



# CITY OF GRAND RAPIDS

## Meeting Agenda Full Detail - Final-revised City Council

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Monday, May 11, 2020

5:00 PM

City Hall Council Chambers

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*BE ADVISED: Pursuant to Minnesota Statute 13D.021, Subdivision 1, some or all members may appear by telephone or other electronic means.*

**CALL TO ORDER:** Pursuant to due notice and call thereof a Regular Meeting of the Grand Rapids City Council will be held on Monday, May 11, 2020 at 5:00 p.m. in City Hall Council Chambers, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

### CALL OF ROLL

### PRESENTATIONS/PROCLAMATIONS

### MEETING PROTOCOL POLICY

*Please be aware that the Council has adopted a Meeting Protocol Policy which informs attendees of the Council's desire to conduct meetings in an orderly manner which welcomes all civil input from citizens and interested parties. If you are unaware of the policy, copies (orange color) are available in the wall file by the Council entrance.*

### PUBLIC FORUM

*PLEASE NOTE: If you wish to address the Council under public forum, please call 218-327-8833 during the meeting.*

### COUNCIL REPORTS

### VERIFIED CLAIMS

**20-1066** Consider approving the verified claims for the period April 21, 2020 to May 4, 2020 in the total amount of \$330,493.55.

**Attachments:** [Council Bill List 05-11-20.pdf](#)

### CONSENT AGENDA

*Any item on the consent agenda shall be removed for consideration by request of any one Councilmember, City staff, or the public and put on the regular agenda for discussion and consideration.*

1. **20-1053** Consider renewing the Transitional Work Program Contract Agreement with Occupational Development Center, Inc (ODC).

**Attachments:** [Transitional Work Program Contract Agreement - ODC, Inc.](#)

2. [20-1059](#) Consider making a motion authorizing the Public Works Department to hire from the PW Part-Time Eligibility List for the 2020 Spring/Summer Maintenance Season.  
**Attachments:** [2020 5-11 PW Spring-Summer PT Eligibility List](#)
3. [20-1060](#) Consider making a motion authorizing the removal of inactive employees from the City of Grand Rapids payroll.  
**Attachments:** [2020 5-11 PW Inactive Employee Removal List](#)
4. [20-1061](#) Consider adopting a resolution accepting an \$86,175.00 Commercial Redevelopment Grant from Iron Range Resources and Rehabilitation (IRRR) for the demolition of the VFW and Rose buildings  
**Attachments:** [Resolution Accepting IRRR Commercial demo grant](#)
5. [20-1065](#) Consider entering into agreements with area businesses for advertising at the IRA Civic Center.
6. [20-1067](#) Consider entering into a lease agreement with Itasca Community College for the use of City sports fields.  
**Attachments:** [ICC Lease 2020](#)
7. [20-1071](#) Rescind the notice of retirement from Lisa Flaherty, Accounting Technician/Accounts Payable.
8. [20-1077](#) Approve Seasonal Golf Employee

#### SETTING OF REGULAR AGENDA

*This is an opportunity to approve the regular agenda as presented or add/delete by a majority vote of the Council members present an agenda item.*

#### PUBLIC HEARINGS

9. [20-1062](#) Conduct a public hearing to consider a modification to the Development Program for Development District No. 1, the proposed establishment of Tax Increment District 1-13 (Unique Opportunities) therein and the proposed adoption of a Tax Increment Financing Plan therefor.  
**Attachments:** [PowerPoint presentation TIF District 1-13 City Council Public Hearing](#)  
[TIF Plan](#)  
[Purchase and Development Contract Second Draft](#)  
[Analysis Memo 3-16-20](#)

#### COMMUNITY DEVELOPMENT

10. 20-1063 Consider adoption of a resolution approving a modification to the Development Program for Municipal Development District No. 1 and the establishment of Tax Increment financing District No, 1-13: Unique Opportunities and a Tax Increment Financing Plan therefor  
**Attachments:** [DOCSOPEN-#648893-v2-Grand Rapids Unique Opportunities Ctiy Resol Ar](#)
11. 20-1064 Consider adoption of a resolution approving the conveyance of real property, approving a Purchase and Development Agreement, and awarding the sale of, and providing the form, terms, covenants and directions for the issuance of its tax increment revenue note to Unique Opportunities, LLC.  
**Attachments:** [Resolution approving conveyance, Purchase and Development Agreement, and](#)

### ADJOURNMENT

*NEXT REGULAR MEETING IS SCHEDULED FOR TUESDAY, MAY 26, 2020 AT 5:00 P.M.*

*NOTE: These times are approximate only and are subject to change. If you are interested in a topic of discussion you should appear at least 10 minutes before its scheduled time.*

*Hearing Assistance Available: This facility is equipped with a hearing assistance system.  
Attest: Lynn DeGrio, Director of Human Resources*



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

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**File #:** 20-1066      **Version:** 1      **Name:** VERIFIED CLAIMS  
**Type:** Agenda Item      **Status:** Passed  
**File created:** 5/5/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020  
**Title:** Consider approving the verified claims for the period April 21, 2020 to May 4, 2020 in the total amount of \$330,493.55.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [Council Bill List 05-11-20.pdf](#)

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Consider approving the verified claims for the period April 21, 2020 to May 4, 2020 in the total amount of \$330,493.55.

### **Requested City Council Action**

Make a motion approving the verified claims for the period April 21, 2020 to May 4, 2020 in the total amount of \$330,493.55.

DATE: 05/05/2020  
 TIME: 15:14:45  
 ID: AP443GR0.WOW

CITY OF GRAND RAPIDS  
 DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 05/11/2020

VENDOR #	NAME	AMOUNT DUE
-----		
GENERAL FUND		
CITY WIDE		
0300200	CDW GOVERNMENT INC	53.87
1109510	KIND MIND COUNSELING CENTER	90.00
1415377	NORTHERN BUSINESS PRODUCTS INC	19.98
1915248	SHI INTERNATIONAL CORP	104.88
	TOTAL CITY WIDE	268.73
SPECIAL PROJECTS-NON BUDGETED		
0920065	ITASCA ECONOMIC DEVELOPMENT	2,000.00
1105530	KENNEDY & GRAVEN	4,072.50
	TOTAL SPECIAL PROJECTS-NON BUDGETED	6,072.50
BUILDING MAINTENANCE-CITY HALL		
0315455	COLE HARDWARE INC	59.96
0920060	ITASCA COUNTY TREASURER	45.00
1901535	SANDSTROM'S INC	49.40
1915248	SHI INTERNATIONAL CORP	277.11
	TOTAL BUILDING MAINTENANCE-CITY HALL	431.47
FINANCE		
0809436	HILDI INC	1,050.00
	TOTAL FINANCE	1,050.00
FIRE		
0103325	ACHESON TIRE INC	800.00
0118625	ARROW EMBROIDERY/PHOTO EXPRESS	50.00
0121721	AUTO VALUE - GRAND RAPIDS	47.96
0301685	CARQUEST AUTO PARTS	23.25
0315455	COLE HARDWARE INC	9.99
0513235	EMERGENCY RESPONSE SOLUTIONS	1,205.91
0601690	FASTENAL COMPANY	99.46
0920060	ITASCA COUNTY TREASURER	45.00
1200500	L&M SUPPLY	34.16
1415030	NAPA SUPPLY OF GRAND RAPIDS	13.43
	TOTAL FIRE	2,329.16
INFORMATION TECHNOLOGY		

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CITY OF GRAND RAPIDS  
 DEPARTMENT SUMMARY REPORT

PAGE: 2

INVOICES DUE ON/BEFORE 05/11/2020

VENDOR #	NAME	AMOUNT DUE
-----		
GENERAL FUND		
INFORMATION TECHNOLOGY		
1915248	SHI INTERNATIONAL CORP	6,320.00
	TOTAL INFORMATION TECHNOLOGY	6,320.00
PUBLIC WORKS		
0221650	BURGGRAF'S ACE HARDWARE	120.01
0301685	CARQUEST AUTO PARTS	189.66
0315455	COLE HARDWARE INC	76.96
0400720	D&S STUMP GRINDING LLC	1,050.00
0501650	EARL F ANDERSEN	171.15
0518366	ERICKSON'S ITASCA LUMBER INC	3,499.75
0601690	FASTENAL COMPANY	50.01
0920060	ITASCA COUNTY TREASURER	90.00
1200500	L&M SUPPLY	143.97
1303039	MCCOY CONSTRUCTION & FORESTRY	902.90
1309355	MINNESOTA TORO	456.53
2209421	VIKING ELECTRIC SUPPLY INC	33.06
	TOTAL PUBLIC WORKS	6,784.00
FLEET MAINTENANCE		
0301685	CARQUEST AUTO PARTS	197.90
0513233	EMERGENCY AUTOMOTIVE TECH INC	741.69
1605740	PETROCHOICE HOLDINGS INC	719.02
	TOTAL FLEET MAINTENANCE	1,658.61
POLICE		
0121725	AUTOMOTIVE ELECTRIC LLC	140.56
0201737	BATTERY WHOLESALE INC	134.73
0301685	CARQUEST AUTO PARTS	776.30
0409501	JOHN P. DIMICH	4,583.33
0421725	DUTCH ROOM INC	733.33
1200500	L&M SUPPLY	42.99
1309495	MINUTEMAN PRESS	31.21
1901500	SAMMY'S PIZZA	698.03
	TOTAL POLICE	7,140.48
RECREATION		
1201730	LATVALA LUMBER COMPANY INC.	13.11
	TOTAL RECREATION	13.11

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CITY OF GRAND RAPIDS  
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INVOICES DUE ON/BEFORE 05/11/2020

VENDOR #	NAME	AMOUNT DUE
-----		
CENTRAL SCHOOL		
0218745	ASHLEY BRUBAKER	269.18
0315455	COLE HARDWARE INC	7.47
0920060	ITASCA COUNTY TREASURER	45.00
1601753	PAULS LOCKS AND KEYS LLC	202.27
	TOTAL	523.92
AIRPORT		
0920060	ITASCA COUNTY TREASURER	180.00
1105444	KELLER FENCE COMPANY	44.55
1615427	POKEGAMA LAWN AND SPORT	1,083.00
	TOTAL	1,307.55
CIVIC CENTER		
GENERAL ADMINISTRATION		
0920060	ITASCA COUNTY TREASURER	45.00
1801613	RAPIDS PRINTING	145.40
	TOTAL GENERAL ADMINISTRATION	190.40
STATE HAZ-MAT RESPONSE TEAM		
0421470	DSC COMMUNICATIONS	2,570.00
1415480	NORTHERN HEALTH & FITNESS PLUS	4,225.00
	TOTAL	6,795.00
CEMETERY		
0103325	ACHESON TIRE INC	58.78
0221650	BURGGRAF'S ACE HARDWARE	22.42
1301213	MARTIN'S SNOWPLOW & EQUIP	14,724.83
	TOTAL	14,806.03
DOMESTIC ANIMAL CONTROL FAC		
0920060	ITASCA COUNTY TREASURER	45.00
	TOTAL	45.00

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CITY OF GRAND RAPIDS  
 DEPARTMENT SUMMARY REPORT

PAGE: 4

INVOICES DUE ON/BEFORE 05/11/2020

VENDOR #	NAME	AMOUNT DUE
-----		
MUNICIPAL STATE AID	STRT-CONST	
NO PROJECT		
0920060	ITASCA COUNTY TREASURER	8,971.52
	TOTAL NO PROJECT	8,971.52
CAPITAL EQPT REPLACEMENT FUND		
CAPITAL OUTLAY-POLICE		
0116610	APPLIED CONCEPTS INC	5,932.00
	TOTAL CAPITAL OUTLAY-POLICE	5,932.00
AIRPORT CAPITAL IMPRV PROJECTS		
RUNWAY 16/34	RECONSTRUCTION	
0609510	FINANCE AND COMMERCE INC	352.14
0718060	GRAND RAPIDS HERALD REVIEW	434.70
	TOTAL RUNWAY 16/34 RECONSTRUCTION	786.84
STORM WATER UTILITY		
0121721	AUTO VALUE - GRAND RAPIDS	125.72
0301685	CARQUEST AUTO PARTS	55.14
1105444	KELLER FENCE COMPANY	1,042.18
1621125	PUBLIC UTILITIES COMMISSION	2,200.00
	TOTAL	3,423.04
	TOTAL UNPAID TO BE APPROVED IN THE SUM OF:	\$ 74,849.36
CHECKS ISSUED-PRIOR APPROVAL		
PRIOR APPROVAL		
0305530	CENTURYLINK QC	56.83
0605191	FIDELITY SECURITY LIFE INS CO	67.89
0718015	GRAND RAPIDS CITY PAYROLL	244,602.33
0920055	ITASCA COUNTY RECORDER	46.00
1015342	SCOTT JOHNSON	662.80
1201402	LAKE COUNTRY POWER	43.82
1209516	LINCOLN NATIONAL LIFE	1,553.01
1305046	MEDIACOM LLC	136.90
1309167	MN BUREAU OF CRIMINAL	15.00
1309199	MINNESOTA ENERGY RESOURCES	406.36
1309302	MN DEPT OF PUBLIC SAFETY	8.00
1309338	MN STATE TREAS/BLDG INSPECTOR	1,236.97
1601305	THOMAS J. PAGEL	1,023.09
1601750	PAUL BUNYAN COMMUNICATIONS	278.40



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CITY OF GRAND RAPIDS  
 DEPARTMENT SUMMARY REPORT

PAGE: 5

INVOICES DUE ON/BEFORE 05/11/2020

VENDOR #	NAME	AMOUNT DUE
-----		
CHECKS ISSUED-PRIOR APPROVAL		
PRIOR APPROVAL		
1903555	ERIK SCOTT	27.03
2000100	TASC	30.60
2018555	CHAD TROUMBLY	163.56
2114360	UNITED PARCEL SERVICE	15.37
2205637	VERIZON WIRELESS	35.01
2301700	WM CORPORATE SERVICES, INC	235.22
T001292	VORAN 108 PROP LLC	5,000.00
TOTAL PRIOR APPROVAL ALLOWED IN THE SUM OF: \$		255,644.19
TOTAL ALL DEPARTMENTS		330,493.55



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

**File #:** 20-1053      **Version:** 1      **Name:** Consider renewing the Transitional Work Program Contract Agreement with Occupational Development Center, Inc (ODC).

**Type:** Agenda Item      **Status:** Passed

**File created:** 4/29/2020      **In control:** City Council

**On agenda:** 5/11/2020      **Final action:** 5/11/2020

**Title:** Consider renewing the Transitional Work Program Contract Agreement with Occupational Development Center, Inc (ODC).

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [Transitional Work Program Contract Agreement - ODC, Inc.](#)

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Consider renewing the Transitional Work Program Contract Agreement with Occupational Development Center, Inc (ODC).

**Background Information:**

The Public Works Department has partnered with Occupational Development Center, Inc. (ODC) by participating in a Transitional Work Program of Lawn Care Service to include lawn mowing, weed trimming, raking and removal of leaves. The renewal of the contract will tentatively begin on 5/5/2020 or when ODC is able to safely provide services during the COVID-19 Pandemic and MN stay at home order and shall be reviewed on 10/31/2020, or when changes in the duties and responsibilities occur. This contract is subject to change if there is an increase in minimum wage. At that time a new price will be negotiated.

**Staff Recommendation:**

Kevin Koetz, Public Works Superintendent, recommends renewing the Transitional Work Program Contract Agreement with Occupational Development Center, Inc. (ODC) from 5/5/2020 to 10/31/2020.

**Requested City Council Action**

Make a motion to renew Transitional Work Program Contract Agreement with Occupational Development Center, Inc. (ODC) from May 5, 2020 to October 31, 2020 at the rate of \$100.00 per hour.



MISSION DRIVEN. CUSTOMER FOCUSED.

Grand Rapids Division
401 SE 11th Street
Grand Rapids, MN 55744-3954
(218) 326-8574/326-8447 FAX
MN Relay Service dial 711
www.odcmn.com

TRANSITIONAL WORK PROGRAM
CONTRACT AGREEMENT BETWEEN

Grand Rapids Public Works
AND

OCCUPATIONAL DEVELOPMENT CENTER, INC.

The purpose of this agreement is to outline conditions for person served at the

Occupational Development Center, Inc. who will participate in a Transitional

Work Program of Lawn Care Service to include lawn mowing, weed trimming, raking and
removal of leaves at Grand Rapids Public Works tentatively beginning 5/5/2020 or when

ODC is able to safely provide services during the COVID-19 Pandemic and MN stay at home

order and shall be reviewed on 10/31/2020 , or when changes in the duties and

responsibilities occur. This contract is subject to change if there is an increase in minimum

wage. At that time a new price will be negotiated.

The Occupational Development Center, Inc. agrees to the following as indicated by X's
in the box.

- 1. Provide a staff trainer at the employment site to ensure that the
person Served can fulfill job task assignments. The staff trainer's time will vary
dependent upon the person served involved.
2. Will maintain and satisfy all payroll requirements for the
Person Served participating under this agreement (i.e. Worker's Compensation, Social
Security, Wage & Hour, etc.).
3. Schedule will be as follows: As deemed necessary by job coach unless otherwise
specified in this contract.
4. Arrange transportation to and from Grand Rapids Public Works at these locations
old central school, library, bridge, city hall, Parks and around town

ODC DIVISIONS

Baudette ♦ Bemidji ♦ Buhl ♦ Crookston ♦ Grand Rapids ♦ International Falls ♦ Roseau ♦ Thief River Falls ♦ Warren

ODC ADMINISTRATION

1520 Highway 32 South, Box 730
Thief River Falls, MN 56701-0730
(218) 681-4949/681-7635 FAX Rev. 09/19

ODC OUTREACH OFFICES

East Grand Forks ♦ Hibbing ♦ Virginia



An Equal Opportunity Employer

Transitional Work Contract Agreement  
Page 2

Grand Rapids Public Works agrees to the following by X's in the box.  
(Name of Business)

- 1. Provide a worksite within their facility to train and assess the person served in the duties listed below.
- 2. Will reimburse the Occupational Development Center, Inc. at quoted price, which will include wages and related overhead costs at  
**\$50.00 for 0-30 minutes labor**  
**\$100.00 for 30 minutes to 1-hour labor.**  
**This will be billed per Public Works location visited per visit.**
- 3. Will complete appropriate employee evaluation forms as requested by the Occupational Development Center, Inc.
- 4. Other:

Number of Person Served covered by this agreement (this number will not change unless prior authorization is received): **3 and a Job Coach**

Duties to be performed: **Lawn mowing, weed trimming, raking and removal of leaves**  
Days per week: **as needed per weather condition**

The Occupational Development Center, Inc. will bill monthly at the agreed upon price for hours worked by employee(s).as stated above

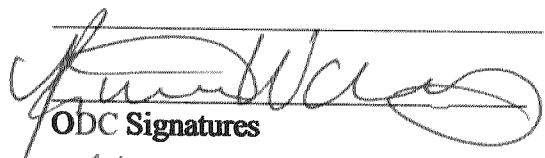
This Agreement may be canceled by either party at any time, with or without cause, upon thirty (30) days notice in writing delivered by mail or in person.

