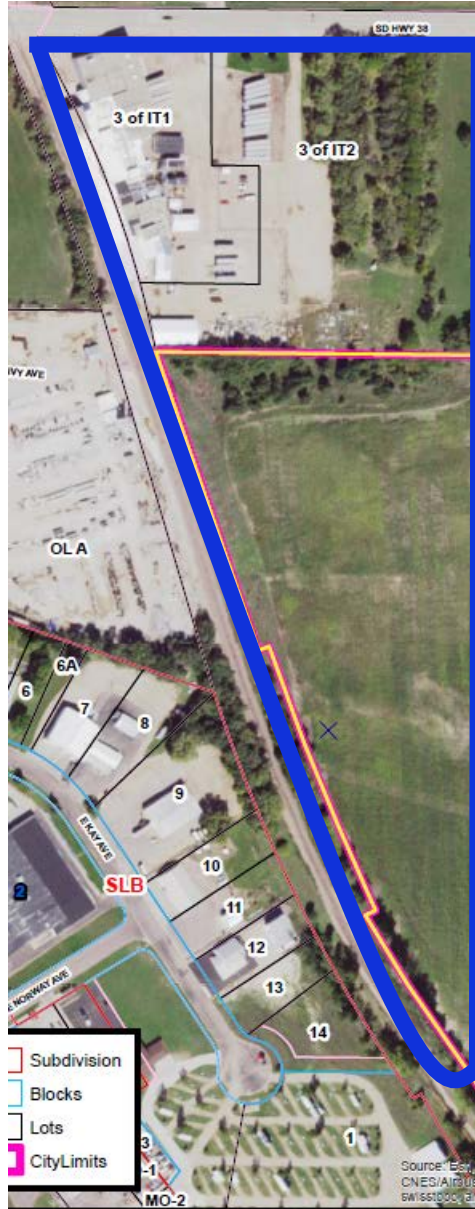


Tax Incremental District
Number 24
City of Mitchell, SD



Project Plan
MITCHELL AREA DEVELOPMENT
CORPORATION
DEVELOPER

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Introduction

Tax Increment Financing (TIF) is an incentive utilized by local governments to attract private development and investment. New investment equals new jobs, more customers, and in turn, more investment opportunity. The incentive can also help attract and retain existing businesses and workers that might otherwise find more attractive options elsewhere. The jobs and additional investment, both private and public, mean more money for the community. Tax Increment Financing helps to overcome costs that often prevent redevelopment and private investment from occurring in the community. As a result, the TIF area itself improves and property values increase.

Specifically, money for improvements and other incentives comes from the growth in property tax revenues - the tax increment. A tax increment is the difference between the amount of property tax revenue generated from property within the TIF district before TIF district designation and the amount of property tax revenue generated from property within the TIF district after TIF designation. Property taxes collected on properties included in the TIF at the time of its designation continue to be distributed to the city, school district, county and all other taxing districts in the same manner as if the TIF district did not exist. Only property taxes collected as a result of the incremental increase in the value of these properties after formation of the TIF district are available for use by the counties or cities to fund projects costs in the TIF district.

In addition to increasing property valuation, creating a Tax Increment District for the benefit of economic development can mean retaining and creating more jobs. Today's business climate allows corporations the flexibility to call any state in the union their home. It is up to local communities to attract and retain companies to their communities. Using Tax Increment Financing is one of the most powerful economic development that helps accomplish job creation.

A local government, per South Dakota Codified Law, Chapter 11-9, can designate a specific area within its boundaries as a redevelopment area appropriate for a TIF district and prepare a plan for development. TIF projects must be recommended for approval by the County or City Planning Commission and the County or City Commission/ Council.

Purpose & General Definitions as used in this Plan

The property upon which this Tax Incremental District (TID) is proposed to be implemented is located within Davison County, South Dakota, and is or will be specifically located within the city limits of the City of Mitchell at the time the TID is created by the City Council.

As such, the creation of City of Mitchell TIF #24 shall be conditioned upon the creation of the District by resolution, and the establishment of the TID boundaries and approval of the TID Project plan by the City of Mitchell Planning and Zoning Commission along with the City Council.

The purpose of this Plan, to be implemented by the City of Mitchell, South Dakota is to satisfy the requirements for a Tax Increment District Number #24 as specified in SDCL Chapter 11-9. The principal purpose of the Plan is to define eligible property and to define a Tax Increment Plan for funding eligible activities in an eligible area of the City. The Plan will describe the boundary, estimated costs, feasibility and fiscal impact of the District.

This Plan was prepared for adoption by the City Council in recognition that the area requires a coordinated, cooperative strategy, with financing possibilities, to promote economic development and accomplish the City's development objectives for improving the continued viability by promoting economic development within the City

The driving interest in the establishment of this Plan is to offer tax increment financing as a tool to stimulate and leverage private sector development and redevelopment, and to promote economic development throughout the District.

Development in the area is anticipated to occur starting in the fall of 2017 with the potential for tax increment financing to provide the impetus and means to undertake this development at faster pace than might occur otherwise, but more importantly to ensure that the expansion of Performance Pet occurs in Mitchell South Dakota, and not another city in South Dakota or another state. The project would not proceed without use of TIF.

The following terms found in this Plan are defined as the following:

"Base" or "Tax Incremental Base" means the aggregate assessed value of all taxable property located within a Tax Incremental District on the date the district is created, as determined by SDCL § 11-9-20.

"Blighted or Economic Development" SDCL § 11-9-8.

- (1) Not less than twenty-five percent, by area, of the real property within the district is a blighted area or not less than fifty percent, by area, of the real property within the district will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and
- (2) The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district.

"City Council" means the City of Mitchell, South Dakota

"Calendar Year" means the starting date of January 1 to an ending date of December 31.

"Department of Revenue" means the South Dakota Department of Revenue.

"Developer" means Mitchell Area Development Corporation, South Dakota non-profit corporation formed in accordance with SDCL 9-27-37.

