies to pay for and reimburse the City for costs of administering the TIF District allowed by the TIF Act.

Figure 3-1 above provides the estimated amount of administrative costs to be paid from tax increments. Anticipated administrative expenses of the TIF District include annual audits of the fund for the TIF District, preparation of annual reporting, legal publication of annual reports, and administration of the development agreement. To the extent not covered by other revenue, such as reimbursement from the Developer, the City may also reimburse itself for costs associated with the establishment of the TIF District, including the TIF Plan and preparation of development agreements.

3.04.5 County Road Costs

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

3.04.6 Bonded Indebtedness

The Bonds issued in connection with “any project for which tax increment financing has been undertaken” must be one of the types of bonds expressly authorized by Section 469.178 of the TIF Act. The types of bonds include general obligation bonds supported by tax increment, revenue bonds (including “pay-as-you-go” obligations); and interfund loans or advances.

The total amount of Bonds estimated to be issued to pay Project Costs of the TIF District is shown in Figure 3-1 above. The City will not issue general obligation bonds as a result of the TIF Plan. The City plans to use tax increments to reimburse itself for administrative expense and to reimburse the Developer on a pay-go basis through issuance of a Tax Increment Financing Revenue Note, payable solely from tax increment from the TIF District, for certain Project Costs, with interest payable, all pursuant to terms to be provided in a development agreement.

The City may approve an interfund loan to reimburse itself for administrative expense it will incur for the TIF District. The City may advance or loan money to finance expenditures, under Section 469.176, subd. 4 of the TIF Act, from the general funds of the City or any other legally authorized fund to finance qualified expenditures, subject to the provisions defined in this section of the TIF Act.

3.04.7 Duration of TIF District

The TIF Act allows tax increments to be collected from the TIF District for a period not to exceed eight (8) years from the date of receipt of the first tax increment. The City reserves the right to collect tax increments for this period to undertake eligible activities in the TIF District and the Development District.

Under the current schedule for development, the first tax increment is estimated to be collected in 2029 creating the authority to collect tax increments through December 31, 2037. The City must request decertification of the TIF District after reimbursement of all Project Costs but no later than after the final receipt of tax increments.

While not anticipated, it is possible that increase in net tax capacity value of the property within the TIF District before commencement of the Development, compared to the certified original net tax capacity value, may result in the first collection of tax increments occurring earlier than 2029. The duration of the TIF District is limited by the TIF Act to no longer than 8 years from the date of receipt of the first tax increments. The TIF Act does not provide authority for the City to elect to delay the first year of tax increment collection for an economic development tax increment financing district.

3.04.8 Estimated Impact on Other Taxing Jurisdictions

Exhibit III and IV show the estimated impact on other taxing jurisdictions if the maximum projected captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The City finds that there will be no adverse impact on other taxing jurisdictions during the duration of the TIF District since the Development would not have occurred without the establishment of the TIF District and the provision of public assistance through tax increment financing. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The City anticipates minimal impact of the Development on city-provided services. There will be no borrowing costs to the City for the project. A manageable increase in water and sewer usage is expected. It is anticipated that there may be a slight but manageable increase in police and fire protection duties due to the Development.

3.04.9 Prior Planned Improvements

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District. The City must include this statement with the request for certification to the County. If building permits had been issued during this time period, then the County would need to increase the original net tax capacity of the TIF District by the tax capacity of each improvement for which a building permit was issued.

ARTICLE IV – ADMINISTERING THE TIF DISTRICT

SECTION 4.01 FILING AND CERTIFICATION

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

1. Upon adoption of the TIF Plan, the City shall submit a copy of the TIF Plan to the Minnesota Department of Revenue and the Minnesota Office of the State Auditor.
2. The City will request that the County certify the original net tax capacity and original net tax capacity rate of the TIF District. To assist the County in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements.