I (We) agree to the terms of this Agreement:

Rinna Waters; Program Specialist

\_\_\_\_\_  
Contracting Business Signatures

\_\_\_\_/\_\_\_\_/\_\_\_\_  
Date

\_\_\_\_\_  
  
ODC Signatures

4,14,2020  
Date



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

**File #:** 20-1059      **Version:** 1      **Name:** 2020 Hiring PW PT Spring/Summer Eligibility List  
**Type:** Agenda Item      **Status:** Passed  
**File created:** 5/1/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020  
**Title:** Consider making a motion authorizing the Public Works Department to hire from the PW Part-Time Eligibility List for the 2020 Spring/Summer Maintenance Season.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [2020 5-11 PW Spring-Summer PT Eligibility List](#)

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Consider making a motion authorizing the Public Works Department to hire from the PW Part-Time Eligibility List for the 2020 Spring/Summer Maintenance Season.

**Background Information:**

The Public Works Department hires part-time workers for the Spring/Summer Maintenance Season to work on all city owned property such as parks, athletic fields, right-of-ways, Itasca Calvary Cemetery and the Itasca County Airport. Ratification for the start of employment for this list will be May 11th, 2020 and continue until October 31st, 2020.

All of the employees on this eligibility list are returning from last year. Their wage rates will be as follows; 2nd year return hires \$12.25, 3rd year return hires \$12.50 and a 4th year hire will receive \$12.75 per hour. Please see the attached documentation for the eligibility list for this Spring/Summer Maintenance Season. The cost of these part-time employees is included in the 2020 Budget.

**Staff Recommendation:**

Matt Wegwerth, Public Works Director/City Engineer approves hiring from the attached PW Part-Time Eligibility List for the 2020 Spring/Summer Maintenance Season.

**Requested City Council Action**

Make a motion to approve and authorize the Public Works Department to hire part-time maintenance workers from the PW Part-Time Eligibility List for the 2020 Spring/Summer Maintenance Season.

**PW 5-11-20 Spring/Summer PT Eligibility List:**

**New Hires: \$12.00**

John Baker  
Madison Lathrop  
Brady Wagner

**2nd Year Hires: \$12.25**

Alex Mostad  
Tanner Shepard  
Nathaniel DeGuisseppi

**4th Year Hires: \$12.75**

John Romanik

**4th Year +: \$13.00**



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

**File #:** 20-1060      **Version:** 1      **Name:** Removal of Inactive Employees from the City Payroll  
**Type:** Agenda Item      **Status:** Passed  
**File created:** 5/4/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020  
**Title:** Consider making a motion authorizing the removal of inactive employees from the City of Grand Rapids payroll.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [2020 5-11 PW Inactive Employee Removal List](#)

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Consider making a motion authorizing the removal of inactive employees from the City of Grand Rapids payroll.

### **Background Information:**

Please see the attached list of inactive employees to be removed from the City of Grand Rapids payroll.

### **Staff Recommendation:**

Matt Wegwerth, Public Works Director/City Engineer, recommends the removal of inactive employees from the City of Grand Rapids payroll.

### **Requested City Council Action**

Make a motion to approve and authorize the removal of the attached list of inactive employees from the City of Grand Rapids payroll.

**Public Works Inactive Employees**

Ken Aho

Aaron Foss

Karl Gaalaas

Zach Heinrich

Toby Holmgren

Kate Kampa

Dale Nemeth

Terry Norgord





# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

**File #:** 20-1061      **Version:** 1      **Name:**  
**Type:** Agenda Item      **Status:** Passed  
**File created:** 5/5/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020  
**Title:** Consider adopting a resolution accepting an \$86,175.00 Commercial Redevelopment Grant from Iron Range Resources and Rehabilitation (IRRR)for the demolition of the VFW and Rose buildings

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [Resolution Accepting IRRR Commercial demo grant](#)

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Consider adopting a resolution accepting an \$86,175.00 Commercial Redevelopment Grant from Iron Range Resources and Rehabilitation (IRRR)for the demolition of the VFW and Rose buildings

**Background Information:**

On March 7, 2020, a structure fire began at 20 NE 3<sup>rd</sup> St. Grand Rapids, a multi-tenant downtown commercial building owned by Ms. Sherry Rose of Grand Rapids. The Grand Rapids Fire Department responded and called on multiple surrounding communities to provide aid. The fire spread to the neighboring building at 13 NE 3<sup>rd</sup> St., the VFW Ponti Peterson Post. Both buildings suffered irreparable damage before the fire was brought under control.

Concerns about the structural integrity of the buildings require an expedited demolition of both structures, because the buildings are adjacent to each other and cannot be removed individually. The expedited demolition comes at a time when a clear plan for redevelopment has not emerged. The Commercial Redevelopment grant of \$86,175.00 from IRRR will fund 50% of the demolition expense, the balance of the demolition will be provided by the building owners and their insurance.

**Requested City Council Action**

Consider adopting a resolution accepting an \$86,175.00 Commercial Redevelopment Grant from Iron Range Resources and Rehabilitation (IRRR)for the demolition of the VFW and Rose buildings

Council member \_\_\_\_\_ introduced the following resolution and moved for its adoption:

RESOLUTION NO. 20-

A RESOLUTION ACCEPTING AN \$86,175.00 GRANT FROM THE MINNESOTA DEPARTMENT OF IRON RANGE RESOURCES AND REHABILITATION (IRRR) COMMERCIAL REDEVELOPMENT PROGRAM FOR DEMOLITION AND HAZARDOUS MATERIAL ABATEMENT ASSOCIATED WITH THE VFW AND ROSE BUILDINGS

WHEREAS, Minnesota State Statutes 465.03, states that cities may accept gifts of real or personal property, including money, and use them in accordance with the terms the donor prescribes; and

WHEREAS, every such acceptance shall be by resolution of the governing body adopted by two-thirds majority of its members,

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Grand Rapids, Itasca County, Minnesota, accepts the \$86,175.00 Commercial Redevelopment grant award from the IRRR for the demolition and hazardous material abatement of two adjacent structures, the VFW Post at 13 NE 3<sup>rd</sup> St. and the Rose building at 20 NE 3<sup>rd</sup> St.

Adopted this 11<sup>th</sup> day of May, 2020.

\_\_\_\_\_  
Dale Adams, Mayor

Attest:

\_\_\_\_\_  
Kimberly Gibeau, City Clerk

Council member \_\_\_\_\_ seconded the foregoing resolution and the following voted in favor thereof: \_\_\_\_\_; and the following voted against same: \_\_\_\_\_, whereby the resolution was declared duly passed and adopted.



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

**File #:** 20-1065      **Version:** 1      **Name:** Adv. Cont-Burggraf's Ace, Kuschel & Chandler  
**Type:** Agenda Item      **Status:** Passed  
**File created:** 5/5/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020  
**Title:** Consider entering into agreements with area businesses for advertising at the IRA Civic Center.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Consider entering into agreements with area businesses for advertising at the IRA Civic Center.

**Background Information:**

In 1993, the City Council approved the Civic Center advertising policy to generate revenue to offset operating costs. As part of this policy, agreements are renewed at the end of each term. The following is a new agreement:

Burggraf's Ace Hardware-January 1, 2020-December 31, 2021 for advertising for a lighted wall sign and dashboard-\$1,200 for 2020 and \$1,200 for 2021

Kuschel & Chandler Insurance Agency-January 1, 2020-December 31, 2021 for advertising for a lighted wall sign-\$600 for 2020 and \$600 for 2021.

**Staff Recommendation:**

City staff is recommending approval of entering into agreements with area businesses for advertising at the IRA Civic Center.

**Requested City Council Action**

Make a motion to approve entering into agreements with area businesses for advertising at the IRA Civic Center.



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

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**File #:** 20-1067      **Version:** 1      **Name:** ICC Field Lease  
**Type:** Agenda Item      **Status:** Passed  
**File created:** 5/7/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020  
**Title:** Consider entering into a lease agreement with Itasca Community College for the use of City sports fields.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [ICC Lease 2020](#)

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Consider entering into a lease agreement with Itasca Community College for the use of City sports fields.

**Background Information:**

Itasca Community College uses fields at the Grand Rapids Sports Complex and Legion Field for their softball and baseball programs. The attached lease is updated annually to reflect a 3% increase in the fee we charge.

**Staff Recommendation:**

City staff recommends entering into a lease agreement with Itasca Community College for the use of City sports fields.

**Requested City Council Action**

Make a motion to enter into a lease agreement with Itasca Community College for the use of City sports fields.

## **LEASE AGREEMENT**

This lease, made this \_\_\_\_\_ day of \_\_\_\_\_, 2020, between the City of Grand Rapids, a Municipal Corporation, hereafter called the "Lessor", and Itasca Community College, Grand Rapids, MN, hereafter called the "Lessee".

Whereas, Lessor owns and operates the Legion Baseball Field and the Grand Rapids Sports Complex; and

Whereas, Lessee has determined that the Legion Baseball Field and the Grand Rapids Sports Complex are suitable facilities for conducting their athletic programs; and

Whereas, Lessor and Lessee wish to enter into this Lease Agreement for the purpose of establishing the terms and conditions pursuant to which the Lessee shall lease the above named facilities; and

NOW THEREFORE, for good and valuable mutual consideration, Lessor and Lessee mutually agree as follows:

### **ARTICLE I**

**1. Lease Agreement:** In consideration of and subject to the mutual conditions and obligations of this Lease Agreement to be kept and performed, including the obligation to lease, Lessor does hereby lease to Lessee the Legion Baseball Field and the Grand Rapids Sports Complex Softball Fields solely to the extent of this Lease Agreement.

**2. Lessee's Right of Possession and Use:** Lessee shall have the right to possess and use the Legion Baseball Field and the Grand Rapids Sports Complex Softball Fields for the purposes, to the extent and at the times set forth in Exhibit A attached hereto and incorporated by reference. Lessee's right to possess and use the aforementioned facilities shall be intermittent and confined to those portions of the facilities specifically identified in Exhibit A. Lessor and its licensees shall have the right to enter upon and use the aforementioned facilities at all times not consistent with Exhibit A. Lessee shall at all times comply with all statutes, ordinances, codes and regulations of any governmental authority concerning the use of the premises. Lessee shall not permit any hazardous or dangerous activity to be conducted at the aforementioned facilities or allow any activity which will increase insurance risks or premiums on the premises.

**3. Schedule of Use:** Lessee shall submit to Lessor annually before March 1 for Baseball and Softball schedules of all purposed uses for the upcoming seasons, which schedules shall be subject to Lessor's approval. It is understood that ISD #318 baseball and softball teams receive priority scheduling rights.

**4. Supervision: Safety:** Lessee agrees to assume full responsibility for the supervision of all persons entering the aforementioned facilities in conjunction with the Lessee's activities or events, including participants, coaches and other staff and spectators. Lessee shall require that all such persons conduct themselves in an orderly and safe manner consistent with the policies for use of the aforementioned facilities.

**5. Concessions:** Lessor retains the exclusive right to operate all concessions at the aforementioned facilities either through representatives of Lessor or Lessor's assignees. This Lease Agreement does not confer upon the Lessee the right to operate concessions.

**6. Gate Receipts and Admission Charges:** The Lessee shall, with prior approval by the Lessor and at their own expense, have the right to charge admission fees for their events. Provisions for simultaneous events held at the Grand Rapids Sports Complex must be made for participants, coaches and spectators for those events.

## ARTICLE II

**1. Lease:** Lessee shall pay to Lessor according to the following schedule:

April 1, 2020            \$7,000.00 (\$3,500.00 for softball and \$3,500.00 for baseball)

Lease payments shall be payable to the City of Grand Rapids and mailed or delivered to City Hall, 420 N Pokegama Avenue, Grand Rapids, MN 55744.

## ARTICLE III

**1. Maintenance and Repair:** Lessor shall at all times during the term of this Lease Agreement, at Lessor's own cost and expense, repair and maintain the aforementioned facilities and any improvement or alterations except as otherwise provided in this Article.

**2. Damages:** Lessee shall reimburse Lessor for the reasonable cost to repair and restore the aforementioned facilities in the event of damage to the premises caused by participants, coaches or other staff, or spectators who are in or upon the aforementioned facilities in conjunction with any of the Lessee's activities or events.

**3. Cleanup:** Although Lessor retains ultimate responsibility for maintenance, Lessee shall perform routine cleanup after its use of the premises, including proper storage of equipment, pick up and proper disposal of litter.

**4. Alterations, Improvements:** Lessee shall not make alterations or improvements to the premises without the advanced written consent of Lessor.

**5. Facility Preparation:** The Lessor shall prepare the Grand Rapids Sports Complex softball fields including mowing, infield dragging, field painting, and disposal of garbage and rest room maintenance. An outfield fence shall be placed on the game field as needed. Lessee will perform infield dragging and field painting at Legion Field.

#### **ARTICLE IV**

**1. Term:** The term of this Lease Agreement shall be from April 1 - October 30, 2020.

#### **ARTICLE V**

**1. Lessor's Access:** The Lessor shall have the right to enter the leased premises for the purpose of inspecting, repairing, altering or improving the leased facilities or for any other purpose not inconsistent with Exhibit A.

#### **ARTICLE VI**

**1. Indemnity:** Lessee shall protect, defend, hold harmless and indemnify Lessor against any and all claims, actions, losses, costs, expenses and liabilities, including reasonable attorneys' fees for defense, arising out of or in any way related to Lessee's use of the premises or any of Lessee's activities or events, save when said claim, action, loss, cost, expense or liability is proximately caused solely and exclusively by the negligence or breach of this Lease Agreement by Lessor. In case of any action or proceeding brought against Lessor by reason of a claim covered by this Paragraph 11.1, upon notice from Lessor, Lessee covenants to defend such action or proceeding by counsel reasonable satisfactory to Lessor.

**2. Insurance:** Lessee shall maintain throughout the term of this Lease Agreement policy of comprehensive general liability insurance with limits of as specified below for the calendar year 2016 and must name the City of Grand Rapids as an additional insured. The limit of such insurance policy shall not be less than the City's maximum limits of liability as set forth in **Minn. Stat. Sec. 466.04**. Said policy of insurance shall be evidenced by a certificate of insurance, which shall be placed on file with Lessor by Lessee prior to commencement of occupancy of the premises by Lessee. Each such policy or certificate shall contain a valid provision or endorsement that the policy may not be canceled, terminated, changed or modified without giving Lessor thirty (30) days advance written notice of such change. The policy shall also contain a contractual liability endorsement evidencing insurance coverage for Lessee's indemnification obligation to Lessor under this Lease Agreement.

**3. Liability to Lessee:** Lessor shall not be liable to Lessee or to any employee, student or invitee of Lessee for any claim or cause of action arising out of death, injury, damage to property occurring in, on or about the leased premises except for damages, attributable exclusively to the negligence or breach of this Lease Agreement by Lessor, its employees or agents, by a court of competent jurisdiction.

**4. Liability Limits Not Waived:** Nothing in this Article VI shall cause either Lessor or Lessee to be subject to liability in excess of any statutory limits of liability applicable to Lessor or Lessee.

## **ARTICLE VII**

**1. No Partnership:** Nothing contained in this Lease Agreement shall be deemed or construed to create a partnership or joint venture of or between Lessor and Lessee or to create any other relationship between the parties hereto other than that of Lessor and Lessee.



IN WITNESS WHEREOF, the parties have caused this agreement to be duly executed intending to be bound thereby.

**APPROVED:**

**1. LESSOR: City of Grand Rapids**

Licensors certify that the appropriate person(s) have executed the Agreement on behalf of Licensor as required by applicable articles, bylaws, resolutions, or ordinances.

By (authorized signature)
Title
Date

By (authorized signature)
Title
Date

**2. Minnesota State: STATE OF MINNESOTA BY AND THROUGH THE BOARD OF TRUSTEES OF MINNESOTA STATE COLLEGES AND UNIVERSITIES, ON BEHALF OF ITASCA COMMUNITY COLLEGE**

By (authorized signature)
Title
Date

**3. AS TO ENCUMBRANCE:**

By (authorized signature)
Title
Date

**4. AS TO FORM AND EXECUTION:**

By (authorized signature)
Title
Date

## **Exhibit A**

### **Softball Uses at Grand Rapids Sports Complex Include:**

- ICC Women's Fastpitch Softball Practices
- ICC Women's Fastpitch Softball Regular Season and Post-Season Games (Field preparation to be performed by Lessor)
- Tournament games are NOT included in this lease and will be invoiced \$90 per game

### **Baseball Uses at Legion Field Include:**

- ICC Spring and Fall Baseball Practices
- ICC Baseball Regular and Post-Season Games (Field preparation to be performed by Lessee)



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

**File #:** 20-1071      **Version:** 1      **Name:**  
**Type:** Agenda Item      **Status:** Passed  
**File created:** 5/7/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020  
**Title:** Rescind the notice of retirement from Lisa Flaherty, Accounting Technician/Accounts Payable.  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:**

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Rescind the notice of retirement from Lisa Flaherty, Accounting Technician/Accounts Payable.

**Background Information:**

At the February 10, 2020 City Council meeting, the City Council accepted the notice of retirement from Lisa Flaherty, Accounting Technician/Accounts Payable, effective June 30, 2020. As a result of COVID-19, the City has put a freeze on new hires and, because this is an essential position, Lisa has agreed to continue working until the process of replacing her can continue. We will come back to the City Council at a later date to accept her notice of retirement when a new date has been set.