"Developer's Agreement" means the agreement between Developer and City of Mitchell concerning this Tax Incremental District.

"District" means the Tax Incremental District.

"Economic Development" means all powers expressly granted and reasonably inferred pursuant to SDCL § 9-54.

"Fiscal year" means that fiscal year for City of Mitchell.

"Generally Applicable Taxes" shall have the same meaning as set forth in 26 CFR § 1.141-4(e).

"Governing body" means the Mitchell City Council, South Dakota.

"Grant" means the transfer for a governmental purpose of money or property to a transferee that is not a related party to or an agent of the municipality;

"Infrastructure Improvements" means a street, road, sidewalk, parking facility, pedestrian mall, alley, bridge, sewer, sewage treatment plant, property designed to reduce, eliminate, or prevent the spread of identified soil or groundwater contamination, drainage system, waterway, waterline, water storage facility, rail line, utility line or pipeline, or other similar or related structure or improvement, together with necessary easements for the structure or improvement, for the benefit of or for the protection of the health, welfare, or safety of the public generally.

"MADC" means the Mitchell Area Development Corporation, a South Dakota nonprofit corporation found in accordance with SDCL§ 9-27-37.

"Performance Pet" means Farmers Union Industries, LLC, a Minnesota limited liability company authorized to do business in South Dakota, d/b/a Performance Pet Products.

"Planning Commission" means the Mitchell City Planning Commission South Dakota

"Plan" means this Project Plan.

"Project Costs" means any expenditure or monetary obligations by City of Mitchell, whether made, estimated to be made, incurred or estimated to be incurred, which are listed as Project Costs herein will include any costs incidental thereto but diminished by any income, special assessments, or other revenues, other than tax increments, received, or reasonably expected to be received, by City of Mitchell in connection with the implementation of this Plan.

"Project Plan" means a properly approved Plan for the development or redevelopment of a tax incremental district including all properly approved amendments thereto as recommended pursuant to SDCL§ 11-9-1 3.

"Public Works" means the Infrastructure Improvements, the acquisition by purchase or condemnation of real and personal property within the Tax Incremental District and the sale, lease, or other disposition of such property to private individuals, partnerships, corporations, or other entities at a price less than the cost of such acquisition which benefit or further the health, safety, welfare and economic development of the County and Project Costs.

"Taxable Property" means all real taxable property located in a Tax Incremental District.

"Tax Incremental District" means a contiguous geographic area within a County defined and created by resolution of the governing body and named City of Mitchell Tax Incremental District #24.

"Tax Increment Valuation" is the total value of the Tax Incremental District minus the tax incremental base pursuant to §11-9-19.

"Tax Increment Law" means South Dakota Codified Laws Chapter 11-9.

Creation of City of Mitchell. South Dakota TID #24

Representatives of the Developer have approached officials with City of Mitchell regarding the possibility of creating a Tax Incremental Financing District ("TID") to assist in the Project Costs within the Plan on land which is – or will be prior to TID #24 creation – located within City of Mitchell, South Dakota. As presented by the Developer, the TID will consist of one phase, as follows:

Performance Pet operates a dog food manufacturing plant and warehouse in Mitchell, South Dakota. The manufacturing takes place at Performance Pet's 915 East Havens Avenue Facility which consists of seven different buildings located upon the 915 East Havens property including a 70,002 square foot main building, 2,160 square foot office building, 144 square foot shed, a 3,681 square foot second building, a 308.55 square foot pump house, a 5,100 square foot pole building and a second 1,960 square foot pole building. Performance Pet also owns an approximately 82,000 square foot building located at 1801 Van Dyke Drive, Mitchell, South Dakota 57301 which is utilized as warehouse/cold storage. Performance Pet has plans to expand its 915 East Havens Avenue Property with the design and construction of improvements with associated ingress, egress, project costs and infrastructure for an approximate 140,000 square foot addition to the East Havens Facility consisting of approximately 70,000 square feet for canning processing and 70,000 square feet of warehouse and office space.

Timing and weather permitting Developer intends to begin construction in the fall of 2017 with a completion date by 2018.

Property within Tax Increment District #24

The real property to be located within the Tax Increment District consists of two separate parcels described as follows:

Parcel 1: Irregular Tract 1 and 2 within Lot 3 in the NE1/4 of 27-103-60. Parcel 1 is located within the city boundaries.

Parcel 2:

That portion of Irregular Tract No. 4 in Lot Three (3) of the Northeast Quarter (NE1/4) of Section Twenty-seven (27), Township One Hundred Three (103) North, Range Sixty (60), West of the 5th P.M., Davison County, South Dakota, abutting and lying west of a line which is 908.70 Feet west of and parallel to the East section line of said Northeast Quarter (NE1/4).

Taxable Value of City of Mitchell

State law requires that tax increment districts cannot exceed ten percent of the taxable value of City of Mitchell for payable 2017. This value for City of Mitchell is approximately \$818,530,660*. The base value of the taxable property for inclusion into this Tax Incremental District #24, as per the Director of Equalizations records is \$569,315*.

11-9-7. Maximum percentage of taxable property in municipality permitted in districts. In order to implement the provisions of this chapter, the resolution required by § 11-9-5 shall contain a finding that the aggregate assessed value of the taxable property in the district plus the **tax incremental base of all other existing districts does not exceed ten percent** of the total assessed value of taxable property in the municipality.

Total base value of active TIF Districts in City of Mitchell, South Dakota is as follows:

TIF #	Certified Base Value State of South Dakota Department of Revenue City of Mitchell
5	\$180,050
7	\$265,415
8	\$6,002,565
9	\$50,400
10	\$6,995,035
11	\$207,565
13	\$0
14	\$37,850
15	\$629,700
16	\$5,005,495
17	\$12,810,800
18	\$2,204,600
19	\$13,370
20	\$151,890
21	\$142,235
22	\$1,229,145
23	\$3,004,275
24	\$569,315
Total Base Value(s)	\$39,499,705

The total value of all active TIF districts in City of Mitchell is less than ten (10) percent of total taxable value in the City. Using the estimates provided, with TID #24 included, the total Tax Incremental Districts combined is 4.83% when compared to the 2016 Taxable Valuation.