SECTION 4.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN

The City reserves the right to modify the TIF District and the TIF Plan. Pursuant to the TIF Act, the following actions can only be approved after satisfying all the necessary requirements for approval of the original TIF Plan (including notifications and public hearing):

- Reduction or enlargement in the geographic area of the Development District or the TIF District.
- Increase in the amount of bonded indebtedness to be incurred.
- Increase in the amount of capitalized interest.
- Increase in that portion of the captured net tax capacity to be retained by the City.
- Increase in the total estimated Project Costs.
- Designation of additional property to be acquired by the City.

Other modifications can be made by resolution of the City Council. In addition, the original approval process does not apply if (1) the only modification is elimination of parcels from the TIF District and (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

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

SECTION 4.03 FOUR-YEAR KNOCKDOWN RULE

Pursuant to Section 469.176, subd. 6 of the TIF Act, the Four-Year Knockdown Rule requires that if after four years from certification of the TIF District no demolition, rehabilitation, renovation or site improvement, including a 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 City must submit to the auditor of the County, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

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

SECTION 4.04 FIVE YEAR RULE AND SIX YEAR RULE

Pursuant to Section 469.1763, subd. 2 of the TIF Act at least 80% of the total revenue derived from tax increments paid by properties in the TIF District must be expended on activities in the in the TIF District or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds.

Not more than 20% of the total revenue derived from tax increments paid by properties in the TIF District may be expended, through a development fund or otherwise, on activities outside of the TIF District but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. All administrative expenses for the TIF District will be considered to be expenditures for activities outside of the TIF District pursuant to requirements within the TIF Act.

Five Year Rule

Revenues derived from tax increments paid by properties in the TIF District that are expended on an activity within the district will instead be considered to have been expended on an activity outside the district for purposes of Section 469.1763, subd. 2 of the TIF Act unless:

(1) before or within five years after certification of the district, the revenues are actually paid to a third party with respect to the activity;

(2) bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party before or within five years after certification of the district, the revenues are spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable temporary period within the meaning of the use of that term under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund;

(3) binding contracts with a third party are entered into for performance of the activity before or within five years after certification of the district and the revenues are spent under the contractual obligation;

(4) costs with respect to the activity are paid before or within five years after certification of the district and the revenues are spent to reimburse a party for payment of the costs, including interest on unreimbursed costs; or

(5) revenues are spent for housing purposes as described by Section 469.1763, subd. 2 of the TIF Act, paragraph (b).

(b) For purposes of this subdivision, bonds include subsequent refunding bonds if the original refunded bonds meet the requirements of paragraph (a), clause (2).

It is anticipated that all tax increments collected in the TIF District will be spent or obligated before within five years after certification of the TIF District.

Six Year Rule

Pursuant to Section 469.1763, subd. 4 of the TIF Act, beginning with the sixth year following certification of the TIF District, the use of tax increment derived from the Property within the TIF District is further limited. The general concept of the Six Year Rule provides that the TIF District must be decertified when the product of the applicable in-district percentage multiplied by cumulative revenues derived from tax increments paid by properties in the district that have been collected through the end of the calendar year, equals or exceeds an amount sufficient to pay costs and obligations. The City will administer the TIF District in compliance with the Six-Year Rule.

SECTION 4.05 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS

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

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

SECTION 4.06 BUSINESS SUBSIDY COMPLIANCE

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

Exhibit I
City of Big Lake
Tax Increment Financing District No. 1-8
Present Value Analysis As Required By Section 469.175(3)(2) of the TIF Act

1	Estimated Future Market Value w/ Tax Increment Financing	53,660,374	[1]
2	Payable 2026 Market Value	796,500	
3	Market Value Increase (1-2)	52,863,874	
4	Present Value of Future Tax Increments	6,992,393	
5	Market Value Increase Less PV of Tax Increments	45,871,482	
6	Estimated Future Market Value w/o Tax Increment Financing	862,495	[1]
7	Payable 2026 Market Value	796,500	
8	Market Value Increase (6-7)	65,995	
9	Increase in MV From TIF	45,805,486	[2]

[1] *Assume 1.00% annual appreciation over 9 year life of district.*

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

Exhibit II

City of Big Lake

Tax Increment Financing District No. 1-8 (Economic Development)