**Staff Recommendation:**

City Administrator Tom Pagel, Director of Finance Barb Baird, and Director of Human Resources Lynn DeGrio are recommending rescinding the notice of retirement from Lisa Flaherty, Accounting Technician/Accounts Payable, with gratitude to Lisa for her willingness to continue until a replacement has been hired.

**Requested City Council Action**

Make a motion to rescind the notice of retirement from Lisa Flaherty, Accounting Technician/Accounts Payable.



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

**File #:** 20-1077      **Version:** 1      **Name:** Approve Seasonal Golf Employee  
**Type:** Agenda Item      **Status:** Passed  
**File created:** 5/11/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020  
**Title:** Approve Seasonal Golf Employee

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Approve Seasonal Golf Employee

**Background Information:**

Requesting approval for seasonal golf course employee Madison Janecke.  
Her working title is Outdoor Services

**Staff Recommendation:**

Approve Seasonal employment for Madison Janecke retroactive to April 26. Employment begins April 26, 2020 and ends no later than October 26, 2020  
Her rate of pay will be \$10.25 hour.

**Requested City Council Action**

Approve seasonal employment for Madison Janecke retroactive to April 26, 2020. Employment to begin April 26, 2020 and end no later than October 26, 2020.  
Her rate of pay will be \$10.25 hour. This is funded through the Pokegama Golf Course 2020 approved budget.



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

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**File #:** 20-1062      **Version:** 1      **Name:**  
**Type:** Public Hearing      **Status:** Passed  
**File created:** 5/5/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020  
**Title:** Conduct a public hearing to consider a modification to the Development Program for Development District No. 1, the proposed establishment of Tax Increment District 1-13 (Unique Opportunities) therein and the proposed adoption of a Tax Increment Financing Plan therefor.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [PowerPoint presentation TIF District 1-13 City Council Public Hearing TIF Plan](#)  
[Purchase and Development Contract Second Draft](#)  
[Analysis Memo 3-16-20](#)

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		
5/11/2020	1	City Council		

Conduct a public hearing to consider a modification to the Development Program for Development District No. 1, the proposed establishment of Tax Increment District 1-13 (Unique Opportunities) therein and the proposed adoption of a Tax Increment Financing Plan therefor.

**Background Information:**

(Background presented in attachments)

**Requested City Council Action**

Conduct a public hearing to consider a modification to the Development Program for Development District No. 1, the proposed establishment of Tax Increment District 1-13 (Unique Opportunities) therein and the proposed adoption of a Tax Increment Financing Plan therefor



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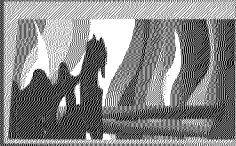
# **City Council Public Hearing**

## **Purchase and Development Agreement and Tax Increment Finance (TIF) Housing District 1-13**

**by and between**

**Unique Opportunities, LLC, GREDA and the City of Grand Rapids**

**May 11, 2020**



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# Project Background

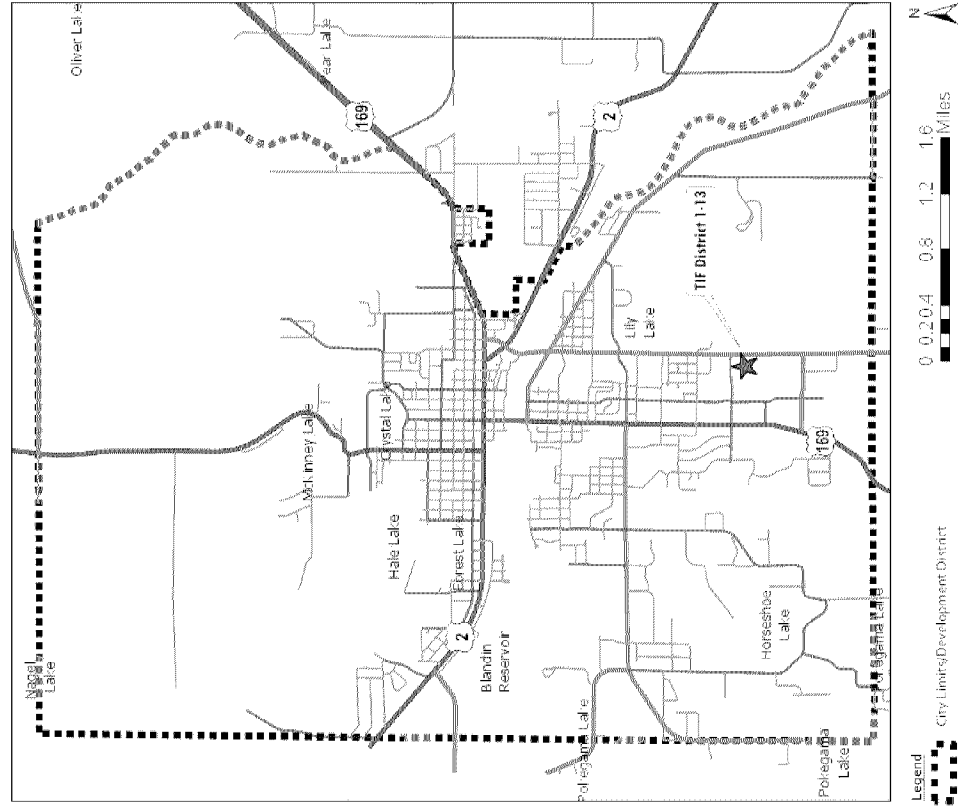
- **Citing a financial gap, Unique Opportunities LLC of Fergus Falls, MN (Developer) filed an application for TIF Business Assistance on January 7<sup>th</sup> of this year requesting Tax Increment Financing (TIF) in the amount of \$500,000, over the full 26-year term of a housing district.**
- **Project Scope – The application detailed the proposed development of a 48-unit, three-story apartment, a twelve stall detached garage and parking area. The project will reserve 20% of the units (10 units) for occupancy by persons with incomes at or below 50% of the area median income (AMI) for Itasca County.**
- **Project Need – The need for this type and number of housing units is validated by the November 2019 *City of Grand Rapids Housing Study*.**
- **Project Timeline and Cost - The project is proposed to begin in the summer of 2020 and be completed in the spring of 2021. The estimated total development cost is approximately \$4.95 million.**
- **Project Location – The project is proposed to be located on a 2.9-acre property owned by the City of Grand Rapids at the intersection of 21<sup>st</sup> St. SE and 7<sup>th</sup> Ave. E., parcel number 91-033-1202.**



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# Project Background

## Exhibit A Map of City Development District

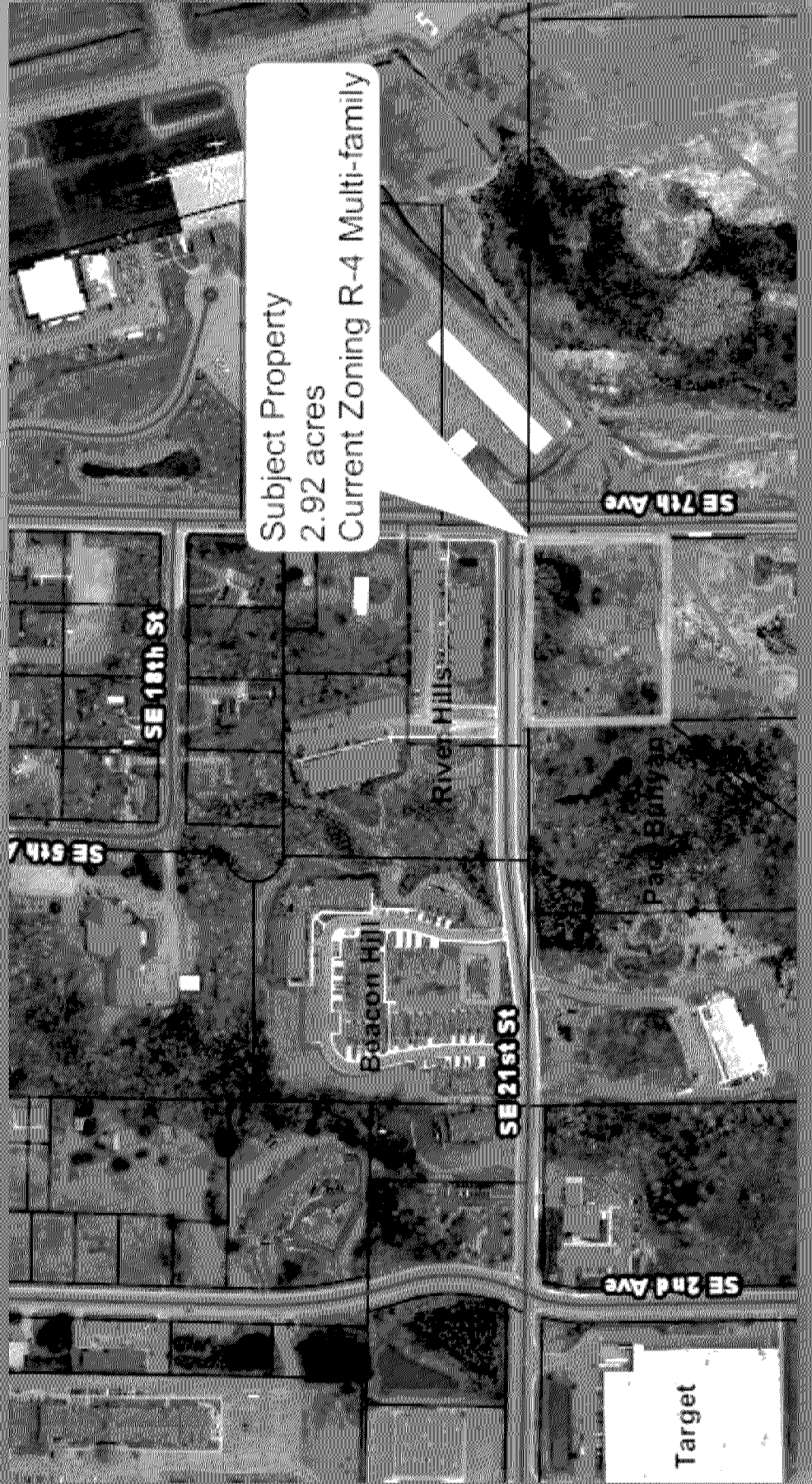


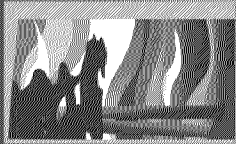




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# Project Background





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# Project Background

## Proposed Land Sale

- **Consistent with the Preliminary Development Agreement, previously executed by all the parties, the proposed Purchase and Development Contract stipulates that the project site, which is owned by the City currently, will be conveyed to GREDA at no cost.**
- **GREDA, then, will convey the 2.92-acre parcel to Unique Opportunities LLC for their developed of the 48-unit housing project; allowing GREDA to include right of reversion language required in EDA land sales. Although not addressed in this agreement, the proceeds of the sale, received by GREDA, would be used to pay for infrastructure costs associated with Great River Acres residential parcels.**
- **The sale price of \$175,000 does require that the remaining approximate \$16,000 of special assessments on the property be paid in full by GREDA at closing. Given that reduction in proceeds, the sale price equates to \$1.26/sf, which is a fair market value for multi-family zoned undeveloped property in our market area.**



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# Project Background

## Project Sources and Uses:

<b>Sources/Revenue:</b>		<b>Uses/Development Costs:</b>	
<b>First Mortgage</b>	<b>70%</b>	<b>Site Acquisition</b>	<b>4%</b>
<b>TIF</b>	<b>8%</b>	<b>Construction Costs</b>	<b>90%</b>
<b>Equity</b>	<b>20%</b>	<b>Professional Services</b>	<b>3%</b>
<b>Gap</b>	<b>2%</b>	<b>Financing Costs</b>	<b>4%</b>
		<b>Development Fee</b>	<b>0%</b>
<b>Total:</b>	<b>\$4,950,000</b>	<b>Total:</b>	<b>\$4,950,000</b>

The Sources include a \$94,000 Gap that the Developer intends to fill with savings on construction costs or Developer equity



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# Project Background

## Current and Future Assessed Value Estimate:

	Current (Itasca County Assessor)	Future (Itasca County Assessor)
Land Value (2.9 acres)	\$67,700	\$195,400
Building Value	\$0	\$1,759,700
Total Value	\$67,700	\$1,955,100
Annual Property Taxes (Pay 2020 Rate)	(Exempt) if taxable, \$1,530	\$46,697

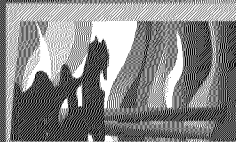


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# TIF Business Assistance

- **The proposed TIF district would be a Housing District**
  - Consistent with the TIF Act, 20% of the total number of units (10 units) will be reserved for occupancy by persons with incomes at or below 50% of the area median income.
  - For those units, rents will be restricted to no more than 97% of the Multifamily Rent and Income limits set by the US Department of Housing and Urban Development for Itasca County. Initial rents for affordable and market rate units are as follows:

Unit Type	Number of Units	Monthly Rent
1 Bedroom Affordable	5	\$660
2 Bedroom Affordable	5	\$790
1 Bedroom Market Rate	13	\$775
2 Bedroom Market Rate	25	\$925



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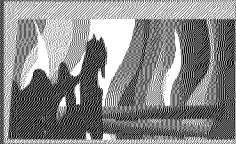
**GRAND RAPIDS MINNESOTA - 48 UNIT**

UNIQUE OPPORTUNITIES

GRAND RAPIDS MINNESOTA  
UNIQUE OPPORTUNITIES



1-800-368-6868



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# TIF Business Assistance

- **The Public Purpose objectives, within the City's business assistance policies, which align with this project are:**
  - To create housing opportunities for senior and low to moderate income families.
  - To provide a diversity of housing adjacent to cultural, recreational, economic, natural, education and transportation systems.
  - To accomplish other public policies consistent with the Comprehensive Plan, such as; to Provide for Lifecycle Housing
- **In Minnesota, TIF can be used for two purposes:**
  - To finance public infrastructure that is related to the development, or
  - To induce or cause a development or redevelopment that otherwise would not occur. (The economics of the development won't work without the assistance, for reasons such as; added cost of building acquisition and removal, development costs won't allow for affordable rents, added cost of site cleanup, etc.)



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# TIF Business Assistance

## • TIF But-for Test

- Under Minnesota statute, before a City can establish a TIF district for a project, the developer must demonstrate and the City must verify that, but-for the use of TIF, the project would not occur in the foreseeable future.

## • TIF Basics:



- Important to note that no property taxes are currently being collected, as an exempt property owned by the City
- Only the increase in taxes resulting from the new development (increment) is delayed until the TIF commitment is satisfied.
- Upon that satisfaction, all property taxes resume full distribution to the taxing entities.

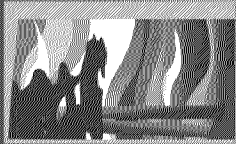




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# TIF Business Assistance

- **TIF Need Analysis** – the City’s fiscal consultant Ehlers has analyzed and evaluated the Developer’s updated project budget and pro forma based upon industry standards and market ranges for rate of return, as well as development costs and revenues.
  - The analysis included a review of the key metrics, such as; Total Development Cost per unit, Developer Fee, Rents, Operating Expenses, Management Fee, Replacement Reserves, and ROI. Those metrics were measured against industry standards and all fell within or below standard ranges.
  - Based upon that analysis, it was determined that the Developer has maximized the potential private mortgage and minimized development costs. However a demonstrated financial gap remains.
  - The analysis further determined that TIF assistance to bridge that financial gap, in the amount of **\$372,000** over the first 15 years of the allowable term of a housing district, is required to achieve a reasonable average cash-on-cash return on investment of 8% for this project.



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# TIF Business Assistance

- **When approving a TIF Plan, the City Council must find (among other things) that:**
  - **The proposed development would not reasonably be expected to occur solely through private investment in the reasonably foreseeable future; and**
  - **The increased market value of the site that could reasonably be expected to occur without the use of TIF would be less than the increase estimated to result from the proposed development.**
- **The Draft Resolution, TIF Plan and its Appendix C address these required findings and describe the basis of the determined need for this public assistance in furthering the public purposes of: creating housing opportunities for senior and low to moderate income families, providing a diversity of life cycle housing adjacent to cultural, recreational, economic, natural, education and transportation systems, and to improve the tax base and to improve the general economy.**
- **The proposed TIF involves pay-as-you-go financing, which means the developer will pay the costs of creating the improvements with their funds, and the increments, as they are generated by the new development, will be used to reimburse the developer for these costs over time.**
- **Housing districts have a maximum duration of 26 years. It is projected that, at full development, the principal amount of the TIF obligation, assuming an interest rate of 4.50%, will be fully funded in approximately 15 years.**



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# Process

## **At their April 23, 2020 meeting, GREDA:**

- 1. Conducted a Public Hearing to consider the sale of Parcel Number 91-033-1202.**
- 2. Following the Public Hearing, consider GREDA adopted a resolution approving a Purchase and Development Contract between the City of Grand Rapids, the Grand Rapids Economic Development Authority and Unique Opportunities, LLC and approving the sale of land contained therein.**

**At today's meeting, the City Council will hold a public hearing to consider this request for TIF Business Assistance. Actions that will be considered immediately following the Public Hearing will include:**

- 1. Adoption of a resolution approving the establishment of TIF District No. 1-12 and approving the TIF Plan for the District.**
- 2. Adoption of a resolution approving the Purchase and Development Contract with GREDA and Unique Opportunities, LLC and awarding the sale of, and providing the form, terms, covenants and directions for the issuance of its tax increment revenue note.**



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# Questions?



# MODIFICATION TO THE DEVELOPMENT PROGRAM

Municipal Development District No. 1

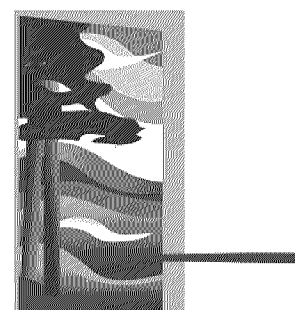
- AND -

# TAX INCREMENT FINANCING PLAN

Establishment of Tax Increment Financing District No. 1-13:  
Unique Opportunities  
(a housing district)

City of Grand Rapids, Itasca County, Minnesota

Public Hearing: May 11, 2020



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

## **Foreword**

The following text represents a Modification to the Development Program for Municipal Development District No. 1. This modification represents a continuation of the goals and objectives set forth in the Development Program for Municipal Development District No. 1. Generally, the substantive changes include the establishment of the Tax Increment Financing District No. 1-13: Unique Opportunities.