*The values set forth above do not include the value of Parcel 2 as it has not been annexed into the City at the time of the draft of this Project Plan.

Kind, Number, Location and Detailed Costs of Proposed Public Works and Improvements. SDCL § 11-9-13(1).

In order to implement the provisions of SDCL Chapter 11-9, the following are Project Costs and expenditures made or estimated to be made and the monetary obligations incurred or estimated to be incurred. The Project Costs include capital costs, financing costs, real property assembly costs, professional fee costs, imputed administration costs, relocation costs, organizational costs, discretionary costs and grants, plus any costs incidental thereto.

The City is working to develop an economic and competitive base to benefit the City and the State of South Dakota as a whole. All Project Costs are found to be necessary and convenient to the creation of the Tax Incremental District and its implementation. The project constitutes economic development which is a proper public purpose of the City. The City exercises the powers expressly stated in and reasonably inferred by SDCL §11 -9-1 5 and Chapter 9-54. The City shall enter into all contracts in accordance with South Dakota law.

A combination of private investment and tax increment financing will assist progress toward the overall objectives of MADC. The Performance Pet expansion is part of the overall global mission of MADC which includes:

- To recruit new business(s) to the City of Mitchell
- To retain and expand existing business(s) within the City of Mitchell
- To address and remedy conditions in the area that impair or arrest the sound growth of City of Mitchell;
- To develop, redevelop and rehabilitate the area in a manner which is compatible with and
- complementary to unique circumstances in the area;
- To effectively utilize undeveloped and underdeveloped land;
- To ultimately contribute to increased revenues for all taxing entities;
- To improve areas that are likely to significantly enhance the value of substantially all property in the district.

Costs of Public Works or Improvements

In accordance with SDCL § 11-9-14 the following is the kind, number, location and dollar amount of estimated Project Costs, costs of public works and improvements.

The following are listed as estimated costs of the Project.

Kind of Project	Location ¹	Amount	Reference ²
Capital Costs (Street, Water & Sewer) (Cleaning & grading of land & associated costs)	District		11-9-15(1)
Financing Costs	District		11-9-15(2)
Real Property Assembly	District		11-9-15(3)
Professional Fees	District		11-9-15(4)
Administrative Costs	District		11-9-15(5)
Relocation Costs	District		11-9-15(6)
Organizational Costs	District		11-9-15(7)
Discretionary Costs and Grants	District	\$2,600,000	11-9-15(8)
Eligible Project Costs		\$2,600,000	

All of the above are estimates of the costs involved in the project, and the actual total may be greater or smaller. An itemized listing of the estimated costs is set forth on Schedule 1. Because the cost estimates are only estimated costs, the total authorized TID costs of \$2,600,000 is the controlling value with respect to authorized TID Project Costs, rather than the particular line item amounts contained in the above Chart and Schedule 1. The line item categories proposed are for guidance only, and actual costs will be determined upon completion of the improvements. The above total represents eligible Project Costs. Only such amounts as are feasible will be allowed by the City or by monetary obligation.

*Costs incurred may be allocated and may be completed in any order

¹ District shall mean the Tax Increment District.

² SDCL §11 -9-15

- (1) Capital costs, including the actual costs of the construction of public works or improvements, buildings, structures, and permanent fixtures; the demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and permanent fixtures; the acquisition of equipment; the clearing and grading of land; and the amount of interest payable on tax incremental bonds or notes issued pursuant to this chapter until such time as positive tax increments to be received from the district, as estimated by the Project Plan, are sufficient to pay the principal of and interest on the tax incremental bonds or notes when due;
- (2) Financing costs, including all interest paid to holders of evidences of indebtedness issued to pay for Project Costs, any premium paid over the principal amount thereof because of the redemption of such obligations prior to maturity and a reserve for the payment of principal of and interest on such obligations in an amount determined by the governing body to be reasonably required for the marketability of such obligations;
- (3) Real property assembly costs, including the actual cost of the acquisition by a municipality of real or personal property within a tax incremental district less any proceeds to be received by the municipality from the sale, lease, or other disposition of such property pursuant to a Project Plan;
- (4) Professional service costs, including those costs incurred for architectural, planning, engineering, and legal advice and services;
- (5) Imputed administrative costs, including reasonable charges for the time spent by municipal employees in connection with the implementation of a Project Plan;
- (6) Relocation costs;
- (7) Organizational costs, including the costs of conducting environmental impact and other studies and the costs of informing the public of the creation of tax incremental districts and the implementation of project plans; and
- (8) Payments and grants made, at the discretion of the governing body, which are found to be necessary or convenient to the creation of tax incremental districts or the implementation of project plans.

Expenditures Exceeding Estimated Cost

Any expenditures which in sum would exceed the total amount of the TID amount of \$2,600,000 will require an amendment of this Plan. All amendments would be undertaken pursuant to SDCL §11-9-23.

When the expenditures within the Plan are increased in excess of the total above, the Department of Revenue will be required to reset the base, in accordance with SDCL §11-9-23.

If the Project Costs are not provided for in the original plan, the governing body would be required to amend the plan which requires the South Dakota Department of Revenue to re-determine the tax increment base when additional Project Costs are added to a plan. SDCL §11-9-23.

Developer's Agreement

The City of Mitchell will enter into a Developer's Agreement with MADC with the following as the guidelines for the Agreement:

Financing Terms:

- **Amount.** The total amount of the TIF will not exceed \$2,600,000.
- **Interest Rate.** There will be no interest rate associated with this TIF.
- **Length.** The TIF will not exceed 18 calendar years from the date of creation.
- **Expiration.** The TIF will expire at the end of 18 years or when the \$2,600,000 has been paid out, whichever comes first. Should there be a balance on the TIF note at the end of year 18, the TIF will still expire.