Industrial Project

Projected Tax Increment Financing (TIF) Cash Flow

TIF District Year	Taxes Payable Year	Taxable Market Value (TMV)	Net Tax Capacity Value	Original Net Tax Capacity Value	Captured Tax Capacity Value	Original Net Tax Capacity Rate	Captured TIF	Less State Fee	Available TIF from District	PV Available TIF
1	2029	24,777,228	495,545	15,930	479,615	109.07%	523,096	(1,883)	521,213	476,132
2	2030	50,050,000	1,001,000	15,930	985,070	109.07%	1,074,376	(3,868)	1,070,508	1,406,928
3	2031	50,550,500	1,011,010	15,930	995,080	109.07%	1,085,294	(3,907)	1,081,387	2,301,876
4	2032	51,056,005	1,021,120	15,930	1,005,190	109.07%	1,096,321	(3,947)	1,092,374	3,162,356
5	2033	51,566,565	1,031,331	15,930	1,015,401	109.07%	1,107,458	(3,987)	1,103,471	3,989,693
6	2034	52,082,231	1,041,645	15,930	1,025,715	109.07%	1,118,706	(4,027)	1,114,679	4,785,162
7	2035	52,603,053	1,052,061	15,930	1,036,131	109.07%	1,130,067	(4,068)	1,125,999	5,549,990
8	2036	53,129,084	1,062,582	15,930	1,046,652	109.07%	1,141,541	(4,110)	1,137,431	6,285,355
9	2037	53,660,374	1,073,207	15,930	1,057,277	109.07%	1,153,130	(4,151)	1,148,979	6,992,393
						TOTAL =	9,429,989	(33,948)	9,396,041	6,992,393

Key Assumptions for Cash Flow:

1. Taxable market value (TMV) annual growth assumption = 1.0%
2. Original Tax Capacity Rate estimated based on Taxes Payable Year 2026.
3. Election for captured tax capacity is 100.00%
4. Original Net Tax Capacity Value is estimated based on an estimate for the TMV of the property within the TIF District = $796,500.
5. Present Value (PV) of Available TIF calculated based on semi-annual payments and rate of 5.0% and dated date 1/1/2028.
6. Assumes projects commences in 2027 and is 50% completed for vaulation as of January 2028 for tax payable in 2029; and 100% completed in 2028 for valuation as of January 2029 for tax payable 2030.
7. Available TIF from District is after deducting the State Fee, payable by the County to the State Auditor's Office.

Exhibit III
City of Big Lake
Tax Increment Financing District No. 1-8
Impact on Other Taxing Jurisdictions
(Taxes Payable 2026)

Annual Tax Increment

Estimated Annual Captured Tax Capacity (Full Development)	$1,057,277
Payable 2026 Local Tax Rate	109.066%
Estimated Annual Tax Increment	$1,153,130

Percent of Tax Base

	Net Tax Capacity (NTC)	Captured Tax Capacity	Percent of Total NTC
City of Big Lake	15,466,754	1,057,277	6.84%
Sherburne County	172,912,626	1,057,277	0.61%
Big Lake School District (ISD 727)	30,370,295	1,057,277	3.48%

Dollar Impact of Affected Taxing Jurisdictions

	Net Tax Capacity (NTC)	% of Total	Tax Increment Share	Added Local Tax Rate
City of Big Lake	40.080%	36.748%	423,757	2.740%
Sherburne County	38.917%	35.682%	411,461	0.238%
Big Lake School District (ISD 727)	28.783%	26.390%	304,316	1.002%
Other	1.286%	1.179%	13,597	
Totals	109.066%	100.000%	1,153,131	