For further information, a review of the Development Program for Municipal Development District No. 1, is recommended. It is available from the Community Development Director at the City of Grand Rapids. Other relevant information is contained in the Tax Increment Financing Plans for the Tax Increment Financing Districts located within Municipal Development District No. 1.

# Tax Increment Financing Plan for Tax Increment Financing District No. 1-13: Unique Opportunities

## Foreword

The City of Grand Rapids (the "City"), staff and consultants have prepared the following information to expedite the establishment of Tax Increment Financing District No. 1-13: Unique Opportunities (the "District"), a housing tax increment financing district, located in Municipal Development District No. 1.

## Statutory Authority

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the City has certain statutory powers pursuant to *Minnesota Statutes ("M.S.")*, Sections 469.124 - 469.133, inclusive, as amended, and *M.S.*, Sections 469.174 to 469.1794, inclusive, as amended (the "Tax Increment Financing Act" or "TIF Act"), to assist in financing public costs related to this project.

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

## Statement of Objectives

The District currently consists of one parcel of land and adjacent and internal rights-of-way. The District is being created to facilitate the development of 48-units of rental housing with 20% available to persons at or below 50% of area median income in the City. The City has not entered into an agreement or designated a developer at the time of preparation of this TIF Plan, but the City anticipates entering into a Development Agreement with Unique Opportunities. Development is likely to begin in 2020. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Municipal Development District No. 1.

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

## Development Program Overview

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

1. Property to be Acquired - The City currently owns the parcel of property within the District and plans to transfer it to the Grand Rapids Economic Development Authority ("GREDA"). The GREDA anticipates selling the land to the Developer.



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

## Description of Property in the District and Property to be Acquired

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

Parcel number	Address	Owner
91-033-1202	2601 Airport Rd.	City of Grand Rapids

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

The City currently owns the parcel of property within the District and plans to transfer it to the GREDA. The GREDA anticipates selling the land to the Developer.

## Classification of the District

The City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, finds that the District, to be established, is a housing district pursuant to *M.S., Section 469.174, Subd. 11 and M.S., Section 469.1761*.

- The District consists of one parcel.
- The development will consist of 48-units of multi-family rental housing.
- 20% of the units will be occupied by person with incomes less than 50% of median income.

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

## Duration and First Year of Tax Increment of the District

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 25 years after receipt of the first increment by the City (a total of 26 years of tax increment). The City elects to receive the first tax increment in 2023, which is no later than four years following the year of approval of the District.

Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2048, or when the TIF Plan is satisfied. The City reserves the right to decertify the District prior to the legally required date.

## **Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity Value/Increment and Notification of Prior Planned Improvements**

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2020 for taxes payable 2021.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2022) the amount by which the original value has increased or decreased as a result of:

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

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

The original local tax rate for the District will be the local tax rate for taxes payable 2020, assuming the request for certification is made before June 30, 2020. The ONTC and the Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Municipal Development District No. 1, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. The City requests 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2023. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Tax Capacity		
Project estimated Tax Capacity upon completion	\$51,169	
Original estimated Net Tax Capacity	<u>\$846</u>	
<b>Estimated Captured Tax Capacity</b>	<b>\$50,323</b>	
Original Local Tax Rate	<u>180.8080%</u>	Pay 2020
<b>Estimated Annual Tax Increment</b>	<b>\$90,988</b>	
Percent Retained by the City	100%	

Note: Tax capacity includes a 3.0% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in year 25. The tax capacity of the District in year one is estimated to be \$24,439.

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

The City has reviewed the area to be included in the District and determined no building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.

## Sources of Revenue/Bonds to be Issued

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

SOURCES	
Tax Increment	\$ 1,657,780
Interest	<u>165,778</u>
<b>TOTAL</b>	<b>\$ 1,823,558</b>

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The City reserves the right to incur bonds or other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by pay-as-you-go notes and interfund loans. Any refunding amounts will be deemed a budgeted cost without a formal TIF Plan Modification. This provision does not obligate the City to incur debt. The City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

The City may issue bonds (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of \$1,090,207. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

## Uses of Funds

Currently under consideration for the District is a proposal to facilitate the development of 48-units of rental housing with 20% available to persons at or below 50% of area median income. The City has determined that it will be necessary to provide assistance to the project for certain District costs, as described.

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

<b>USES</b>	
Land/Building Acquisition	\$ 175,000
Site Improvements/Preparation	300,000
Affordable Housing	-
Utilities	-
Other Qualifying Improvements	449,429
Administrative Costs (up to 10%)	165,778
<b>PROJECT COSTS TOTAL</b>	<b>\$ 1,090,207</b>
Interest	733,351
<b>PROJECT AND INTEREST COSTS TOTAL</b>	<b>\$ 1,823,558</b>

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

Estimated costs associated with the District are subject to change among categories without a modification to this TIF Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory requirements. The City may expend funds for qualified housing activities outside of the District boundaries.

## Estimated Impact on Other Taxing Jurisdictions

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

Impact on Tax Base			
Entity	2019/Pay 2020 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
Itasca County	58,055,706	50,323	0.0867%
City of Grand Rapids	8,385,756	50,323	0.6001%
ISD 318	40,410,884	50,323	0.1245%

Impact on Tax Rates				
Entity	Pay 2020 Extension Rate	Percent of Total	CTC	Potential Taxes
Itasca County	67.5340%	37.35%	50,323	\$ 33,985
City of Grand Rapids	88.6290%	49.02%	50,323	44,601
ISD 318	24.3400%	13.46%	50,323	12,249
Other	0.3050%	0.17%	50,323	153
	<b>180.8080%</b>	<b>100.00%</b>		<b>\$ 90,988</b>

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Pay 2020 rate, and the total net capacity for the entities listed above are also based on Pay 2020 figures. The District will be certified under the Pay 2020 rates, which were unavailable at the time this TIF Plan was prepared.

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

- (1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is \$1,657,780;
- (2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is expected. Based on similar developments, it is anticipated that police calls will increase by approximately 32 calls per year. New developments add an increase in traffic, and additional overall demands to the call load. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The probable impact of the District on fire protection is not expected to be significant. Typically, new buildings generate few calls, if any, and are of superior construction. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The impact of the District on public infrastructure is expected to be minimal. The development is not expected to significantly impact any traffic movements in the area. The current infrastructure for sanitary sewer, storm sewer and water will be able to handle the additional volume generated from the proposed development. Based on the development plans, there are no additional costs associated with street maintenance, sweeping, plowing, lighting and sidewalks.

The probable impact of any District general obligation tax increment bonds on the ability to issue debt for general fund purposes is expected to be minimal. It is not anticipated that there will be any general obligation debt issued in relation to this project, therefore there will be no impact on the City's ability to issue future debt or on the City's debt limit.

- (3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is \$223,167;
- (4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is \$619,201;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S. Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

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

## Supporting Documentation

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

- (i) In making said determination, reliance has been placed upon (1) written representation made by the developer to such effects, (2) review of the developer's proforma; and (3) City staff awareness of the feasibility of developing the project site within the District, which is further outlined in the City Council resolution approving the establishment of the TIF District and Appendix C.
- (ii) A comparative analysis of estimated market value both with and without establishment of the TIF District and the use of tax increments has been performed. Such analysis is included with the cashflow in Appendix B and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the TIF District and the use of tax increments.

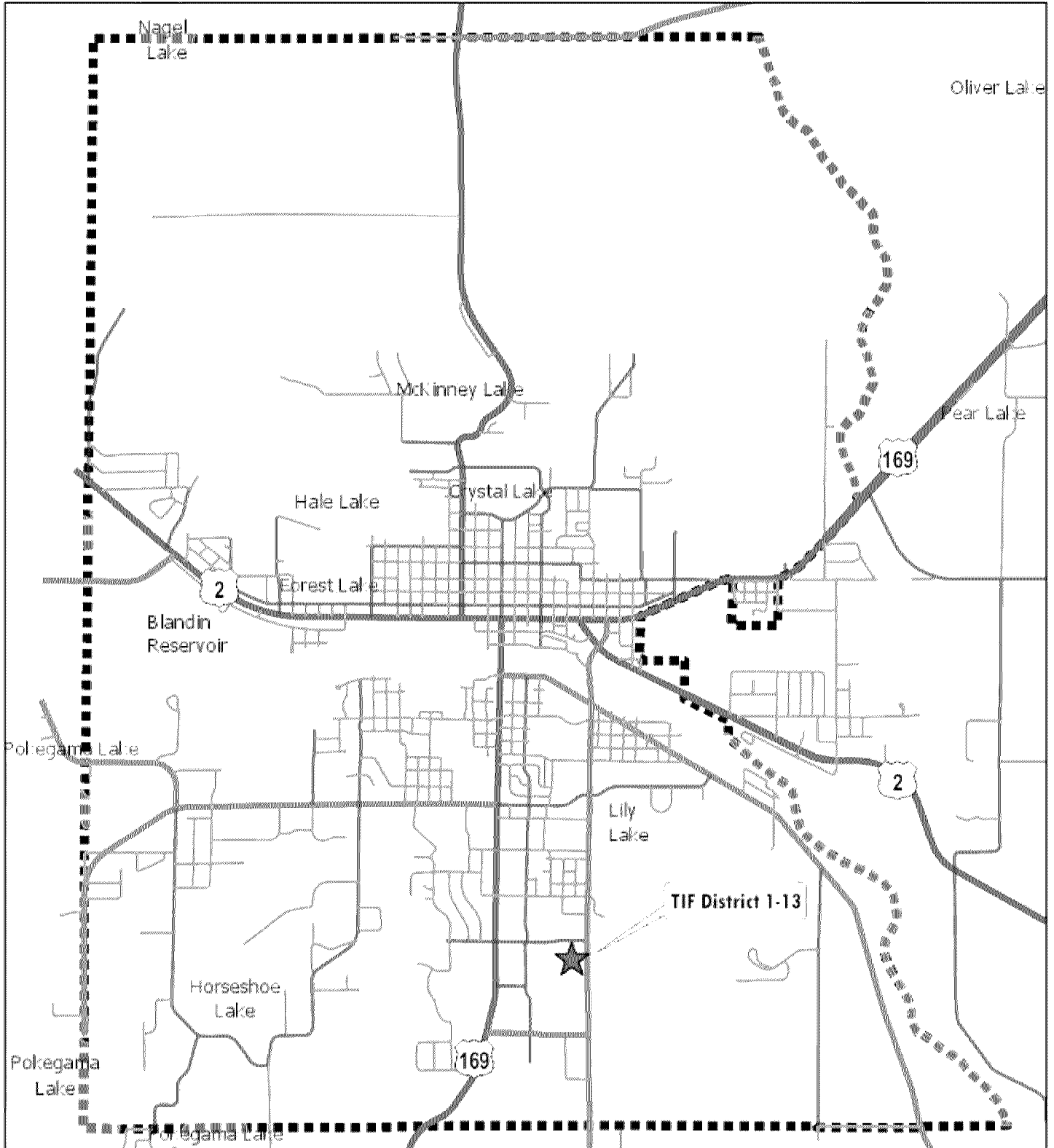
## Administration of the District

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

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

# Tax Increment Financing District No. 1-13 located in Municipal Development District No. 1

City of Grand Rapids, MN



### Legend

 Municipal Development District No. 1  
Boundaries of Municipal Development District No. 1 are coterminous with the City limits.

0 0.2 0.4 0.8 1.2 1.6  
Miles





# Appendix B: Estimated Cash Flow for the District



**TIF District No. 13: Unique Opportunities - 3% Inflation**

City of Grand Rapids, MN  
48 Unit Apartment Building

**ASSUMPTIONS AND RATES**

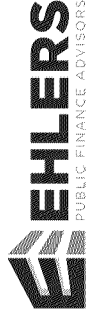
<b>DistrictType:</b>	Housing	
<b>District Name/Number:</b>	TIF 13	
<b>County District #:</b>	TBD	
<b>First Year Construction or Inflation on Value Existing District - Specify No. Years Remaining</b>	2021	
<b>Inflation Rate - Every Year:</b>	3.00%	
<b>Interest Rate:</b>	4.50%	
<b>Present Value Date:</b>	1-Aug-21	
<b>First Period Ending</b>	1-Feb-22	
<b>Tax Year District was Certified:</b>	Pay 2020	
<b>Cashflow Assumes First Tax Increment For Development:</b>	2023	
<b>Years of Tax Increment</b>	26	
<b>Assumes Last Year of Tax Increment</b>	2048	
<b>Fiscal Disparities Election (Outside (A), Inside (B), or NA)</b>	NA	
<b>Incremental or Total Fiscal Disparities</b>	NA	
<b>Fiscal Disparities Contribution Ratio</b>	NA	
<b>Fiscal Disparities Metro-Wide Tax Rate</b>	NA	
<b>Maximum/Frozen Local Tax Rate:</b>	180.808%	Pay 2020
<b>Current Local Tax Rate: (Use lesser of Current or Max.)</b>	180.808%	Pay 2020
<b>State-wide Tax Rate (Comm./Ind. only used for total taxes)</b>	38.8460%	Pay 2020
<b>Market Value Tax Rate (Used for total taxes)</b>	0.12836%	Pay 2020

Tax Rates	
Exempt Class Rate (Exempt)	0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)	
First \$150,000	1.50%
Over \$150,000	2.00%
Commercial Industrial Class Rate (C/I)	2.00%
Rental Housing Class Rate (Rental)	1.25%
Affordable Rental Housing Class Rate (Aff. Rental)	
First \$162,000	0.75%
Over \$162,000	0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)	
First \$500,000	1.00%
Over \$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)	
First \$500,000	1.00%
Over \$500,000	1.25%
Agricultural Non-Homestead	1.00%

BASE VALUE INFORMATION (Original Tax Capacity)												
PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	Area/Phase
91-033-1202	NA	2601 Airport Rd.	67,700	67,700	67,700	100%	67,700	Pay 2020	Exempt	0	Rental	1
			67,700	67,700	67,700		67,700					846
												846

**Note:**

1. Base values are for pay 2020 based upon review of the tax statement for 2020.



**TIF District No. 13: Unique Opportunities - 3% Inflation**

City of Grand Rapids, MN  
48 Unit Apartment Building

PROJECT INFORMATION (Project Tax Capacity)											
Area/Phase	Estimated New Use	Taxable Market Value	Total Market Value	Total Sq. Ft./Units	Property Tax Class	Project Tax Capacity/Unit	Percentage Completed 2021	Percentage Completed 2022	Percentage Completed 2023	Percentage Completed 2024	First Year Full Taxes Payable
1 Apartments	40,731	40,731	1,955,100	48	Rental	509	100%	100%	100%	100%	2023
<b>TOTAL</b>			<b>1,955,100</b>	<b>48</b>		<b>509</b>					
Subtotal Residential			1,955,100	48		509					
Subtotal Commercial/Ind.			0	0		0					

Note:

1. Market values are based upon estimates from the County Assessor dated Jan. 16, 2020.

TAX CALCULATIONS							
	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes
New Use Apartments	24,439	0	24,439	44,187	0	0	2,510
<b>TOTAL</b>	<b>24,439</b>	<b>0</b>	<b>24,439</b>	<b>44,187</b>	<b>0</b>	<b>0</b>	<b>46,697</b>
							Taxes Per Sq. Ft./Unit 972.85

Note:

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

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	46,697
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(2,510)
less Base Value Taxes	(1,530)
<b>Annual Gross TIF</b>	<b>42,657</b>

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	67,700
New Market Value - Est.	1,955,100
Difference	1,887,400
Present Value of Tax Increment	845,997
Difference	1,041,403
Value likely to occur without Tax Increment is less than:	1,041,409



## Appendix C: Findings Including But/For Qualifications

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 1-13: Unique Opportunities, as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 1-13: Unique Opportunities is a housing district as defined in M.S., Section 469.174, Subd. 11.*

Tax Increment Financing District No. 1-13: Unique Opportunities consists of one parcel. The development will consist of 48-units of rental housing with 20% available to persons at or below 50% of area median income, all or a portion of which will receive tax increment assistance and will meet income restrictions described in *M.S. 469.1761*. At least 20 percent of the units receiving assistance will have incomes at or below 50 percent of area median income.

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.*

*The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future:* This finding is supported by the fact that the development proposed in this plan is a housing district that meets the City's objectives for development and redevelopment. The cost of site improvements and maintaining at least 20 percent of the units available to persons at or below 50 percent of area median income along with restricting rent rates for those units makes this housing development infeasible without City assistance. Due to decreased rental income from affordable units, there is insufficient cash flow to provide a sufficient rate of return, pay operating expenses, and service the debt. This leaves a gap in the funding for the project and makes this housing development feasible only through assistance, in part, from tax increment financing. The developer was asked for and provided a letter and a proforma as justification that the developer would not have gone forward without tax increment assistance.

*The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan:* This finding is justified on the grounds that the cost of site and public improvements, and construction of affordable housing with income and rent restrictions add to the total development cost. Historically, the costs of site and public improvements as well as reduced rents required for affordable workforce housing in the City have made development infeasible without tax increment assistance. The City reasonably determines that no other development of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

3. *Finding that the TIF Plan for Tax Increment Financing District No. 1-13: Unique Opportunities conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The City Council reviewed the TIF Plan and found that the TIF Plan conforms to the general development plan of the City.

4. *Finding that the TIF Plan for Tax Increment Financing District No. 1-13: Unique Opportunities will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Municipal Development District No. 1 by private enterprise.*

Through the implementation of the TIF Plan, the City will provide an impetus for residential development, which is desirable or necessary for increased population and an increased need for life-cycle housing within the City.