Legal Terms:

- Should the State of SD not classify the TIF as industrial or economic development, the TIF will not be finalized and will cease to exist.
- Performance Pet will waive its right to the discretionary tax abatement.
- The annexation of Parcel 2 described above shall be a condition precedent to the creation of the TIF by resolution.
- Should Parcel 2 not be rezoned to Industrial, the TIF will not be finalized and will cease to exist.

Developer Terms:

- MADC will act as the Developer of TIF #24 and all TIF proceeds will flow to MADC.
- MADC will be responsible to pass on a portion of the increment generated by the TIF to Performance Pet and may retain a portion of the increment to be utilized for professional fees, subject to the Exclusive Development Agreement described below.
- MADC will enter into an Exclusive Development Agreement with Performance Pet which shall include among other things the timeframe in which Performance Pet will complete the construction of its expansion at a cost of approximately \$8,196,000, the approximate cost of new machinery and equipment to be included in the facility which is anticipated to be in the amount of \$12,000,000, and the timeframe for the creation of between 30 and 50 new full-time employment positions.
- In addition to the TIF Performance Pet has been approved for a State of South Dakota Revolving and Economic Development & Initiative Fund (REDI) Loan and possible South Dakota Economic Development Finance Authority bonds and a rebate of a portion of the State of South Dakota's sales tax paid on eligible equipment costs.

- Should Performance Pet fail to meet its requirements set forth within the Exclusive Development Agreement MADC shall inform the City of the same and the City may terminate or withhold payments to MADC as a result of such breach by Performance Pet.
- MADC will certify the costs to the City for reimbursement
- The City of Mitchell reserves the right to charge an annual administration expense. This fee will be used to offset any future expenses that may occur due to reporting. The amount will not exceed \$5,000.00 in a calendar year.

Detailed List of Estimated Project Costs

Attached as Schedule 1 is a detailed list of estimated Project Costs as per SDCL § 11-9-13(3). No expenditure for Project Costs is provided for more than five years after the District is created.

Feasibility Study

An economic feasibility study per SDCL § 11-9-13(2) is attached as Schedule 2.

Economic Development Study

Not less than 50% of the area within the proposed district will stimulate and develop the general economic welfare and prosperity of the state through commercial, manufacturing and agricultural development as evidenced by the Economic Development Study attached as Schedule 3.

Fiscal Impact Statement

Attached is Schedule 4 a Fiscal Impact Statement showing the impact of the Tax Increment District, until and after the bonds are repaid, upon all entities levying property taxes in the district. Required as per SDCL § 11-9-13(4).

Method of Financing. Timing of Costs and Monetary Obligations

The payment of Project Costs is anticipated to be made by the City to Developer from the special fund of the Tax Incremental District. SDCL § 11-9-13(5). Pursuant to the Developer's Agreement, the City will pay to the Developer all available tax increment funds it receives from the District.

Maximum Amount of Tax Incremental Revenue

The maximum amount of tax incremental revenue bonds or monetary obligations to be paid through Tax Increment District #24 shall be the amount sufficient to reimburse the City for the payments made for Project Costs and pay all tax increment bonds or monetary obligations in an amount not to exceed \$2,600,000 principal and interest or such lesser amount as may be feasible with the estimated revenue generated by the Tax Increment District. The final terms and conditions will be set forth in the Developer's Agreement

Duration of Tax Incremental Plan

The duration of the Plan will extend to the number of years it will take for the reimbursement of the City, the extinguishment of bonds and the monetary obligation except that the Plan duration shall not exceed 18 calendar years of revenue from the date of creation of the District.

Estimated Impact of Tax Increment Financing on Revenues of Taxing Jurisdictions

The site will generate taxes to the local jurisdictions at or above the assessed value of the Base. All taxing districts shall receive that base which will be the value set for 2017 taxes payable in 2018. The tax increment will be available to the taxing jurisdictions at or before eighteen (18) years after the creation of the District. Schedule 5 details the tax capture implications to each of the local taxing jurisdictions. After the repayment of the bonds and monetary obligations, taxing entities will receive their proportionate share of tax dollars for the base value and the tax incremental values.

Conditions Map, Improvements Map, Zoning Change Map

The Conditions map, SDCL § 11-9-16(1), is included as Attachment 2.

The Improvements map, SDCL § 11-9-16(2), is included as Attachment 3.

The Zoning Change Map, SDCL § 11-9-16(3), is included as Attachment 4.

Changes to the City of Mitchell Comprehensive/Master Plan/ Map, Building Codes & County Ordinances per SDCL § 11-9-16(4)

No changes to City ordinances nor the City Master Plan are required other than the rezoning discussed above.

List of Estimated Non-Project Costs

The following is a list of the Non-Project Costs per SDCL § 11-9-16(5). All costs are listed as taxable value; actual non-project costs will exceed the following amounts.

Item	Amount
Economic Development TIF	\$0
TOTAL	\$0

Statement of Displacement and Relocation Plan

No residents or families will be displaced by the Project. SDCL § 11-9-16(6)

Performance Bond Surety Bond or other Guaranty

As security for its fulfillment of the agreement with the governing body, a purchaser or lessee of redevelopment property may furnish a performance bond, with such surety and in such form and amount as the governing body may approve or make such other guaranty as the governing body may deem necessary in the public interest. This additional security may be provided for in a Developer's Agreement.