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

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

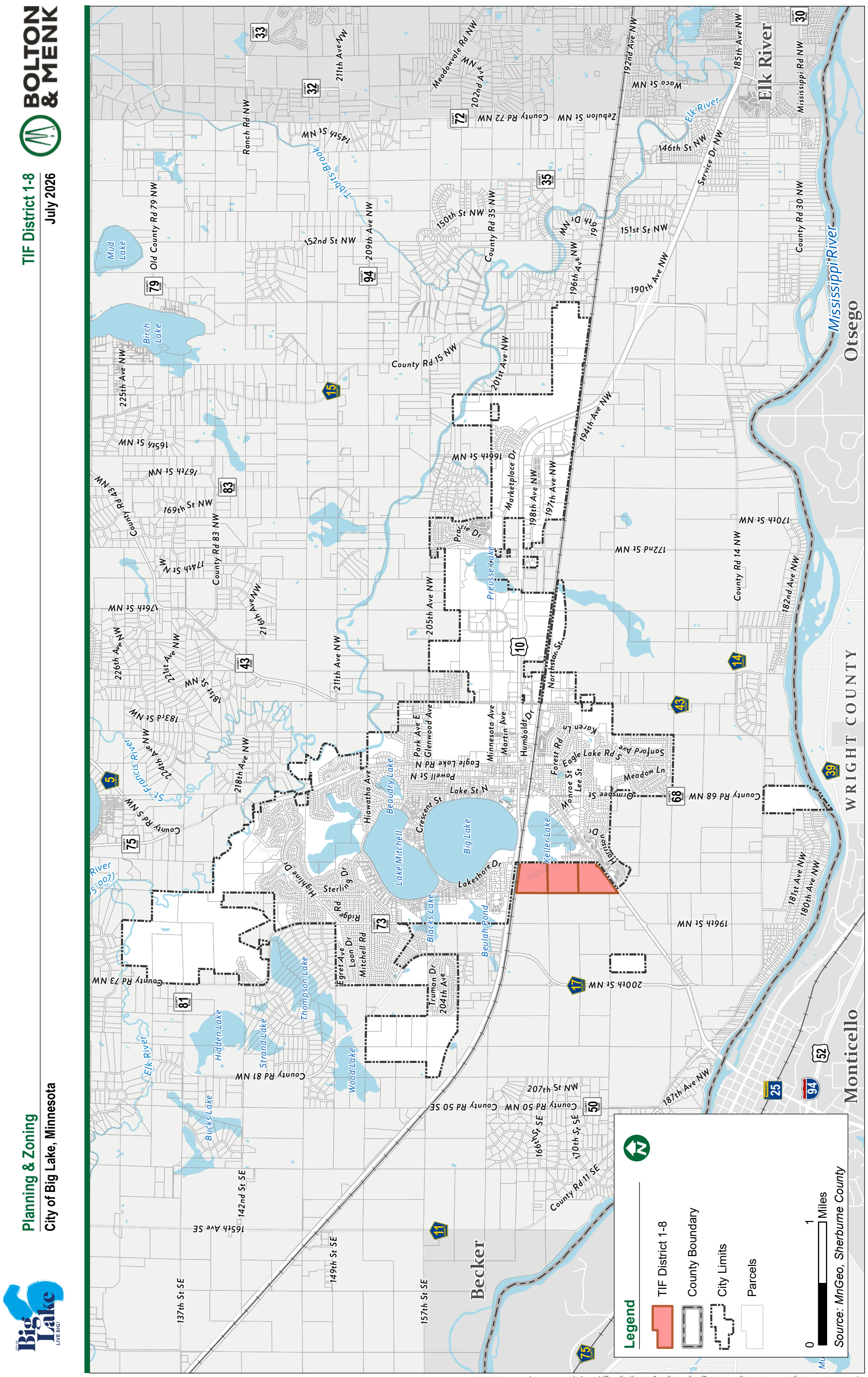
Exhibit IV
City of Big Lake
Tax Increment Financing (Economic Development) District No. 1-8
Industrial Project
Estimated Tax Increments Over Maximum Life of District