**Second Draft  
April 17, 2020**

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**PURCHASE AND DEVELOPMENT AGREEMENT**

**by and between**

**CITY OF GRAND RAPIDS, MINNESOTA,**

**GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY,**

**and**

**UNIQUE OPPORTUNITIES, LLC**

**Dated: May \_\_, 2020**

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## PURCHASE AND DEVELOPMENT AGREEMENT

THIS PURCHASE AND DEVELOPMENT AGREEMENT, made on or as of the \_\_\_\_ day of May \_\_, 2020 (the "Agreement"), by and between the CITY OF GRAND RAPIDS, MINNESOTA, a statutory city organized and existing under the Constitution and the laws of the State of Minnesota (the "City"), the GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic (the "Authority"), and UNIQUE OPPORTUNITIES, LLC, a Minnesota limited liability company (the "Developer").

WITNESSETH:

WHEREAS, the City has undertaken a program to promote economic development and job opportunities and to promote the development of land which is underused or underutilized within the City, and in this connection has created Development District No. 1 (the "Development District") pursuant to Minnesota Statutes, Sections 469.124 through 469.133, as amended (the "City Development Act"), and has adopted a development program therefor (the "Development Program"); and

WHEREAS, within the Development District the City has created Tax Increment Financing District No. 1-13: Unique Opportunities Housing (the "TIF District"), a housing tax increment financing district, in order to facilitate Development of certain property in the Development District and promote the development of affordable housing within the City, and has adopted a tax increment financing plan therefor (the "TIF Plan"), all pursuant to the City Development Act and Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the "TIF Act"); and

WHEREAS, the Authority was established pursuant to Minnesota Statutes, Sections 469.090 through 469.1082, as amended (the "EDA Act"), and is authorized to transact business and exercise its powers by a resolution of the City Council of the City; and

WHEREAS, pursuant to the EDA Act, the Authority is authorized to acquire real property, or interests therein, and to undertake certain activities to prepare such real property for development by private enterprise; and

WHEREAS, the Developer has requested that the Authority sell it certain property legally described in EXHIBIT A attached hereto (the "Development Property"), and the Developer proposes to acquire, construct and equip an approximately 48-unit multi-family rental housing facility, with at least twenty percent (20%) of such units to be available to persons of low and moderate income, and a 12-stall detached parking garage, with all related improvements to be completed, owned and operated by the Developer on the Development Property (the "Minimum Improvements"); and

WHEREAS, in order to achieve the objectives of the Development Program and the TIF Plan, and to make the Minimum Improvements economically feasible for the Developer to construct, the City is prepared to reimburse the Developer for a portion of the public development costs related to the Minimum Improvements, as more particularly set forth in this Agreement; and

WHEREAS, the City and the Authority believe that the sale and improvement of the Development Property and the development of the TIF District pursuant to this Agreement, and fulfillment generally of this Agreement, are in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable state and local laws and the requirements under which the Development District has been undertaken and is being assisted.

NOW, THEREFORE, in consideration of the premises and the mutual obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

(The remainder of this page is intentionally left blank.)

**ARTICLE I**  
**DEFINITIONS**

Section 1.1. Definitions. In this Agreement, unless a different meaning clearly appears from the context:

“Administrative Expenses” means “administrative expenses,” as defined in Section 469.174, Subdivision 14, of the TIF Act, at any time actually incurred by the City or the Authority with respect to the TIF District.

“Affiliate” means with respect to the Developer (a) any corporation, partnership, limited liability company or other business entity or person controlling, controlled by or under common control with the Developer, and (b) any successor to such party by merger, acquisition, reorganization or similar transaction involving all or substantially all of the assets of such party (or such Affiliate). For the purpose hereof the words “controlling,” “controlled by” and “under common control with” mean, with respect to any corporation, partnership, limited liability company or other business entity, the ownership of fifty percent (50%) or more of the voting interests in such entity possession, directly or indirectly, of the power to direct or cause the direction of management policies of such entity, whether ownership of voting securities or by contract or otherwise.

“Agreement” means this Purchase and Development Agreement, as the same may be from time to time modified, amended, or supplemented.

“Authority” means the Grand Rapids Economic Development Authority, a public body corporate and politic under the laws of the State.

“Authority Representative” means the Executive Director of the Authority or any person designated in writing by the Executive Director to act as the Authority Representative for the purposes of this Agreement.

“Authorizing Resolution” means the resolution of the City, substantially in the form set forth in EXHIBIT F attached hereto, adopted by the City Council of the City to authorize the issuance of the Note.

“Available Tax Increment” has the meaning provided in the Authorizing Resolution.

“Business Day” means any day except a Saturday, Sunday, legal holiday, a day on which the City is closed for business, or a day on which banking institutions in the City are authorized by law or executive order to close.

“Certificate of Completion” means the certificate to be provided to the Developer pursuant to Section 4.4 hereof, in the form set forth in EXHIBIT B attached hereto.

“City” means the City of Grand Rapids, Minnesota, a statutory city organized and existing under the Constitution and the laws of the State.

“City Development Act” means Minnesota Statutes, 469.124 through 469.133, as amended.

“City Representative” means the City Administrator of the City or any person designated in writing by the City Administrator to act as the City Representative for the purposes of this Agreement.

“Construction Plans” means the plans, specifications, drawings and related documents on the construction work to be performed by the Developer on the Development Property, including the Minimum Improvements, which (a) shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the appropriate building officials of the City, and (b) shall include at least the following: (1) site plan; (2) foundation plan; (3) basement plans; (4) floor plan for each floor; (5) cross sections of each (length and width); (6) elevations (all sides); (7) landscape plan; and (8) such other plans or supplements to the foregoing plans as the City may reasonably request to allow it to ascertain the nature and quality of the proposed construction work.

“County” means the County of Itasca, Minnesota, a public body corporate and politic under the laws of the State.

“Developer” means Unique Opportunities, LLC, a Minnesota limited liability company, or permitted successors and assigns.

“Development District” means the City’s Development District No. 1 located in the City.

“Development Program” means the City’s Development Program for Development District No. 1 as approved on February 17, 1982 and modified on August 26, 1996, August 14, 2006, and August 23, 2010, and as it may be further modified.

“Development Property” means the real property described in EXHIBIT A attached hereto.

“EDA Act” means the Economic Development Authority Act, Minnesota Statutes, Sections 469.090 to 469.1082, as amended.

“Event of Default” means an action by the Developer listed in Article IX hereof.

“Holder” means the owner of a Mortgage.

“Minimum Improvements” means the acquisition, construction, and equipping of an approximately 48-unit multi-family rental housing facility, with at least twenty percent (20%) of such units to be available to persons of low and moderate income, and a 12-stall detached parking garage, with all related improvements to be completed, owned and operated by the Developer on the Development Property.

“Mortgage” means any mortgage made by the Developer which is secured, in whole or in part, with the Development Property and which is a permitted encumbrance pursuant to the provisions of Article VII hereof.

“Note” means the City’s pay-as-you-go Tax Increment Revenue Note, Series 2020 (Unique Opportunities Project), substantially in the form contained in the Authorizing Resolution, to be delivered by the City to the Developer in consideration for the Developer’s payment of Public Development Costs, and any obligation issued to refund the Note.

“Payment Date” has the meaning provided in the Authorizing Resolution.

“Public Development Costs” means those costs to be paid or reimbursed to the Developer by the City in connection with the development hereunder pursuant to Section 3.6 hereof, and as described in EXHIBIT D attached hereto.

“State” means the State of Minnesota.

“Tax Increment” means that portion of the real property taxes which is paid with respect to the Development Property and which is remitted to the City by the County as tax increment pursuant to the TIF Act. The term Tax Increment does not include any amounts retained by or payable to the State auditor under Section 469.177, subdivision 11 of the TIF Act.

“TIF Act” or “TIF Act” means the Tax Increment Financing Act, Minnesota Statutes, Sections 469.174 through 469.1794, as amended.

“Tax Increment District” or “TIF District” means the City’s Tax Increment Financing District No. 1-13: Unique Opportunities, a housing tax increment financing district, within the Development District.

“Tax Increment Plan” or “TIF Plan” means the Tax Increment Financing Plan for the TIF District, as approved by the City Council of the City on May 11, 2020, and as it may be amended.

“Tax Official” means any County assessor, County auditor, County or State board of equalization, the commissioner of revenue of the State, or any State or federal district court, the tax court of the State, or the State Supreme Court.

“Termination Date” means the earlier of the following: (a) the Final Payment Date (as defined in the Note), (b) the date when the Note has been fully paid, defeased or terminated in accordance with its terms; or (c) the date of termination of the Note and this Agreement by the City due to an Event of Default as set forth in Section 9.2 hereof.

“Transfer” has the meaning set forth in Section 8.2(a) hereof.

“Unavoidable Delays” means delays beyond the reasonable control of the party seeking to be excused as a result thereof which are the direct result of strikes, other labor troubles, material shortages, prolonged adverse weather or acts of God, pandemic affecting the State as determined by the Governor, acts of war or terrorism, fire or other casualty to the Minimum Improvements, discovery of unknown hazardous materials or other concealed site conditions or delays of contractors due to such discovery, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, state or local governmental unit (other than the City or Authority in exercising its rights under this Agreement) which directly result in delays. Unavoidable Delays shall not include delays in the Developer’s obtaining of permits or governmental approvals necessary to enable construction of the Minimum Improvements by the dates such construction is required under Section 4.3 hereof.

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## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the Authority. The Authority makes the following representations as the basis for the undertaking on its part herein contained:

(a) The Authority is a public body corporate and politic duly organized and existing under the laws of the State. Under the provisions of the EDA Act, the Authority has the power to enter into this Agreement and carry out its obligations hereunder, and the execution of this Agreement has been duly, properly and validly authorized by the Authority. This Agreement contains the valid and binding obligations of the Authority and is enforceable in accordance with its terms.

(b) The activities of the Authority hereunder are undertaken for the purpose of fostering affordable rental housing for persons of low and moderate income, and for the purpose of promoting economic development and the development of certain real property which for a variety of reasons is presently unutilized and underutilized.

Section 2.2. Representations and Warranties by the City. The City makes the following representations and warranties as the basis for the undertaking on its part herein contained:

(a) The City is a statutory city duly organized and existing under the laws of the State. Under the provisions of the City Development Act and the TIF Act, the City has the power to enter into this Agreement and carry out its obligations hereunder, and the execution of this Agreement has been duly, properly and validly authorized by the City. This Agreement contains the valid and binding obligations of the City and is enforceable in accordance with its terms.

(b) The City proposes to assist in financing certain Public Development Costs in accordance with the terms of this Agreement.

(c) The activities of the City under this Agreement are undertaken for the purpose of fostering affordable rental housing for persons of low and moderate income, and for the purpose of promoting economic development and the development of certain real property which for a variety of reasons is presently unutilized and underutilized.

(d) The Tax Increment District is a "housing district" within the meaning of Minnesota Statutes, Section 469.174, Subdivision 11, and was created, adopted and approved in accordance with the terms of the Tax Increment Act.

(e) The development contemplated by this Agreement is in conformance with the development objectives set forth in the Development Program.

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(f) The City has not entered into any other contracts for the sale of the Development Property, nor are there any rights of first refusal, options to purchase, rights to build, leases or any other agreements regarding the Development Property, or any other rights of third parties that might prevent the execution of this Agreement or Developer's purchase of the Development Property.

(g) There are no tenants, persons or entities occupying any portion of the Development Property and no claim exists against any portion of the Development Property by reason of adverse possession or prescription.

(h) The Development Property is properly zoned for construction and operation of the Minimum Improvements.

Section 2.3 Representations and Warranties by the Developer. The Developer represents and warrants that:

(a) The Developer is a limited liability company, which is duly organized and in good standing under the laws of the State; the Developer is not in violation of any provisions of its organizational documents or bylaws; the Developer is duly authorized to transact business within the State, has power to enter into this Agreement; and the Developer has duly authorized the execution, delivery, and performance of this Agreement by proper action of its respective officers, directors, managers, governors or members (as applicable).

(b) In the event the Development Property is conveyed to the Developer, then the Developer will construct, operate, and maintain the Minimum Improvements, or cause the same to be constructed, operated and maintained, in accordance with the terms of this Agreement, and all applicable local, state, and federal laws and regulations (including, but not limited to, environmental, zoning, building code, and public health laws and regulations).

(c) The Developer has received no notice or communication from any local, state, or federal official that the activities of the Developer, the City or the Authority on the Development Property may be or will be in violation of any environmental law or regulation (other than those notices or communications of which the City and Authority are aware). The Developer is aware of no facts the existence of which would cause it to be in violation of or give any person a valid claim under any applicable local, state, or federal environmental law, regulation or review procedure.

(d) The Developer will construct the Minimum Improvements in accordance with all applicable local, state, or federal energy-conservation laws or regulations.

(e) The Developer will obtain or cause to be obtained, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state, and federal laws and regulations which must be obtained or met before the Minimum Improvements may be lawfully constructed. The Developer did not obtain a building permit for any portion of the Minimum Improvements before May 11, 2020, the date of approval of the TIF Plan for the TIF District.

(f) To the best of Developer's knowledge and belief, neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by, or conflicts with or results in a breach of the terms, conditions, or provisions of any restriction or any evidences of indebtedness, agreement, or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(g) Whenever any Event of Default occurs and if the Authority or the City shall employ attorneys or incur other expenses for the collection of payments due or to become due, or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer under this Agreement, the Developer agrees that it shall, within ten days of written demand by the Authority or the City, pay to the Authority or the City the reasonable fees of such attorneys and such other expenses so incurred by the Authority or the City.

(h) The proposed development by the Developer hereunder would not occur but for the tax increment financing assistance being provided by the City hereunder.



(i) The Developer shall promptly advise the City in writing of all litigation or claims affecting any part of the Minimum Improvements and all written complaints and charges made by any governmental authority materially affecting the Minimum Improvements or materially affecting the Developer or its business which may delay or require changes in construction of the Minimum Improvements.

(j) The Developer represents that no more than twenty percent (20%) of the square footage of the Minimum Improvements will consist of commercial, retail or other nonresidential use.

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## ARTICLE III

### ACQUISITION AND CONVEYANCE OF PROPERTY; PUBLIC DEVELOPMENT COSTS; FINANCING

Section 3.1. Acquisition and Conveyance of the Development Property. As of the date of this Agreement, the City owns the Development Property. The City will transfer the Development Property to the Authority. The Developer will acquire the Development Property from the Authority in accordance with the terms and conditions of this Agreement. The Developer will pay a purchase price of \$175,000 to the City, payable at Closing (as defined in Section 3.2(c) hereof). The parties agree and acknowledge that the purchase price for the Development Property represents the fair market value of the Development Property.

Section 3.2. Conditions of Conveyance; Purchase Price. (a) *Generally.* The Authority shall convey title to and possession of the Development Property to the Developer by a quit claim deed substantially in the form of the deed attached as EXHIBIT C to this Agreement (the "Deed"). The Authority's obligation to convey the Development Property to the Developer and Developer's obligation to purchase the Development Property and otherwise perform any other obligations under this Agreement, are subject to and contingent upon satisfaction of the following terms and conditions:

(1) The City and the Authority having approved Construction Plans for the Minimum Improvements in accordance with Section 4.2.

(2) The Developer having obtained and the City and the Authority having reviewed the Developer's evidence of financing in accordance with Article VII hereof.

(3) The Developer having received approval by the City, the Authority and by all governmental agencies from which approval must be obtained for the development of the Development Property and the construction of the Minimum Improvements, including without limitation a building permit and approval of the site plans, building plans, and any other City approvals, all to the extent so required under City ordinances or other applicable regulations.

(4) The Developer having reviewed and approved (or waived Objections (as hereinafter defined) to) title to the Development Property as set forth in Section 3.4.

(5) The Developer having reviewed and approved (or waived Objections to) soil and environmental conditions and Inspections as set forth in Section 3.5.

(6) There is no uncured Event of Default under this Agreement.

(7) The Board of Commissioners of the Authority having held a public hearing on the sale of the Development Property to the Developer.

(8) All of the representations and warranties of the Authority and City set forth in this Agreement being true and correct as of the Closing Date.

(9) The Authority and City having performed all of their obligations as and when required pursuant to this Agreement.

(b) *Exercise and waiver of conditions.* Conditions (4) and (5) and (8) through (9) are solely for the benefit of the Developer and may be waived by the Developer. Conditions (1) through (3) and (6) through (7) are for the benefit of both parties and may be exercised by either party.

All conditions must be satisfied or waived on or before Closing. If any of such conditions have not been satisfied or waived by the applicable date stated in this Section, then this Agreement may be terminated, at the benefitted party's option, by written notice from that party to the other. Upon such termination, this Agreement shall become null and void and neither party will have any further rights or obligations under this Agreement other than Developer's obligations under Section 3.8 hereof relating to the payment of Administrative Costs. Should a party fail to give notice of termination as provided herein with respect to any of contingencies benefitting that party, the contingency in question shall be conclusively deemed to have been waived by that party. Waiver of any condition (to the extent permitted under this paragraph) must be in writing delivered by the waiving party to the other party.

(c) *Closing.* The closing on conveyance of the Development Property from the Authority to the Developer (the "Closing") shall occur on a mutually acceptable date after satisfaction or waiver of the conditions specified in this Section, but no later than June 30, 2020.

Section 3.3. Place of Document Execution, Delivery and Recording; Costs. (a) Unless otherwise mutually agreed by the Authority and the Developer, the execution and delivery of all deeds, documents and the payment of any purchase price shall be made at the offices of the title company selected by Developer (the "Title Company") or such other location to which the parties may agree.

(b) The Deed shall be in recordable form and shall be promptly recorded in the proper office for the recordation of deeds and other instruments pertaining to the Development Property. At Closing, the Developer shall pay: recording costs for the Deed, title insurance policy fees and premiums, if any; and one half of the title company closing fees, if any. The Authority shall pay any state deed tax, costs of recording any instruments required to clear title encumbrances, if any, and one half of any closing fees charged by the Title Company. The parties agree and understand that the Development Property is exempt from property taxes in 2020. The Authority will pay any and all outstanding special assessment on the Development Property as of the Closing.

(c) The Authority shall deliver such certificates, affidavits or other information as may be necessary to convey title to the Development Property to Developer, and allow Developer to obtain title insurance in an acceptable form, all as may be reasonably requested.

Section 3.4. Title.