List of Schedules

SCHEDULE 1 - Estimated Project Cost

SCHEDULE 2 - Economic Feasibility Study

SCHEDULE 3 - Economic Development Study

SCHEDULE 4 - Fiscal Impact Statement

SCHEDULE 5 - Estimated Captured Taxable Values

List of Attachments

Attachment 1 - Descriptions of Real Property

Attachment 2 - Conditions Map, SDCL § 11-9-16(1)

Attachment 3 - Improvements Map, SDCL § 11-9-16(2)

Attachment 4 - Zoning Change Map SDCL § 11-9-16(3)

Schedule 1 – “Detail of Project Costs”

Kind of Project	Number of Projects	Location ¹ above	Amount	Reference ²
Capital Costs (Street, Water & Sewer) (Cleaning & grading of land & associated costs)		District		11-9-15(1)
Financing Costs		District		11-9-15(2)
Real Property Assembly		District		11-9-15(3)
Professional Fees		District		11-9-15(4)
Administrative Costs		District		11-9-15(5)
Relocation Costs		District		11-9-15(6)
Organizational Costs		District		11-9-15(7)
Discretionary Costs and Grants	1	District	\$2,600,000	11-9-15(8)
Eligible Project Costs			\$2,600,000	

Estimates TID Eligible of Project Costs Requested

The City of Mitchell has determined that this will be an economic development Tax Incremental District, thus the eligible cost will be in the form of a grant that will not exceed \$2,300,000. This is a permitted use under SDCL 11-9-15.

11-9-15. Specific items included in project costs. Project costs include:

(1) Capital costs, including the actual costs of the construction of public works or improvements, buildings, structures, and permanent fixtures; the demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and permanent fixtures; the acquisition of equipment; the clearing and grading of land; and the amount of interest payable on tax incremental bonds issued pursuant to this chapter until such time as positive tax increments to be received from the district, as estimated by the project plan, are sufficient to pay the principal of and interest on the tax incremental bonds when due;

(2) Financing costs, including all interest paid to holders of evidences of indebtedness issued to pay for project costs, any premium paid over the principal amount thereof because of the redemption of such obligations prior to maturity and a reserve for the payment of principal of and interest on such obligations in an amount determined by the governing body to be reasonably required for the marketability of such obligations;

(3) Real property assembly costs, including the actual cost of the acquisition by a municipality of real or personal property within a tax incremental district less any proceeds to be received by the municipality from the sale, lease, or other disposition of such property pursuant to a project plan;

(4) Professional service costs, including those costs incurred for architectural, planning, engineering, and legal advice and services;

(5) Imputed administrative costs, including reasonable charges for the time spent by municipal employees in connection with the implementation of a project plan;

(6) Relocation costs;

(7) Organizational costs, including the costs of conducting environmental impact and other studies and the costs of informing the public of the creation of tax incremental districts and the implementation of project plans; and

(8) Payments and grants made, at the discretion of the governing body, which are found to be necessary or convenient to the creation of tax incremental districts, the implementation of project plans, or to stimulate and develop the general economic welfare and prosperity of the state.

Schedule 2 - "Economic Feasibility Study"

MADC and Performance Pet have approached the City of Mitchell regarding the possibility of creating a Tax Incremental Financing District to assist with help in offsetting the costs associated with constructing a 140,000 to 150,000 square foot addition to Performance Pet's current manufacturing facility located on East Havens Avenue in Mitchell, South Dakota. The addition will include approximately 70,000 to 75,000 square feet of new state of the art cannery with automation and approximately 70,000 to 75,000 square feet of warehouse and office space. Performance Pet shall also purchase approximately \$12,000,000 in new equipment/machinery to install in the new addition. The City of Mitchell shall receive a one-time payment of approximately \$240,000 in sales tax revenue from the purchase of such equipment, that it will otherwise not receive if the TIF is not approved. In addition to the construction, Performance Pet shall continue to employ their current workforce and add an additional 30 to 50 positions for a new third shift. Selected existing employees will be retrained to operate the automated equipment and will receive increases in wages. The employment positions will include general labor and skilled technical positions. The scope of the Performance Pet expansion project will be a long lasting effect on both the City of Mitchell and the State of South Dakota. The State of South Dakota is so committed to the Project that it has committed to the REDI Loan and the bonds and the partial sales tax rebate as described on page 11 and 12 of this Project Plan.

Expansion Project

The notes below summarize a potential expansion of the Performance Pet expansion in Mitchell.

Building Expansion	140,000 to 150,000 square feet
Capital Investment/ Real Estate	\$8,196,000 plus
Capital Investment/Machinery & Equipment	\$12,000,000
Projected sales tax to the City of Mitchell for Equipment Purchase	\$240,000
New Employees	a minimum of 30 jobs created by January 1, 2023
Employee Pay & Benefits	comparable to existing positions

The City has been asked to create a Tax Increment District to help offset the expansion associated with project. This feasibility study provides that the Project Costs can be financed through tax increment financing under South Dakota Tax Incremental District Law (South Dakota Codified Laws Chapter 11-9). Tax increment financing is an indispensable self-financing tool used throughout the United States to help local governments successfully develop and redevelop areas and encourage economic development.

In tax increment financing, the current real property tax assessed value of all properties in a designated project area ("tax increment financing district") is established as the "base value." As development in the tax increment financing district increases the assessed values of the redeveloped properties, a portion of the additional tax revenue generated by the increase in assessed value over the base value is set aside and committed by the City to the reimbursement of approved project costs.

Tax increment financing is permitted only in connection with a "Project Plan" duly adopted by the City. The property is currently taxable at \$569,315. The improvements to be made to the property are estimated to add \$7,540,320 to the assessed valuation*. The estimated increment resulting from the improvements would be approximately \$165,570 in new taxes once fully developed. Since only positive tax increment will be applied, the proposed project is feasible.

All of the project costs are found to be necessary and convenient to the creation of the Tax Incremental District and the implementation of the project.

For purposes of this Project Plan, the Developer is projecting that construction of a 140,000 to 150,000 square foot facility will be fully constructed by 2018. It is anticipated that Performance Pet will procure financing to fund the TID improvements by way of a loan. The City at no time shall ever be responsible for any Performance Pet or the Developer secures. The City's role is to simply act as a conduit for the revenue and pass on all positive increment to the Developer, of which, will never exceed \$2,600,000 in total payments, or 18 years, whichever comes first.

A portion of the development within the District could qualify for the discretionary tax abatement. However, the Project Plan has been prepared anticipating that all development will "not" elect to utilize the "real property" tax discretionary formula.