TIF District Year	Taxes Payable Year	New Taxable Market Value	Estimated Total Tax Increments	City TIF Related Share	County TIF Related Share	School TIF Related Share	Other TIF Related Share
1	2029	24,777,228	523,096	192,230	186,652	138,047	6,167
2	2030	50,050,000	1,074,376	394,816	383,360	283,533	12,667
3	2031	50,550,500	1,085,294	398,828	387,255	286,414	12,797
4	2032	51,056,005	1,096,321	402,880	391,190	289,324	12,927
5	2033	51,566,565	1,107,458	406,973	395,164	292,263	13,058
6	2034	52,082,231	1,118,706	411,106	399,177	295,231	13,192
7	2035	52,603,053	1,130,067	415,281	403,231	298,230	13,325
8	2036	53,129,084	1,141,541	419,498	407,325	301,258	13,460
9	2037	53,660,374	1,153,130	423,757	411,461	304,316	13,596
Total			9,429,989	3,465,369	3,364,815	2,488,616	111,189

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

EXHIBIT V

Boundaries of Development District No. 1 and Tax Increment Financing District No. 1-8
Boundaries Include All Adjacent Rights-of-Way and Abutting Roadways



WORKSHOP ITEM
Big Lake City Council

Prepared By: *Layne Otteson P.E. City Engineer* *ENG26-041*	**Meeting Date:** *8/19/2026*	**Item No.** **4B**
Item Description: *Draft 2027-2031 Pavement Management Plan Discussion*	***Reviewed By:*** *Hanna Klimmek, City Administrator* ***Reviewed By:*** *Deb Wegeleben, Finance Director*	

COUNCIL DIRECTION REQUESTED

Staff requests Council provide direction regarding general pavement preservation investment and development of a 2027 – 2031 Pavement Management Plan.

BACKGROUND/DISCUSSION

<u>Street Network Preservation and Expansion</u>

The City's street network includes existing streets and future expansion. The City needs to maintain the existing streets while preparing to fund future expansion of collector streets. The existing network is maintained through Public Works maintenance, sealcoating and resurfacing as the streets age. The collector streets connect all areas of the City so that movement of vehicles and pedestrians is efficient and safe. The construction of collector streets is typically driven by land development needs (expansion). The Plan recognizes and addresses the funding impact of 17 to 26-year-old streets that will soon need resurfacing. The Plan will need to address preserving the existing pavement, extending pavement lifecycle and prepare for street expansion of new plats (commercial and residential).

<u>Pavement Cycle</u>

The City has approximately 55 miles of streets. It is generally accepted that the pavement life cycle is approximately 20 years and designed accordingly. In Big Lake, the underlying soil is generally sand which is a very stable and well drained. This provides a strong foundation for the street structure to be built upon and extends pavement life. However, we do see surface longevity differ between residential and collector/commercial areas. Residential streets seem to be able to last 25-30 years while the higher volume collectors/commercial streets require resurfacing in the 20-25 year range. Staff will look to identify streets that can extend their life cycle through targeted patching and sealcoating. Street condition is rated about every 5 years with pavement condition updates. For long term planning and budgeting, **we assume streets need to be resurfaced in a 25-year cycle (on average).**

<u>Street Sealcoating</u>

Street pavement life can be extended through sealcoating. Sealcoat significantly reduces moisture penetration and oxidation by the sun/environment. Often times when milling the upper 1 to 2 inches of the pavement, the underlying bituminous is stable. There is a concentration of streets approaching the typical time to perform resurfacing. Sealcoating will delay the need to resurface select streets. Extending the resurfacing of a portion of streets provides longer pavement lifecycle and will spread out the work more evenly on an annual basis. This will also benefit the City in approximately 20 to 25 years when the streets are due for resurfacing again.

Historical Pavement Projects (1999 – 2025)

1999 – 2008

The City experienced significant growth during these 10 years when approximately 30 miles of roadway were constructed. This is an average of 3 miles per year and those streets are now 17 to 26 years old. These streets need to be resurfaced over the next 15 years while including other younger streets that will also be aging and entering the resurfacing "window".

2009 – 2017

During this 9-year span, the City conducted 2 projects related to streets. In 2010, the City contributed to improvements at the intersection of MN 25 and US 10. In 2016, the City had a contractor overlay about 1 mile of pavement in a northwest neighborhood where the pavement was raveling apart.