(a) As soon as practical after the date of this Agreement, the Developer, at the Authority's expense, shall obtain a commitment for the issuance of a policy of title insurance for the Development Property from the Title Company (the "Title Commitment"). The Developer shall have thirty (30) days from the date of its receipt of the Title Commitment and a current ALTA survey of the Development Property obtained at the Developer's sole expense (the "Survey") to review the state of title to the Development Property and to provide the Authority with a list of written objections to such title (the "Objections"). If an update to the Title Commitment or Survey reveals any additional encumbrances not provided in the original Title Commitment, the Developer reserves the right to make additional Objections and the provisions of this Section shall apply to such additional Objections. Upon receipt of the Developer's list of written objections, the Authority shall proceed in good faith and with all due diligence to attempt to cure the Objections made by the Developer. In the event that the Authority has failed to cure Objections within sixty (60) days after its receipt of the Developer's list of such Objections, the Developer, the Authority or the City may by the giving of written notice to the other parties, (i) terminate this Agreement, upon the receipt of which this Agreement

shall be null and void and neither party shall have any liability hereunder, other than Developer's obligations under Section 3.8 hereof; or (ii) waive the Objections and proceed to Closing.. The Authority shall have no obligation to take any action to clear defects in the title to the Development Property, other than the good faith efforts described above.

(b) The City and Authority shall take no actions to encumber title to the Development Property between the date of this Agreement and the time which the Deed is delivered to the Developer. The City and Authority expressly agree that they will not cause or permit the attachment of any mechanics, attorneys, or other liens to the Development Property prior to Closing. Upon Closing, the Authority is obligated to remove any mortgages or liens and pay all costs to discharge any encumbrances to the Development Property attributable to actions of the City or the Authority, their employees, officers, agents or consultants, including without limitation any architect, contractor and or engineer. The Authority will remove any personal property from the Development Property before the Closing Date.

(c) The Developer shall take no actions to encumber title to the Development Property between the date of this Agreement and the time the Deed is delivered to the Developer. The Developer expressly agrees that it will not cause or permit the attachment of any mechanics, attorneys, or other liens to the Development Property prior to Closing. Notwithstanding termination of this Agreement prior to Closing, Developer is obligated to pay all costs to discharge any encumbrances to the Development Property attributable to actions of Developer, its employees, officers, agents or consultants, including without limitation any architect, contractor and or engineer.

Section 3.5. Soil Conditions; Other Representations.

(a) The Developer acknowledges that except as specifically provided in this agreement neither the Authority nor the City makes any representations or warranties as to the condition of the soils on the Development Property or its fitness for construction of the Minimum Improvements or any other purpose for which the Developer may make use of such property and that the assistance provided to the Developer under this Agreement neither implies any responsibility by the City for any contamination of the Development Property nor imposes any obligation on such parties to participate in any cleanup of the Development Property. The Developer acquires the Development Property "as is." DEVELOPER ACKNOWLEDGES THAT DEVELOPER IS PURCHASING THE PROPERTY IN RELIANCE DEVELOPER'S INSPECTION OF THE PROPERTY PURSUANT TO THIS SECTION 3.5; AND ON DEVELOPER'S JUDGMENT REGARDING THE SUFFICIENCY OF SUCH INSPECTIONS EXCEPT AS SPECIFICALLY PROVIDED IN THIS AGREEMENT. DEVELOPER IS NOT RELYING ON ANY WRITTEN OR ORAL REPRESENTATIONS, WARRANTIES OR STATEMENTS THAT AUTHORITY OR AUTHORITY'S AGENTS HAVE MADE. SUBJECT TO DEVELOPER'S RIGHT TO TERMINATE THIS AGREEMENT PURSUANT TO THIS SECTION 3.5, PURCHASER IS PURCHASING THE PROPERTY IN "AS IS" CONDITION.

(b) Without limiting its obligations under Section 8.3 of this Agreement the Developer further agrees that it will indemnify, defend, and hold harmless the Authority, the City, and their governing body members, officers, and employees, from any claims or actions arising out of the presence, if any, of hazardous wastes or pollutants existing on or in the Development Property which either (i) arise out of activities of Developer on the Development Property or (ii) arise out of hazardous substances, asbestos, petroleum substances, or pollutants, irritants or contaminants brought onto Development Property by Developer. In addition, Developer agrees to release the Indemnified Parties from any and all costs, expenses, losses, liabilities, claims, causes of action, demands, and damages

relating to the environmental conditions on the Development Property as of the Date of Closing which are not caused by the actions of the Indemnified Parties. Nothing in this section will be construed to limit or affect any limitations on liability of the Authority or the City under State or federal law, including without limitation Minnesota Statutes, Sections 466.04 and 604.752.

(c) Before closing on conveyance of the Development Property, the Developer may enter the Development Property and conduct any environmental, soils studies, surveys, geothermal or any other inspections, investigations, testing or studies deemed necessary by the Developer (collectively, the "Inspections"). The Developer agrees that it shall cause all Inspections performed on the Development Property to be performed in a manner that does not disturb the Development Property and that the Development Property shall be returned to its original condition after Developer's entry. Except for soil borings and test pits, the Developer shall not conduct or cause to be conducted any physically intrusive investigations, examinations or studies of the Development Property without obtaining the prior written consent of the Authority, which consent shall not be unreasonably withheld. If on or before the Closing the Developer, in its sole discretion, is not satisfied with the results of its Inspections, determines that hazardous waste or other pollutants as defined under federal and state law exist on the Development Property, or that the soils are otherwise unsuitable for construction of the Minimum Improvements, the Developer may at its option terminate this Agreement by giving written notice to the Authority, upon receipt of which this Agreement shall be null and void and neither party shall have any liability hereunder, other than Developer's obligations under Section 3.8 hereof.

(d) The Authority knows of one well on the Development Property and the Authority will provide a well disclosure certificate, if necessary.

Section 3.6. Public Development Costs. In order to make development of the Minimum Improvements economically feasible, the City will reimburse the Developer for a portion of the Public Development Costs as set forth in more detail in EXHIBIT D attached hereto. The total principal amount of Public Development Costs subject to reimbursement will not exceed \$372,000. The Developer anticipates that the Public Development Costs will be at least \$372,000. Public Development Costs in excess of the aggregate total are the responsibility of the Developer.

Section 3.7. Issuance of Note.

(a) *Terms.* To reimburse the Developer for a portion of the Public Development Costs paid by the Developer, the City shall issue the Note in the maximum principal amount of \$372,000 to pay for Public Development Costs associated with of the Minimum Improvements. The City shall issue and deliver the Note upon Developer having:

(i) delivered to the City written evidence reasonably satisfactory to the City that Developer has incurred Public Development Costs for the Minimum Improvements in an amount at least equal to the principal amount of the Note, which evidence must include copies of the paid invoices or other comparable evidence for costs of allowable Public Development Costs, and a statement that no part of such cost has been included in any previous certification under this Section;

(ii) submitted evidence of financing in accordance with Section 7.1 hereof;

(iii) delivered to the City an investment letter in a form reasonably satisfactory to the City;

(iv) the construction of the Minimum Improvements has been substantially completed in accordance with Article IV hereof.

The terms of the Note will be substantially those provided in the form of the note set forth in Schedule B of EXHIBIT F attached hereto, and the Note will be subject to all terms of the Authorizing Resolution, which is incorporated herein by reference.

(b) *Termination of Right to Note.* In accordance with Section 469.1763, subdivision 3 of the TIF Act, conditions for delivery of the Note must be met by no later than five (5) years after the date of certification of the TIF District by the County. If the conditions for delivery of the Note are not satisfied by the date described in this paragraph, the City has no further obligations under this Section.

(c) *Assignment of Note.* The City acknowledges that the Developer may assign the Note to a third party. The City consents to such an assignment, conditioned upon receipt of a written instrument of transfer reasonably satisfactory to the City approving such transfer and investment letter from such third party in a form reasonably acceptable to the City.

(d) *Qualifications.* The Developer understands and acknowledges that all Public Development Costs must be paid by the Developer and will be reimbursed solely from Available Tax Increment pursuant to the terms of the Note. The City makes no representations or warranties regarding the amount of Available Tax Increment will be sufficient to pay the principal and interest on the Note. Any estimates of Tax Increment prepared by the City or its municipal advisors in connection with the TIF District or this Agreement are for the benefit of the City, and are not intended as representations on which the Developer may rely. Public Development Costs exceeding the principal amount of the Note are the sole responsibility of the Developer.

Section 3.8. Payment of Administrative Costs. The Developer agrees that it will pay, within thirty (30) days after written notice from the City, the costs of consultants and attorneys retained by the City in connection with the creation of the TIF District and the negotiation in preparation of this Agreement and other incidental agreements and documents related to the development contemplated hereunder (the “Administrative Costs”). Out-of-pocket Administrative Costs shall be evidenced by invoices, statements or other reasonable written evidence of the costs incurred by the City. Upon termination of this Agreement in accordance with its terms, the Developer remains obligated under this section for Administrative Costs incurred through the effective date of termination.

Section 3.9. Use of Tax Increments. The City shall be free to use the Tax Increments, other than those to which the Developer is entitled pursuant to the provisions of Section 3.7 hereof, for its Administrative Expenses, and for any other purpose for which the Tax Increments may lawfully be used pursuant to applicable provisions of State law.

Section 3.10. Records. The City and its representatives shall have the right at all reasonable times, after reasonable notice, to inspect, examine and copy all books and records of the Developer relating to the Minimum Improvements and the Public Development Costs.

Section 3.11. No Business Subsidy. The parties agree and understand that the purpose of the City’s financial assistance to the Developer is to facilitate development of affordable rental housing for persons of low and moderate income, and is not a “business subsidy” within the meaning of Minnesota Statutes, Sections 116J.993 to 116J.995, as amended.

## ARTICLE IV

### CONSTRUCTION OF MINIMUM IMPROVEMENTS

Section 4.1. Construction of Minimum Improvements. The Developer agrees that it will construct the Minimum Improvements on the Development Property in accordance with the approved Construction Plans, and at all times prior to the Termination Date will operate and maintain, preserve and keep the Minimum Improvements or cause the Minimum Improvements to be maintained, preserved, and kept with the appurtenances and every part and parcel thereof, in good repair and condition, ordinary wear and tear excepted. Neither the City nor the Authority shall have any obligation to operate or maintain the Minimum Improvements.

Section 4.2. Construction Plans.

(a) Before commencing construction of the Minimum Improvements, the Developer shall submit to the City and the Authority Construction Plans for the Minimum Improvements. The Construction Plans shall provide for the construction of the Minimum Improvements and shall be in conformity with the Development Program, this Agreement, and all applicable State and local laws and regulations. The City Representative and the will approve the Construction Plans in writing if: (i) the Construction Plans conform to the terms and conditions of this Agreement; (ii) the Construction Plans conform to the goals and objectives of the Development Program; (iii) the Construction Plans conform to all applicable federal, state and local laws, ordinances, rules and regulations; (iv) the Construction Plans are adequate to provide for construction of the Minimum Improvements; (v) the Construction Plans do not provide for expenditures in excess of the funds available to the Developer from all sources for construction of the Minimum Improvements; and (vi) no Event of Default. Approval may be based upon a review by the Building Official of the City of the Construction Plans. No approval by the City Representative shall relieve the Developer of the obligation to comply with the terms of this Agreement or of, applicable federal, state and local laws, ordinances, rules and regulations, or to construct the Minimum Improvements in accordance therewith. No approval by the City Representative shall constitute a waiver of an Event of Default has occurred. If approval of the Construction Plans is requested by the Developer in writing at the time of submission, such Construction Plans shall be deemed approved unless rejected in writing by the City Representative, in whole or in part. Such rejections shall set forth in detail the reasons therefor, and shall be made within thirty (30) days after the date of their receipt by the City. If the City Representative rejects any Construction Plans in whole or in part, the Developer shall submit new or corrected Construction Plans within thirty (30) days after written notification to the Developer of the rejection. The provisions of this Section relating to approval, rejection and resubmission of corrected Construction Plans shall continue to apply until the Construction Plans have been approved by the City Representative. The City Representative's approval shall not be unreasonably withheld, conditioned, or delayed. Said approval shall constitute a conclusive determination that the Construction Plans (and the Minimum Improvements constructed in accordance with said plans) comply to the City's satisfaction with the provisions of this Agreement relating thereto.

The Developer hereby waives any and all claims and causes of action whatsoever resulting from the review of the Construction Plans by the City and/or any changes in the Construction Plans requested by the City. Neither the City, nor any employee or official of the City shall be responsible in any manner whatsoever for any defect in the Construction Plans or in any work done pursuant to the Construction Plans, including changes requested by the City.

(b) If the Developer desires to make any material change in the Construction Plans after their approval by the City, the Developer shall submit the proposed change to the City for approval. If the Construction Plans, as modified by the proposed change, conform to the requirements of this Section with

respect to such previously approved Construction Plans, the City shall approve the proposed change and notify the Developer in writing of its approval. Such change in the Construction Plans shall, in any event, be deemed approved by the City unless rejected, in whole or in part, by written notice by the City to the Developer, setting forth in detail the reasons therefor. Such rejection shall be made within ten (10) days after receipt of the notice of such change. The City's approval of any such change in the Construction Plans will not be unreasonably withheld.

Section 4.3. Commencement and Completion of Construction. Subject to Unavoidable Delays, the Developer shall commence the construction of the Minimum Improvements by August 1, 2020 and substantially complete construction of the Minimum Improvements by December 31, 2021. All work with respect to the Minimum Improvements to be constructed or provided by the Developer on the Development Property shall be in substantial conformity with the Construction Plans as submitted by the Developer and approved by the City.

The Developer agrees for itself, its successors and assigns, and every successor in interest to the Development Property, or any part thereof, that the Developer, and such successors and assigns, shall promptly begin and diligently prosecute to completion the development of the Development Property through the construction of the Minimum Improvements thereon, and that such construction shall in any event be commenced and completed within the period specified in this Section. Subsequent to execution of this Agreement, and until construction of the Minimum Improvements has been completed, the Developer shall make reports, in such detail and at such times as may reasonably be requested by the City, as to the actual progress of the Developer with respect to such construction.

Section 4.4. Certificate of Completion.

(a) Promptly after completion of the Minimum Improvements in accordance with those provisions of this Agreement relating solely to the obligations of the Developer to construct the Minimum Improvements (including the dates for commencement and completion thereof), the City Representative will furnish the Developer with a Certificate of Completion in substantially the form set forth in EXHIBIT B attached hereto. The Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the Agreement and in the Deed with respect to the obligations of the Developer, and its successors and assigns, to construct the Minimum Improvements on the date for the completion thereof. Such Certificate of Completion and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any Holder of a Mortgage, or any insurer of a Mortgage, securing money loaned to finance the Minimum Improvements, or any part thereof.

(b) If the City Representative shall refuse or fail to provide the Certificate of Completion in accordance with the provisions of this Section 4.4, the City Representative shall, within thirty (30) days after written request by the Developer, provide the Developer with a written statement, indicating in adequate detail in what respects the Developer has failed to complete the Minimum Improvements in accordance with the provisions of this Agreement, or is otherwise in default, and what measures or acts it will be necessary, in the reasonable opinion of the City, for the Developer to take or perform in order to obtain such certification.

(c) The construction of the Minimum Improvements shall be deemed to be commenced when foundations are completed; and shall be deemed to be substantially complete upon issuance of a certificate of occupancy by the City.



Section 4.5. Income Limits.

(a) The City and the Developer understand and agree that the TIF District will constitute a “housing district” under Section 469.174, subdivision 11 of the TIF Act. The Developer covenants that, for the duration of the TIF District, it will comply with all income requirements for a qualified residential rental project as defined in Section 142(d) of the Internal Revenue Code of 1986, as amended. Specifically, the Developer agrees and covenants that twenty percent (20%) of the units of the Minimum Improvements (10 units) will be reserved for persons with incomes at or less than fifty percent (50%) of areawide median income.

(b) The Developer shall restrict rents for the ten (10) affordable units to an amount not exceeding 97% of the Multifamily Rent and Income Limits set by the U.S. Department of Housing and Urban Development and promulgated for Itasca County by the Minnesota Housing Finance Agency, as adjusted for bedroom size. The Developer shall not be obligated to extend any allowance to tenants for utilities.

(c) On or before April 1 of each year for the duration of the TIF District, the Developer shall submit evidence in substantially the form set forth in EXHIBIT E attached hereto, showing that the Minimum Improvements meet the relevant income and rent requirements. The parties agree and understand that the Developer may retain a manager (the “Manager”) who will review such evidence and may certify on behalf of the Developer that the Minimum Improvements meet the relevant income and rent requirements. The Developer is responsible for any costs incurred to compensate the Manager (or any successor) for such activities.

(d) If the City reasonably determines based on evidence submitted by the Developer or receives notice from any Manager, the State department of revenue, the State auditor, any Tax Official or any court of competent jurisdiction that the TIF District does not qualify as a “housing district,” such event shall be deemed an Event of Default under this Agreement. In addition to any remedies available to the City under Article IX hereof, the Developer shall indemnify, defend and hold harmless the City and the Authority for any damages or costs resulting therefrom.

(e) The Developer understands that if it does not comply with the affordability covenants in this Section, the TIF Act requires the City to decertify the TIF District.

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## ARTICLE V

### INSURANCE AND CONDEMNATION

#### Section 5.1. Insurance.

(a) The Developer will provide and maintain at all times during the process of constructing the Minimum Improvements an All Risk Broad Form Basis Insurance Policy and, from time to time during that period, at the request of the Authority or the City, furnish the Authority or the City with proof of payment of premiums on policies covering the following:

(i) builder's risk insurance, written on the so-called "Builder's Risk -- Completed Value Basis," in an amount equal to one hundred percent (100%) of the insurable value of the Minimum Improvements at the date of completion, and with coverage available in nonreporting form on the so-called "all risk" form of policy. The interest of the Authority and the City shall be protected in accordance with a clause in form and content satisfactory to the Authority and the City;

(ii) comprehensive general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations, and contractual liability insurance) together with an Owner's Protective Liability Policy with limits against bodily injury and property damage of not less than \$1,000,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used). The Authority and the City shall be listed as additional insureds on the policy; and

(iii) workers' compensation insurance, with statutory coverage, provided that the Developer may be self-insured with respect to all or any part of its liability for workers' compensation.