It is assumed that all obligations incurred would be adequately secured as to allow the payment of principal and interest when due, whether by means of a taxable bond or loan. The actual repayment schedule may change, but all principal and interest shall be paid within the life of the TID. Utilizing the information regarding expected increment valuation and tax generation, it is possible to estimate an expected revenue stream that can be utilized to retire debt that will be created as a result of implementing the Project Plan.

For purposes of this Project Plan, it is anticipated no increment generated by City TID #24 will be available until calendar year 2020 and thereafter. The calculation of the estimated tax increment valuation and tax generated for City of Mitchell TID #24 is presented in the table below.

*Although the estimated cost of construction for this addition is \$8,196,000, Davison County applies a "factor" number to determine "tax assessed value". The factor applied currently is 0.920 for non-agricultural property. When applying the current factor to the estimated construction cost, the estimated tax assessed value is reduced to \$7,540,320.

TID Tax Revenue Estimates Available for City of Mitchell TID #24

Revenue Assumptions/Feasibility Study

Levies are based on payable 2017

Construction Year	Valuation Year	Revenue Year	Valuation Increment	County	City	School	JR Water	Total	Total Increment for Debt Service	Cumulative Amt Paid Out
				3.905	5.85	12.14	0.063	21.958		
2017	2018	2019	\$0	\$0	\$0	\$0	\$0	\$0		
2018	2019	2020	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2019	2020	2021	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2020	2021	2022	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
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2024	2025	2026	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2025	2026	2027	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2026	2027	2028	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2027	2028	2029	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2028	2029	2030	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
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2031	2032	2033	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2032	2033	2034	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2033	2034	2035	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
									\$2,649,126	

Assumptions

In Year 1 it is assumed the facility will have no improvements assessed.

In Year 2 the facility will be completed

*Assumes Mill Levies remain constant for the duration of the TIF

Note: These numbers are for projection purposes only and do not reflect what the actual number(s) may be. The projection numbers are based on assumptions provided by Performance Pet.

Schedule 3 - "Economic Development Study"

SECTION 1 - INTRODUCTION

The City has been approached concerning the creation of a tax increment district located within City limits. In order to determine whether a tax increment district (TID) may be created, the governing body must make a finding that not less than 50%, by area, of the real property within the district will stimulate and develop the general economic welfare and prosperity of the State through the promotion and advancement of industrial, commercial, manufacturing, agricultural and natural resources, and the improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the district.

SECTION 2 - STUDY AREA BOUNDARY

The Study area is described as the area depicted on the map attached to this Study (Attachments 1 and 2).

SECTION 3 - ESTABLISHING ECONOMIC DEVELOPMENT

South Dakota law describes economic development as activity that stimulates and develops the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources. The area making up the boundaries of proposed City of Mitchell TID #24 consists of a manufacturing building that is Performance Pet's current manufacturing center as well as undeveloped adjoining land to the South of Performance Pet.

SECTION 4 - FINDING THAT THE IMPROVEMENTS TO THE AREA ARE LIKELY TO ENHANCE SIGNIFICANTLY THE VALUE OF SUBSTANTIALLY ALL OF THE OTHER REAL PROPERTY IN THE DISTRICT

It is specifically found that once the improvements set forth within City of Mitchell TID #24 Project Plan are commenced the improvements enhance significantly the value of substantially all of the other real property in the District.

SECTION 5 - CONDITIONS WITHIN THE STUDY AREA; LAND USE AND PLANNING LAND USE, PLANNING AND COMPREHENSIVE PLAN

The City of Mitchell Comprehensive Plan is consistent with the proposed use of the District.

SECTION 6 - FINDINGS WITHIN THE STUDY AREA ANALYSIS

In accordance with state law, it is found that not less than fifty percent (50%) by area of the real property within the District will stimulate and develop the general economic welfare and prosperity of the State of South Dakota through the promotion and advancement of industrial, commercial, manufacturing, agricultural, and natural resources, and it is found that the improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the District in accord with SDCL 11-9-8(1) and (2).

The study area currently consists of a manufacturing facility that is Performance Pet's current manufacturing plant as well as undeveloped adjoining land to the south of Performance Pet. Performance Pet is proposing to build a 140,000 square foot expansion on the undeveloped land that will lead to enhanced employment opportunities for the existing work force. The building construction expenditures are expected to be approximately \$8,196,000. In addition, Performance Pet will spend approximately \$12,000,000 for new equipment and machinery to place in the plant for an estimated total investment of \$20,196,000. The investment in machinery and equipment is anticipated to generate approximately \$240,000 in additional sales tax revenue to the City of Mitchell.

In accordance with State Law, the following addresses specific characteristics of economic development are found within the Study Area with corresponding portions of 11-9-8 and 11-9-11:

The investment of more than \$20,000,000 in real estate improvements and equipment/machinery purchase in the study area will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of commerce during the construction period. More than fifty percent, by area, of the real property within the District will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of commerce. The development will cause more employment and generate additional economic activity through retail commerce and development.

TID Tax Revenue Estimates Available for City of Mitchell TID #24

Revenue Assumptions/Feasibility Study

Levies are based on payable 2017

Construc- tion Year	Valuation Year	Revenue Year	Valuation Increment	County	City	School	JR Water	Total	Total Increment for Debt Service	Cumulative Amt Paid Out
				3.905	5.85	12.14	0.063	21.958		
2017	2018	2019	\$0	\$0	\$0	\$0	\$0	\$0		
2018	2019	2020	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2019	2020	2021	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
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2022	2023	2024	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2023	2024	2025	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
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2025	2026	2027	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
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2027	2028	2029	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
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2033	2034	2035	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		

\$2,649,126

Assumptions

In Year 1 it is assumed the facility will have no improvements assessed.

In Year 2 the facility will be completed

*Assumes Mill Levies remain constant for the duration of the TIF

Note: These numbers are for projection purposes only and do not reflect what the actual number(s) may be. The projection numbers are based on assumptions provided by Performance Pet.