2018 – 2020

These 3 years focused on addressing immediate pavement degradation and financial planning to meet current needs. The City began to recognize the funding need of future street resurfacing. Approximately 2.75 miles streets were resurfaced or reconstructed.

2021 – 2025

Several years ago, Council directed the City Engineer to advance future projects to catch up on pavement resurfacing/reconstruction and leverage the historic low bond rates. This reduced the costs and special assessments significantly. Neighborhoods around the lake were targeted as the priority as they had the lowest pavement condition, several poor drainage areas and erosion into the lakes. Other neighborhoods in the vicinity with low pavement ratings were included for resurfacing. The City completed approximately 6.5 miles of street via resurfacing/reconstruction and 6 miles of sealcoating.

Draft 2027 – 2031 Pavement Management Plan

This Plan reflects a goal of extending the life of 5 miles of street past 2035 and resurfacing a minimum of 2.3 miles per year after 2026. There will be adjustments where streets deteriorate significantly faster or stay stable for 30+ years. Greater detail related to estimated costs and target years for each street/area will be explained at Workshop. If Council is supportive of this plan, then further development and refinement of costs will be determined and brought back to the Council. The final plan provides guidance to City staff to present projects within budget before the Council in a timely fashion. The Plan is intended to be flexible to meet needs or changes that arise. The following information and Council direction will be incorporated into the 2027-2031 Pavement Management Plan following the Workshop.

Year	Street/Area	Current Age (years)	Resurface Miles	Sealcoat Miles	Est. Cost
2027	Minnesota Avenue (East)	0	0.2		$950,000
	Hiawatha Ave/Lakeshore Dr	23 & 24	2.22		$950,000*
2028	Industrial Park (176th & 177th)	24	0.52		$110,000
	East Neighborhood	22	2.07		$700,000
2029	Northwest Neighborhoods	20 to 25	2.32		$700,000
	Sealcoat –north and west	20 to 23		5.0	$300,000
2030	Central Commercial/School Area	22 to 24	2.69		$1,300,000*
2031	Mitchell Farms or BL Marketplace	21 to 27	2.22	0.0	$ 700,000
		Totals	13.6	5.0	$5,710,000

*Funded with the City's State Aid account (gas tax)

Additional points of interest

- Staff is seeing localized deterioration of pavement areas on streets that are 20 to 24 years old. Some areas are experiencing the top 1"-2" turning to gravel this spring. The concern is for wide spread deterioration in a relatively short time.
- Areas with poor drainage have the most severe pavement deterioration. This typically can be corrected during resurfacing in order to increase pavement life.
- Curbing on Lakeshore Drive and Hiawatha Avenue has significant deterioration at many of the joints. A field survey shows about 10% of curb joints have a poor rating and should be repaired. This repair adds approximately $250,000 to the resurfacing project. Also, a failing seawall and sidewalk needs to be addressed. The curb, seawall and sidewalk add about $400,000 additional cost beyond resurfacing. The cost of this project significantly reduces the City's State Aid account and CIP 196 street fund and limits the City's ability to respond to unexpected resurfacing or cost-share needs.
- Future contributions to County and State projects can have significant cost impacts to the CIP. State does a good job of providing advance notice. US 10 and MN 25 projects have recently been reprogrammed to take place 1 year later than previously identified by the State. They are now slated for FY2030 and FY2031 but their schedule is fluid.
- Projects are paid using State Aid funding, transfers from the General Fund to CIP Fund 196, and possible grants to minimize the budget impact. Larger projects may require State Aid funding advances.

FINANCIAL IMPACT

The cost of street work is very sensitive to oil price fluctuations. The work will be programmed in a responsible and cost-effective manner. As costs continue to rise, consideration for an increase in annual funding can be anticipated. Staff will provide draft balance sheet showing CIP 196 funding levels and City's State Aid account at the workshop based on several scenarios. Staff will submit for State grants to offset some costs of the larger projects.

STAFF RECOMMENDATION

Staff recommends further discussion following the PowerPoint presentation and provide direction to developing a 2027 – 2031 Pavement Management Plan.