(b) Upon completion of construction of the Minimum Improvements and prior to the Termination Date, the Developer shall maintain, or cause to be maintained, at its cost and expense, and from time to time at the request of the Authority or the City shall furnish proof of the payment of premiums on, insurance as follows:

(i) insurance against loss and/or damage to the Minimum Improvements under a policy or policies covering such risks as are ordinarily insured against by similar businesses;

(ii) comprehensive general public liability insurance, including personal injury liability (with employee exclusion deleted), against liability for injuries to persons and/or property, in the minimum amount for each occurrence and for each year of \$1,000,000, and shall be endorsed to show the City and Authority as additional insureds; and

(iii) such other insurance, including workers' compensation insurance respecting all employees of the Developer, in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure; provided that the Developer may be self-insured with respect to all or any part of its liability for workers' compensation.

(c) All insurance required in this Article shall be taken out and maintained in responsible insurance companies selected by the Developer which are authorized under the laws of the State to assume the risks covered thereby. Upon request, the Developer will deposit annually with the City policies evidencing all such insurance, or a certificate or certificates or binders of the respective insurers stating that

such insurance is in force and effect. Unless otherwise provided in this Article, each policy shall contain a provision that the insurer shall not cancel nor modify it in such a way as to reduce the coverage provided below the amounts required herein without giving written notice to the Developer, the City, and the Authority at least thirty (30) days before the cancellation or modification becomes effective. In lieu of separate policies, the Developer may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein, in which event the Developer shall deposit with the City a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Minimum Improvements.

(d) The Developer agrees to notify the Authority and the City immediately in the case of damage exceeding \$100,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In such event the Developer either will forthwith repair, reconstruct, and restore the Minimum Improvements to substantially the same or an improved condition or value as it existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction, and restoration, the Developer will apply the net proceeds of any insurance relating to such damage received by the Developer to the payment or reimbursement of the costs thereof.

The Developer shall complete the repair, reconstruction and restoration of the Minimum Improvements, regardless of whether the net proceeds of insurance received by the Developer for such purposes are sufficient to pay for the same. Any net proceeds remaining after completion of such repairs, construction, and restoration shall be the property of the Developer.

(e) In lieu of its obligation to reconstruct the Minimum Improvements as set forth in this Section, the Developer shall have the option of: (i) paying to the City an amount that, in the reasonable opinion of the City and its municipal advisor, is sufficient to pay in full the outstanding principal and accrued interest on the Note, or (ii) so long as the Developer is the owner of the Note, waiving its right to receive subsequent payments under the Note.

(f) The Developer, the City and the Authority agree that all of the insurance provisions set forth in this Article V shall terminate upon the Termination Date.

Section 5.2. Subordination. Notwithstanding anything to the contrary herein, the rights of the Authority and the City with respect to the receipt and application of any insurance proceeds shall, in all respects, be subordinate and subject to the rights of any Holder under a Mortgage.

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## ARTICLE VI

### TAX INCREMENT; TAXES

Section 6.1. Right to Collect Delinquent Taxes. The Developer acknowledges that the City is providing substantial aid and assistance in furtherance of the construction of the Minimum Improvements through issuance of the Note. The Developer understands that the Tax Increments collected by the City from the Development Property pledged to payment on the Note are derived from real estate taxes on the Development Property, which taxes must be promptly and timely paid. To that end, the Developer agrees for itself, its successors and assigns, in addition to the obligation pursuant to statute to pay real estate taxes, that it is also obligated by reason of this Agreement to pay before delinquency all real estate taxes assessed against the Development Property and the Minimum Improvements. The Developer acknowledges that this obligation creates a contractual right on behalf of the City to sue the Developer or its successors and assigns to collect delinquent real estate taxes and any penalty or interest thereon and to pay over the same as a tax payment to the county auditor. In any such suit, the City shall also be entitled to recover its costs, expenses and reasonable attorney fees.

Section 6.2. Reduction of Taxes. The Developer agrees that prior to the Termination Date, it will not cause a reduction in the real property taxes paid in respect of the Development Property by (i) willful destruction of the Development Property or any part thereof; or (ii) willful refusal to reconstruct damaged or destroyed property, except to the extent otherwise provided in Section 5.1; or (iii) filing any petition to seek reduction in market value or property taxes on any portion of the Development Property under any State law. The Developer also agrees that it will not, prior to the Termination Date, apply for an exemption from or a deferral of property tax on the Development Property pursuant to any law, or transfer or permit transfer of the Development Property to any entity whose ownership or operation of the property would result in the Development Property being exempt from real property taxes under State law.

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**ARTICLE VII**  
**MORTGAGE FINANCING**

Section 7.1. Financing.

Before commencement of construction of the Minimum Improvements, the Developer shall submit to the City and the Authority evidence of one or more commitments for financing which, together with committed equity for such construction, is sufficient for the acquisition of the Development Property, and constructing the Minimum Improvements. Such commitments may be submitted as short-term financing, long-term financing, a bridge loan with a long term take-out financing commitment, or any combination of the foregoing. Such commitment or commitments for short-term or long-term financing shall be subject only to such conditions as are normal and customary in the mortgage banking industry.

Section 7.2. City and Authority's Option to Cure Default on Mortgage. In the event that any portion of the Developer's funds is provided through mortgage financing, and there occurs a default under any Mortgage authorized pursuant to this Article VII, the Developer shall provide the City and the Authority copies of any notice of default received by the Developer from the holder of such Mortgage. Thereafter, the City and the Authority shall have the right, but not the obligation, to cure any such default on behalf of the Developer within such cure periods as are available to the Developer under the Mortgage documents.

Section 7.3. Modification; Subordination. In order to facilitate the Developer obtaining financing for the development of the Minimum Improvements, the City and the Authority agree to subordinate its rights under this Agreement to the Holder of any Mortgage securing construction or permanent financing, provided that such subordination shall be subject to such reasonable terms and conditions as the City, the Authority and Holder mutually agree in writing

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## ARTICLE VIII

### PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER; INDEMNIFICATION

Section 8.1. Representation as to Development. The Developer represents and agrees that its purchase of the Development Property, and its other undertakings pursuant to the Agreement, are, and will be used, for the purpose of development of the Development Property and not for speculation in land holding.

Section 8.2. Prohibition Against Developer's Transfer of Property and Assignment of Agreement. The Developer represents and agrees that prior to issuance of the Certificate of Completion for the Minimum Improvements:

(a) Except as specifically described by this Agreement, the Developer has not made or created and will not make or create or suffer to be made or created any total or partial sale, assignment, conveyance, or lease, or any trust or power, or transfer in any other mode or form of or with respect to the Agreement or the Development Property or any part thereof or any interest therein, or any contract or agreement to do any of the same (except a lease to a residential occupant) (collectively a "Transfer"), to any person or entity, without the prior written approval of the City Council. The term "Transfer" does not include (i) encumbrances made or granted by way of security for, and only for, the purpose of obtaining construction, interim or permanent financing necessary to enable the Developer or any successor in interest to the Development Property, or any part thereof, to acquire the Development Property or construct the Minimum Improvements; (ii) any lease, license, easement or similar arrangement entered into in the ordinary course of business related to operation of the Minimum Improvements; or (iii) any sale, conveyance, or transfer in any form to any Affiliate.

(b) If the Developer seeks to effect a Transfer requiring the approval of the City and the Authority prior to issuance of the Certificate of Completion, the City and the Authority shall be entitled to require as conditions to such Transfer that:

(i) Any proposed transferee shall have the qualifications and financial responsibility, in the reasonable judgment of the Authority and the City, necessary and adequate to fulfill the obligations undertaken in this Agreement by the Developer as to the portion of the Development Property to be transferred.

(ii) Any proposed transferee, by instrument in writing reasonably satisfactory to the Authority and the City, and in form recordable among the land records, shall, for itself and its successors and assigns, and expressly for the benefit of the Authority and the City, have expressly assumed all of the obligations of the Developer under this Agreement as to the portion of the Development Property and Minimum Improvements to be transferred and agreed to be subject to all the conditions and restrictions to which the Developer is subject as to such portion; provided, however, that the fact that any transferee of, or any other successor in interest whatsoever to, the Development Property and Minimum Improvements, or any part thereof, shall not, for whatever reason, have assumed such obligations or so agreed, and shall not (unless and only to the extent otherwise specifically provided in this Agreement or agreed to in writing by the Authority and the City) deprive the Authority or the City of any rights or remedies or controls with respect to the Development Property, the Minimum Improvements or any part thereof or the construction of the Minimum Improvements; it being the intent of the parties as expressed in this Agreement that (to the fullest extent permitted at law and in equity and excepting only in the manner and to the extent specifically provided otherwise in this Agreement) no transfer of, or change with respect to, ownership in the Development Property, the Minimum Improvements or any part thereof, or any

interest therein, however consummated or occurring, and whether voluntary or involuntary, shall operate, legally, or practically, to deprive or limit the Authority or the City of or with respect to any rights or remedies on controls provided in or resulting from this Agreement with respect to the Development Property and Minimum Improvements that the Authority or the City would have had, had there been no such transfer or change. In the absence of specific written agreement by the Authority and the City to the contrary, no such transfer or approval by the Authority and the City thereof shall be deemed to relieve the Developer, or any other party bound in any way by this Agreement or otherwise with respect to the Development Property, from any of its obligations with respect thereto.

(iii) Any and all instruments and other legal documents involved in effecting the transfer of any interest in this Agreement or the Development Property governed by this Article VIII, shall be in a form reasonably satisfactory to the Authority and the City.

(c) If the conditions described in paragraph (b) are satisfied then the Transfer will be approved and the Developer shall be released from its obligation under this Agreement, as to the portion of the Development Property that is transferred, assigned, or otherwise conveyed. The provisions of this paragraph (c) apply to all subsequent transferors, assuming compliance with the terms of this Article.

(d) After issuance of the Certificate of Completion, the Developer may transfer or assign the Minimum Improvements and/or the Developer's rights and obligations under this Agreement with respect to such property without the prior written consent of the City; provided that:

(i) until the Termination Date the transferee or assignee is bound by all the Developer's obligations hereunder with respect to the property and rights transferred. The Developer shall submit to the City written evidence of any such transfer or assignment, including the transferee or assignee's express assumption of the Developer's obligations under this Agreement. If the Developer fails to provide such evidence of transfer and assumption, the Developer shall remain bound by all obligations with respect to the subject property under this Agreement; and

(ii) upon compliance with clause (d)(i) above, the Developer shall be released from its obligations under this Agreement with respect to the property transferred.

The provisions of this paragraph (d) apply to all subsequent transferors, assuming compliance with the terms of this Article.

### Section 8.3. Release and Indemnification Covenants.

(a) The Developer releases from and covenants and agrees that the Authority, the City, and the governing body members, officers, agents, servants, and employees thereof (the "Indemnified Parties") shall not be liable for and agrees to indemnify and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Development Property or the Minimum Improvements other than loss or damage to property or any injury to or death of any person resulting from the willful misconduct of the Indemnified Parties..

(b) Except for any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties, and except for any breach by any of the Indemnified Parties of their obligations under this Agreement, the Developer agrees to protect and defend the Indemnified Parties, now and forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action, or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from this Agreement, or the

transactions contemplated hereby or the acquisition, construction, installation, ownership, maintenance, and operation of the Development Property.

(c) The Indemnified Parties shall not be liable for any damage or injury to the persons or property of the Developer or its officers, agents, servants, or employees or any other person who may be about the Development Property or Minimum Improvements except for any action arising from the willful misconduct of the Indemnified Parties.

(d) All covenants, stipulations, promises, agreements, and obligations of the Authority and the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements, and obligations of such entity and not of any governing body member, officer, agent, servant, or employee of such entities in the individual capacity thereof.

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**ARTICLE IX**  
**EVENTS OF DEFAULT**

Section 9.1. Events of Default Defined. The following shall be “Events of Default” under this Agreement and the term “Event of Default” shall mean, whenever it is used in this Agreement, any one or more of the following events, after the non-defaulting party provides thirty (30) days written notice to the defaulting party of the event, but only if the event has not been cured within said thirty (30) days or, if the event is by its nature incurable within thirty (30) days, the defaulting party does not, within such thirty-(30) day period, provide assurances reasonably satisfactory to the party providing notice of default that the event will be cured and will be cured as soon as reasonably possible:

(a) Failure by the Developer, the City, or Authority to observe or perform any covenant, condition, obligation, or agreement on its part to be observed or performed under this Agreement;

(b) Commencement by the Holder of any Mortgage on the Development Property or any improvements thereon, or any portion thereof, of foreclosure proceedings as a result of default under the applicable Mortgage documents; or

(c) If the Developer shall:

(i) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act or under any similar federal or State law; or

(ii) make an assignment for benefit of its creditors; or

(iii) admit in writing its inability to pay its debts generally as they become due; or

(iv) be adjudicated a bankrupt or insolvent.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 hereof occurs, the non-defaulting party may:

(a) Suspend its performance under this Agreement until it receives reasonable assurances that the defaulting party will cure its default and continue its performance under this Agreement.

(b) Cancel and rescind or terminate this Agreement.

(c) Upon a default by the Developer, the City may terminate the Note and decertify the TIF District.

(d) Take whatever action, including legal, equitable or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement, or to enforce performance and observance of any obligation, agreement, or covenant under this Agreement, including but not limited to exercising its rights under Section 469.105 of the EDA Act.

Section 9.3. Revesting Title in Authority Upon Happening of Event Subsequent to Conveyance to Developer. In the event that subsequent to conveyance of the Development Property to the Developer and prior to receipt by the Developer of the Certificate of Completion for the Minimum Improvements:

(a) the Developer, subject to Unavoidable Delays, shall fail to begin construction of the Minimum Improvements in conformity with this Agreement and such failure to begin construction is not cured within ninety (90) days after written notice from the City or the Authority to the Developer to do so; or

(b) subject to Unavoidable Delays, the Developer after commencement of the construction of the Minimum Improvements, fails to carry out its obligations with respect to the construction of such improvements (including the nature and the date for the completion thereof), or abandons or substantially suspends construction work, and any such failure, abandonment, or suspension shall not be cured, ended, or remedied within ninety (90) days after written demand from the City or the Authority to the Developer to do so; or

(c) the Developer fails to pay real estate taxes or assessments on the parcel or any part thereof when due, or creates, suffers, assumes, or agrees to any encumbrance or lien on the parcel (except to the extent permitted by this Agreement), or shall suffer any levy or attachment to be made, or any materialmen's or mechanics' lien, or any other unauthorized encumbrance or lien to attach, and such taxes or assessments shall not have been paid, or the encumbrance or lien removed or discharged or provision satisfactory to the City and the Authority made for such payment, removal, or discharge, within sixty (60) days after written demand by the City or Authority to do so; provided, that if the Developer first notifies the City and the Authority of its intention to do so, it may in good faith contest any mechanics' or other lien filed or established and in such event the City and the Authority shall permit such mechanics' or other lien to remain undischarged and unsatisfied during the period of such contest and any appeal and during the course of such contest the Developer shall keep the City and the Authority informed respecting the status of such defense; or

(d) there is, in violation of this Agreement, any Transfer of the Development Property, and such violation is not cured within sixty (60) days after written demand by the City or the Authority to the Developer, or if the event is by its nature incurable within sixty (60) days, the Developer does not, within such sixty (60) day period, provide assurances reasonably satisfactory to the City and the Authority that the event will be cured as soon as reasonably possible;

(e) the Developer fails to comply with any of its other covenants under this Agreement related to the Minimum Improvements and fails to cure any such noncompliance or breach within sixty (60) days after written demand from the City or the Authority to the Developer to do so, or if the event is by its nature incurable within sixty (60) days, the Developer does not, within such sixty (60) day period, provide assurances reasonably satisfactory to the City and the Authority that the event will be cured as soon as reasonably possible; or

(f) the Holder of any Mortgage secured by the subject property exercises any remedy provided by the Mortgage documents or exercises any remedy provided by law or equity in the event of a default in any of the terms or conditions of the Mortgage, in either case which would materially adversely affect the rights and obligations of the Authority hereunder,

then the Authority shall have the right to re-enter and take possession of the parcel and to terminate (and revest in the Authority) the estate conveyed by the Deed to the Developer, it being the intent of this provision, together with other provisions of this Agreement, that the conveyance of the parcel to the Developer shall be made upon, and that the Deed shall contain a condition subsequent to the effect that in the event of any default on the part of the Developer and failure on the part of the Developer to remedy, end, or abrogate such default within the period and in the manner stated in such subdivisions, the Authority at its option may declare a termination in favor of the Authority of the title, and of all the rights and interests in and to the parcel conveyed to the Developer, and that such title and all rights and interests of the Developer, and

any assigns or successors in interest to and in the parcel, shall revert to the Authority, but only if the events stated in this Section have not been cured within the time periods provided above.

Section 9.4. Resale of Reacquired Property; Disposition of Proceeds. Upon the revesting in the Authority of title to and/or possession of the parcel or any part thereof as provided in Section 9.3, the Authority shall, pursuant to its responsibilities under law, use its best efforts to sell the parcel or part thereof as soon and in such manner as the Authority shall find feasible and consistent with the objectives of such law and of the Development Program to a qualified and responsible party or parties (as determined by the Authority) who will assume the obligation of making or completing the Minimum Improvements or such other improvements in their stead as shall be satisfactory to the Authority in accordance with the uses specified for such parcel or part thereof in the Development Program. During any time while the Authority has title to and/or possession of a parcel obtained by reverter, the Authority will not disturb the rights of any owner of any tenant under any leases encumbering such parcel. Upon resale of the parcel, the proceeds thereof shall be applied:

(a) First, to reimburse the Authority and the City for all costs and expenses incurred by them, including but not limited to salaries of personnel, in connection with the recapture, management, and resale of the parcel (but less any income derived by the Authority and the City from the property or part thereof in connection with such management); all taxes, assessments, and water and sewer charges with respect to the parcel or part thereof (or, in the event the parcel is exempt from taxation or assessment or such charge during the period of ownership thereof by the Authority, an amount, if paid, equal to such taxes, assessments, or charges (as determined by the Authority assessing official) as would have been payable if the parcel were not so exempt); any payments made or necessary to be made to discharge any encumbrances or liens existing on the parcel or part thereof at the time of revesting of title thereto in the Authority or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults or acts of the Developer, its successors or transferees; any expenditures made or obligations incurred with respect to the making or completion of the subject improvements or any part thereof on the parcel or part thereof; and any amounts otherwise owing the Authority and the City by the Developer and its successor or transferee; and

(b) Second, to reimburse the Developer, its successor or transferee, up to the amount equal to the amount actually invested by it in making any of the subject improvements on the parcel or part thereof.