Schedule 4 - "Fiscal Impact Statement"

Fiscal Impact Statement City of Mitchell- Tax Increment District #24

INTRODUCTION

The fiscal impact statement is intended to provide a succinct analysis of the estimated impact of the Tax Increment District to the public pursuant to SDCL § 11-9-13 (4). It is not intended to rival the level of detail required by a detailed financial analysis. A fiscal impact statement shows the impact of the Tax Increment District, both until and after the bonds or obligations are repaid, upon all entities levying taxes upon property in the District.

DEFINITIONS

"Assumptions" means factors or definitions used in the fiscal analysis. Assumptions may include facts and figures identified by the District and educated guesses that are sometimes necessary when not all of the information is available. Assumptions are often used to extrapolate an estimate. Assumptions may include an estimate of tax levies of each taxing entity, the school aid formula contribution, the value of the real property, etc.

"Base Revenues" means the taxes collected on the base value.

"Fiscal Impact" means the increase or decrease in revenues and generally refers to an impact to revenues caused by the district.

"Revenue" means ad valorem taxes.

"Tax Increment District" means City of Mitchell, Tax Increment District Number 24.

"Taxing Districts" means all political subdivisions of the state which have ad valorem taxing power over property within the boundaries of the Tax Increment District.

"Tax Increment Revenues" means all revenues above the Base Revenues.

ASSUMPTIONS

- (1) The property will have improvements which at completion will be valued for taxable purposes at \$7,540,320.
- (2) The average tax levy of all taxing districts will be \$21.958 per thousand dollars of taxable valuation.
- (3) Tax increment will start to be collected in 2020 and end prior to 2037.
- (4) The discretionary formula will be waived by Developer.

FISCAL IMPACT

The total fiscal impact upon the taxing entities during the term of the Tax Increment District is as follows:

Valuation Assumptions	Base Full/True Value	Increase	Positive Increment
Land/Existing Improvements	\$569,315	0	0
Additional Improvements	\$0	\$7,540,320	\$7,540,320
Total Positive Increment	\$0	\$7,540,320	\$7,540,320

Schedule 5 - "Estimated Captured Taxable Values"

For purposes of this Project Plan, Developer assumes that **Developer will elect not to use the real property tax discretionary formula** currently utilized in City of Mitchell, South Dakota, pertaining to payment of real property taxes (i.e., 20% Year 1; 40% Year 2; 60% Year 3; 80% Year 4; and 100% Year 5.

It is further assumed, for purposes of this Plan, that a 140,000 to 150,000 square foot manufacturing/warehouse/office space expansion will be completed by 2018. It is anticipated that when fully developed, the improvements are estimated to be assessed in the approximate amount of \$7,540,320*, which will generate \$165,570 in annual real property taxes.

*Actual valuation shall depend upon the value determined by the Davison County Director of Equalization when assessed, with the application of dollars-per-thousand from local taxes. All tax increment revenues shall be from Generally Applicable Taxes attributable to the improvements to be constructed in the TID. The potential for total increment collections are estimated to be at the maximum range of \$2,650,000 covering a span of captured tax years not to exceed 18. Collection is anticipated to begin in 2020, and the schedule carries out the tax captured 18 years from the date of Plan adoption.

The following dollars-per-thousand rates are the current taxing rates of the local taxing jurisdictions:

2016 Property Tax Rate	
2016 Payble in 2017	\$ per \$1,000 assessed
Davison County	\$3.905
City of Mitchell	\$5.850
JR Water	\$0.063
School District	<u>\$12.140</u>
Total Tax Levy	\$21.958

Utilizing the information regarding expected increment valuation and tax generation, it is possible to generate an expected revenue stream that can be utilized to retire debt that will be created as a result of implementing the Project Plan.

TID Tax Revenue Estimates Available for City of Mitchell TID #24

Revenue Assumptions/Feasibility Study

Levies are based on payable 2017

Construc- tion Year	Valuation Year	Revenue Year	Valuation Increment	County	City	School	JR Water	Total	Total Increment for Debt Service	Cumulative Amt Paid Out
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2022	2023	2024	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
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2032	2033	2034	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		
2033	2034	2035	\$7,540,320	\$29,445	\$44,111	\$91,539	\$475	\$165,570		

\$2,649,126

Assumptions

In Year 1 it is assumed the facility will have no improvements assessed.

In Year 2 the facility will be completed

*Assumes Mill Levies remain constant for the duration of the TIF

Note: These numbers are for projection purposes only and do not reflect what the actual number(s) may be. The projection numbers are based on assumptions provided by Performance Pet.

Attachment 1

Descriptions of Real Property:

Parcel 1: Irregular Tract 1 and 2 within Lot 3 in the NE1/4 of 27-103-60. Parcel 1 is located within the city boundaries.