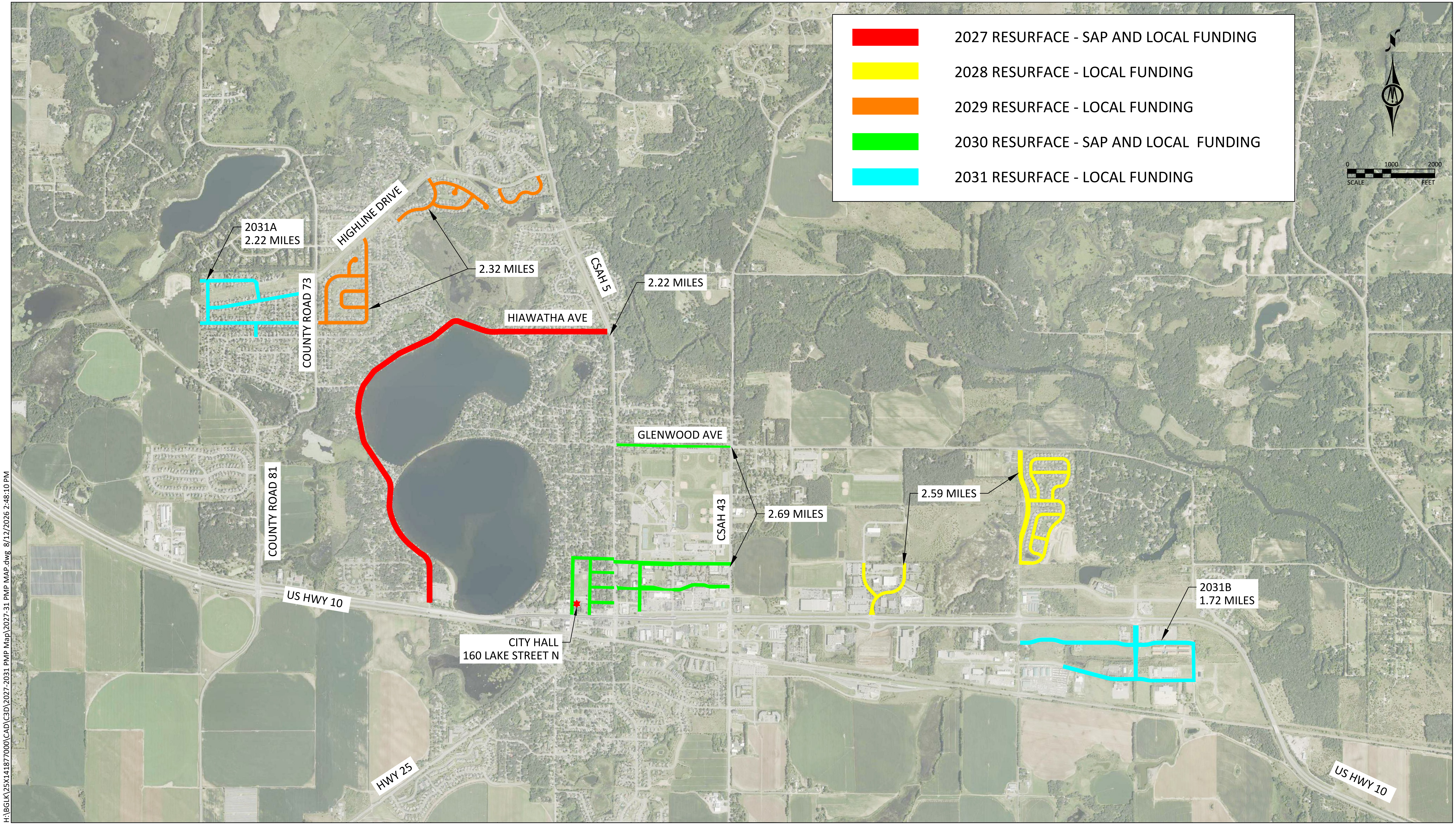
ATTACHMENTS

2027 – 2031 Map

2027-31 PMP MAP

CITY OF BIG LAKE

AUGUST 2026



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