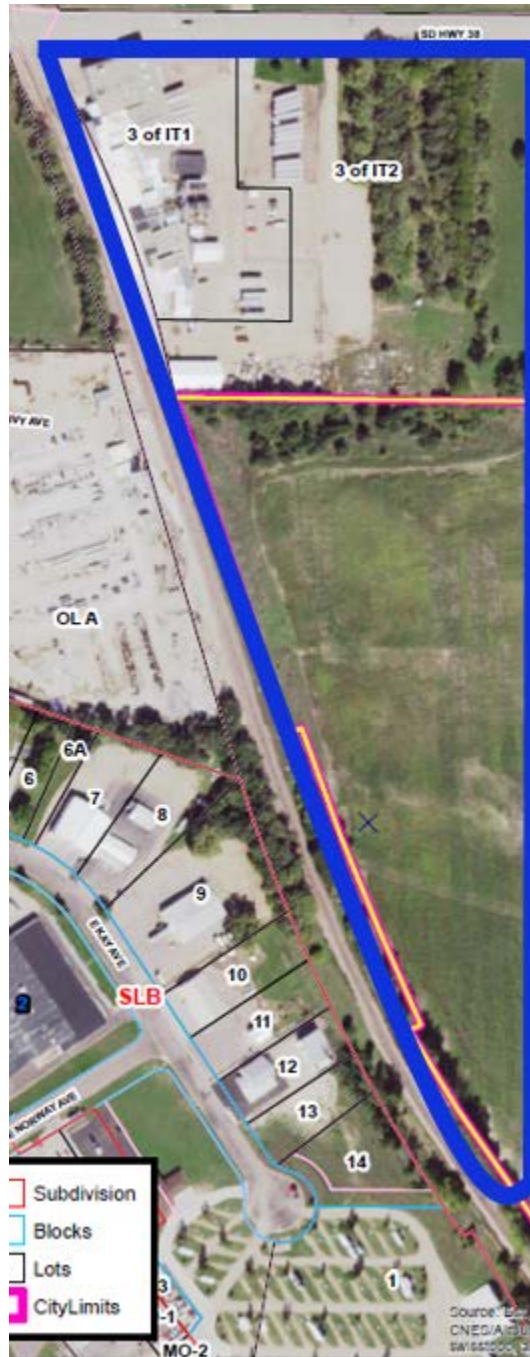
Parcel 2:

That portion of Irregular Tract No. 4 in Lot Three (3) of the Northeast Quarter (NE1/4) of Section Twenty-seven (27), Township One Hundred Three (103) North, Range Sixty (60), West of the 5th P.M., Davison County, South Dakota, abutting and lying west of a line which is 908.70 Feet west of and parallel to the East section line of said Northeast Quarter (NE1/4).

Attachment 2

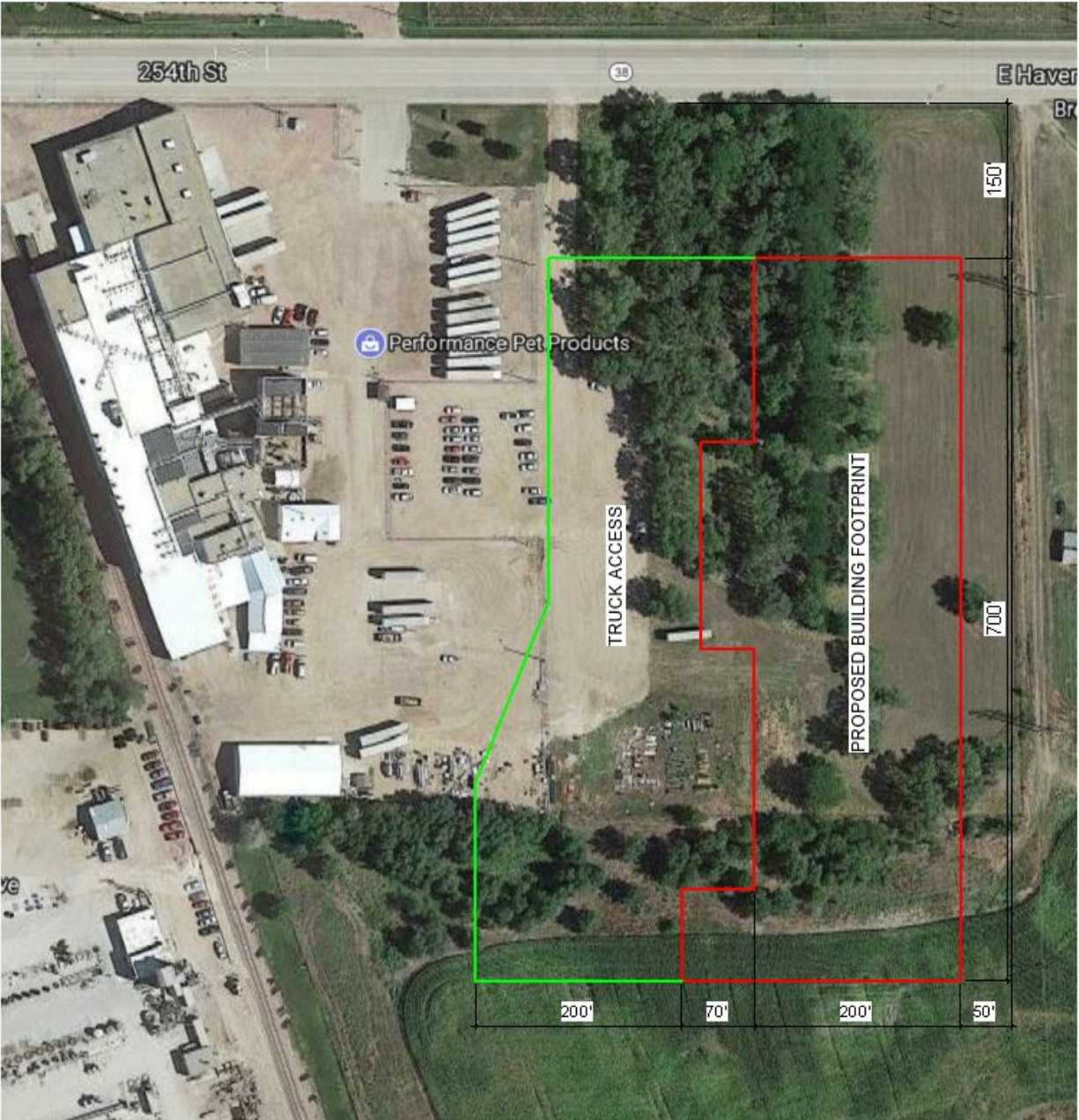
Conditions picture for City of Mitchell Tax Incremental District #24, SDCL § 11-9-16(1)

The following is a picture showing the current conditions of the proposed location of TIF #24



Attachment 3

Improvements map for City of Mitchell Tax Incremental District #24, SDCL § 11 -9-16(2).



Attachment 4

Zoning Change Map for City of Mitchell Tax Incremental District #23, SDCL § 11-9-16(3).

Parcel 2 will need to be rezoned to Industrial.