Any balance remaining after such reimbursements shall be retained by the Authority as its property.

Section 9.5. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority, the City, or Developer in this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority and the City to exercise any remedy reserved to them, it shall not be necessary to give notice, other than such notice as may be required in this Article IX.

Section 9.6. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 9.5. Attorney Fees. Whenever any Event of Default on the part of the Developer occurs and if the City or the Authority employs attorneys or incurs other expenses for the collection of payments due or to become due or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer under this Agreement, the Developer shall, within ten (10) days of written demand by the City or the Authority, pay to such entity the reasonable fees of such attorneys and such other expenses so incurred by such entity.

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## ARTICLE X

### ADDITIONAL PROVISIONS

Section 10.1. Conflict of Interests; Authority and City Representatives Not Individually Liable. The Authority, the City, and the Developer, to the best of their respective knowledge, represent and agree that no member, official, or employee of the Authority or the City shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official, or employee participate in any decision relating to this Agreement which affects his personal interests or the interests of any corporation, partnership, or association in which he is, directly or indirectly, interested. No member, official, or employee of the Authority or the City shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the Authority or the City or for any amount which may become due to the Developer or successor or on any obligations under the terms of this Agreement.

Section 10.2. Equal Employment Opportunity. The Developer, for itself and its successors and assigns, agrees that during the construction of the Minimum Improvements provided for in this Agreement it will comply with all applicable federal, state, and local equal employment and non-discrimination laws and regulations.

Section 10.3. Restrictions on Use. The Developer agrees that, until the Termination Date, the Developer, and its successors and assigns (a) shall use the Development Property solely for the development of residential rental housing in accordance with the terms of this Agreement, and (b) shall not discriminate upon the basis of race, color, creed, sex, or national origin in the sale, lease, or rental, or in the use or occupancy of the Development Property or any improvements erected or to be erected thereon, or any part thereof.

Section 10.4. Provisions Not Merged With Deed. None of the provisions of this Agreement are intended to or shall be merged by reason of any deed transferring any interest in the Development Property and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement.

Section 10.5. Titles of Articles and Sections. Any titles of the several parts, Articles, and Sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 10.6. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand, or other communication under this Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally; and

(a) in the case of the Developer, is addressed to or delivered personally to the Developer at Unique Opportunities, LLC, at 119 Union Ave., Fergus Falls, MN 56537, Attn: Samuel Herzog;

(b) in the case of the Authority, is addressed to or delivered personally to the Authority at City Hall, 420 North Pokegama Avenue, Grand Rapids, MN 55744, Attn: Executive Director; and

(c) in the case of the City, is addressed to or delivered personally to the City at City Hall, 420 North Pokegama Avenue, Grand Rapids, MN 55744, Attn: City Administrator;

or at such other address with respect to either such party as that party may, from time to time, designate in writing and forward to the other as provided in this Section.

Section 10.7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 10.8. Recording. The City may record this Agreement and any amendments thereto with the Itasca County recorder. The Developer shall pay all costs for recording.

Section 10.9. Termination. This Agreement terminates on the Termination Date, except that termination of the Agreement does not terminate, limit or affect the rights of any party that arise before the Termination Date.

Section 10.10. Amendment. This Agreement may be amended only by written agreement approved by the City, the Authority, and the Developer. The Developer shall pay all costs for recording. The Developer's obligations under this Agreement are covenants running with the land for the term of this Agreement, enforceable by the City and the Authority against the Developer, its successor and assigns, and every successor in interest to the Development Property, or any part thereof or any interest therein.

Section 10.11. Choice of Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the State or federal courts of the State, and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

Section 10.12. Good Faith. Each party shall act in good faith and in a commercially reasonable manner with respect to any matter contemplated by this Agreement, including, without limitation, approving or disapproving any request, including any request for approval of plans.

Section 10.13. Estoppel Certificates. The Authority and City agree that they will, from time to time, upon request by Developer and at the Developer sole expense, execute and deliver to Developer and to any parties designated by Developer, within ten (10) days following demand therefor, an estoppel certificate certifying (i) that this Agreement is unmodified and in full force and effect (or if there had been modifications, that the same are in full force and effect as so modified), (ii) that there are no defaults hereunder (or specifying any claim defaults), and (iii) such other matters as may be reasonably requested by Developer including, without limitation, certifications as to the completion and acceptance of the Minimum Improvements.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the City, the Authority, and the Developer have caused this Purchase and Development Agreement to be duly executed on or as of the date first above written.

**CITY OF GRAND RAPIDS, MINNESOTA**

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its City Administrator

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF ITASCA     )

The foregoing instrument was acknowledged before me this \_\_\_\_day of \_\_\_\_\_, 2020 by Dale Adams, the Mayor of the City of Grand Rapids, Minnesota, on behalf of the City.

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF ITASCA     )

The foregoing instrument was acknowledged before me this \_\_\_\_day of \_\_\_\_\_, 2020 by Tom Pagel, the City Administrator of the City of Grand Rapids, Minnesota, on behalf of the City.

\_\_\_\_\_  
Notary Public

Execution page of the Authority to the Purchase and Development Agreement, dated the date and year first written above.

**GRAND RAPIDS ECONOMIC DEVELOPMENT  
AUTHORITY**

By \_\_\_\_\_  
Its President

By \_\_\_\_\_  
Its Executive Director

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF ITASCA     )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2020 by Sholom Blake, the President of the Grand Rapids Economic Development Authority, Minnesota, on behalf of said Authority.

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF ITASCA     )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2020 by Robert Mattei, the Executive Director of the Grand Rapids Economic Development Authority, Minnesota, on behalf of said Authority.

\_\_\_\_\_  
Notary Public



Execution page of the Developer to the Purchase and Development Agreement, dated the date and year first written above.

**UNIQUE OPPORTUNITIES, LLC**

By \_\_\_\_\_

Its \_\_\_\_\_

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF ITASCA     )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2020 by \_\_\_\_\_, the \_\_\_\_\_ of Unique Opportunities, LLC, a Minnesota limited liability company, on behalf of said limited liability company.

\_\_\_\_\_  
Notary Public

**EXHIBIT A**

**LEGAL DESCRIPTION**

That part of the North 318.00 feet of the Northwest Quarter of the Northeast Quarter (NW  $\frac{1}{4}$  NE  $\frac{1}{4}$ ), Section Thirty-three (33), Township Fifty-five (55) North, Range Twenty-five (25) West of the Fourth Principal Meridian, lying Easterly of the West 880.00 feet thereof in Itasca County, Minnesota.

Subject to reservations, restrictions and easements of prior record.

**EXHIBIT B**

**CERTIFICATE OF COMPLETION**

The undersigned hereby certifies that Unique Opportunities, LLC (the "Developer") has fully complied with its obligations under Articles III and IV of that document titled "Purchase and Development Agreement" (the "Agreement"), dated May \_\_, 2020, between the City of Grand Rapids, Minnesota, the Grand Rapids Economic Development Authority, and the Developer, with respect to construction of the Minimum Improvements (as defined in the Agreement) in accordance with Article IV of the Agreement, and that the Developer is released and forever discharged from its obligations with respect to construction of the Minimum Improvements under Articles III and IV of the Agreement.

**GRAND RAPIDS ECONOMIC DEVELOPMENT  
AUTHORITY**

By \_\_\_\_\_  
Its President

By \_\_\_\_\_  
Its Executive Director

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF ITASCA     )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, the President of the Grand Rapids Economic Development Authority, on behalf of said Authority.

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF ITASCA     )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by Robert Mattei, the Executive Director of the Grand Rapids Economic Development Authority, on behalf of said Authority.

\_\_\_\_\_  
Notary Public

This document was drafted by:  
KENNEDY & GRAVEN, Chartered (GAF)  
470 U.S. Bank Plaza  
200 South Sixth Street  
Minneapolis, Minnesota 55402  
Telephone: (612) 337-9300

**EXHIBIT C**

**FORM OF QUIT CLAIM DEED**

**QUIT CLAIM DEED**

STATE DEED TAX DUE HEREON: \$ \_\_\_\_\_

Date: \_\_\_\_\_, 2020

THIS INDENTURE, between the Grand Rapids Economic Development Authority, a public body corporate and politic (the “Grantor”), and Unique Opportunities, LLC, a Minnesota limited liability company (the “Grantee”).

WITNESSETH, that Grantor, in consideration of the sum of One Hundred Seventy Five Thousand Dollars (\$175,000.00) and other good and valuable consideration the receipt whereof is hereby acknowledged, does hereby grant, bargain, quitclaim and convey to the Grantee, its successors and assigns forever, all the tract or parcel of land lying and being in the County of Itasca and State of Minnesota described as follows, to-wit (such tract or parcel of land is hereinafter referred to as the “Property”):

That part of the North 318.00 feet of the Northwest Quarter of the Northeast Quarter (NW ¼ NE ¼), Section Thirty-three (33), Township Fifty-five (55) North, Range Twenty-five (25) West of the Fourth Principal Meridian, lying Easterly of the West 880.00 feet thereof in Itasca County, Minnesota.

*Check here if part or all of the land is Registered (Torrens)*

To have and to hold the same, together with all the hereditaments and appurtenances thereunto belonging.

**SECTION 1**

It is understood and agreed that this Deed is subject to the covenants, conditions, restrictions and provisions of an agreement recorded herewith entered into between the City of Grand Rapids, Minnesota, the Grantor and the Grantee on the \_\_\_\_ day of May, 2020, identified as “Purchase and Development Agreement” (hereinafter referred to as the “Agreement”) and that the Grantee shall not convey this Property, or any part thereof, except as permitted by the Agreement until a certificate of completion releasing the Grantee from certain obligations of said Agreement as to this Property or such part thereof then to be conveyed, has been placed of record. This provision, however, shall in no way prevent the Grantee from mortgaging this Property in order to obtain funds for acquiring the Development Property or erecting the Minimum Improvements thereon (as defined in the Agreement) in conformity with the Agreement, any applicable development program and applicable provisions of the zoning ordinance of the City of Grand Rapids, Minnesota, or for the refinancing of the same.

It is specifically agreed that the Grantee shall promptly begin and diligently prosecute to completion the development of the Property through the construction of the Minimum Improvements thereon, as provided in the Agreement.

Promptly after completion of the Minimum Improvements in accordance with the provisions of the Agreement, the Grantor will furnish the Grantee with an appropriate instrument so certifying. Such certification by the Grantor shall be (and it shall be so provided in the certification itself) a conclusive determination of satisfaction and termination of the agreements and covenants of the Agreement and of this Deed with respect to the obligation of the Grantee, and its successors and assigns, to construct the Minimum Improvements and the

dates for the beginning and completion thereof. Such certifications and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of the Grantee to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance the purchase of the Property hereby conveyed or the Minimum Improvements, or any part thereof.

All certifications provided for herein shall be in such form as will enable them to be recorded with the County Recorder, Itasca County, Minnesota. If the Grantor shall refuse or fail to provide any such certification in accordance with the provisions of the Agreement and this Deed, the Grantor shall, within thirty (30) days after written request by the Grantee, provide the Grantee with a written statement indicating in adequate detail in what respects the Grantee has failed to complete the Minimum Improvements in accordance with the provisions of the Agreement or is otherwise in default, and what measures or acts it will be necessary, in the opinion of the Grantor, for the Grantee to take or perform in order to obtain such certification.

## SECTION 2

The Grantee's rights and interest in the Property are subject to the terms and conditions of Section 9.3 of the Agreement relating to the Grantor's right to re-enter and revest in the Grantor title to the Property under conditions specified therein, including but not limited to termination of such right upon issuance of a Certificate of Completion as defined in the Agreement.

## SECTION 3

The Grantee agrees for itself and its successors and assigns to or of the Property or any part thereof, hereinbefore described, that the Grantee and such successors and assigns shall comply with all provisions of the Agreement that relate to the Property or use thereof for the periods specified in the Agreement, including without limitation the covenant set forth in Section 10.3 thereof.

It is intended that the above and foregoing agreements and covenants shall be covenants running with the land for the term of the Agreement, and that they shall, in any event, and without regard to technical classification or designation, legal or otherwise, and except only as otherwise specifically provided in this Deed, be binding, to the fullest extent permitted by law and equity for the benefit and in favor of, and enforceable by, the Grantor against the Grantee, its successors and assigns, and every successor in interest to the Property, or any part thereof or any interest therein, and any party in possession or occupancy of the Property or any part thereof.

In amplification, and not in restriction of, the provisions of the preceding section, it is intended and agreed that the Grantor shall be deemed a beneficiary of the agreements and covenants provided herein, both for and in its own right, and also for the purposes of protecting the interest of the community and the other parties, public or private, in whose favor or for whose benefit these agreements and covenants have been provided. Such agreements and covenants shall run in favor of the Grantor without regard to whether the Grantor has at any time been, remains, or is an owner of any land or interest therein to, or in favor of, which such agreements and covenants relate. The Grantor shall have the right, in the event of any breach of any such agreement or covenant to exercise all the rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant, to which it or any other beneficiaries of such agreement or covenant may be entitled; provided that Grantor shall not have any right to re-enter the Property or revest in the Grantor the estate conveyed by this Deed on grounds of Grantee's failure to comply with its obligations under this Section 3.

## SECTION 4.

This Deed is also given subject to:

(a) Provision of the ordinances, building and zoning laws of the City of Grand Rapids, and state and federal laws and regulations in so far as they affect this real estate.

(b) [Others]

IN WITNESS WHEREOF, the Grantor has caused this Deed to be duly executed in its behalf by its President and Executive Director and has caused its corporate seal to be hereunto affixed this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

- The Seller certifies that the Seller does not know of any wells on the described real property.
- A well disclosure certificate accompanies this document or has been electronically filed. (If electronically filed, insert WDC number: \_\_\_\_\_).
- I am familiar with the property described in this instrument and I certify that the status and number of wells on the described real property have not changed since the last previously filed well disclosure certificate.

GRAND RAPIDS ECONOMIC  
DEVELOPMENT AUTHORITY

By \_\_\_\_\_  
Its President

By \_\_\_\_\_  
Its Executive Director

} SS

STATE OF MINNESOTA

COUNTY OF ITASCA

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2020, by Sholom Blake, the President of the Grand Rapids Economic Development Authority, a body corporate and politic of the State of Minnesota, on behalf of said Authority.

NOTARIAL STAMP OR SEAL (OR OTHER TITLE OR RAK)
--

\_\_\_\_\_  
SIGNATURE OF PERSON TAKING  
ACKNOWLEDGMENT

STATE OF MINNESOTA

} SS

COUNTY OF ITASCA

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2020, by Robert Mattei, the Executive Director of the Grand Rapids Economic Development Authority, a body corporate and politic of the State of Minnesota, on behalf of said Authority.

NOTARIAL STAMP OR SEAL (OR OTHER TITLE OR RAK)

SIGNATURE OF PERSON TAKING  
ACKNOWLEDGMENT

Check here if part or all of the land is Registered (Torrens)

Tax Statements for the real property described in this instrument should be sent to (include name and address of Grantee):

Unique Opportunities, LLC

\_\_\_\_\_  
\_\_\_\_\_

This instrument drafted by:

Kennedy & Graven, Chartered (GAF)  
470 U.S. Bank Plaza  
200 South Sixth Street  
Minneapolis, MN 55402

## **EXHIBIT D**

### **PUBLIC DEVELOPMENT COSTS**

Construction of Affordable Housing  
Landscaping, including irrigation  
Grading/earthwork  
Engineering  
Survey  
Environmental Testing  
Soil Borings  
Site Preparation  
Onsite Utilities  
Storm Water/Ponding  
Outdoor Lighting  
Onsite Road, Curb, Gutter, Driveway, Sidewalk and Streetscape Improvements  
Parking



**EXHIBIT E**

**COMPLIANCE CERTIFICATE**

The undersigned officer of Unique Opportunities, LLC (the “Developer”) does hereby certify that as of the date of this Compliance Certificate not less than twenty percent (20%) of the residential units are occupied by individuals whose income is fifty percent (50%) or less of the area median gross income. Attached hereto as **Exhibit A** are the income verifications used to establish the above conclusions broken down by unit type and size.

The undersigned further certifies that rents for the ten (10) affordable units do not exceed 97% of the Multifamily Rent and Income Limits set by the U.S. Department of Housing and Urban Development and promulgated for Itasca County by the Minnesota Housing Finance Agency, as adjusted for bedroom size. Attached hereto as **Exhibit A** are the rents for each affordable unit.

This Compliance Certificate is given in accordance with the terms of Section 4.5 of the Purchase and Development Agreement, dated \_\_\_\_\_, 2020, between the City of Grand Rapids, Minnesota and the Developer.

Dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**UNIQUE OPPORTUNITIES, LLC**

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

**EXHIBIT A TO COMPLIANCE CERTIFICATE**

**Form of Renter's Income Verification Form**

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PROPERTY INFORMATION

Postal Address of Property \_\_\_\_\_

Unit Number \_\_\_\_\_

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TENANT INFORMATION  
(TO BE COMPLETED BY TENANT)

Name of Tenant \_\_\_\_\_

Phone # \_\_\_\_\_

Number of family/household members: \_\_\_\_\_

Annual Household Income\* \$ \_\_\_\_\_

*\*Annual Household Income must be supported by documentation (i.e. copy of most current 1040's, etc.). Failure to provide verification will constitute a "non-qualifying tenant".*

Signature of Tenant(s) \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_ Date \_\_\_\_\_

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INCOME LIMIT INFORMATION  
(TO BE COMPLETED BY DEVELOPER)

<u>20</u> Income Limits	
<u>Family Size</u>	<u>Income</u>
1	
2	
3	
4	
5	
6	
7	
8	

Does the Tenant meet these limits and has appropriate documentation been submitted?

\_\_\_\_\_ YES \_\_\_\_\_ NO

If the answer to the above question is yes,

The rent for such unit is \$ \_\_\_\_\_ which is \_\_\_\_% (may not exceed 97%) of the Multifamily Rent and Income Limits set by the U.S. Department of Housing and Urban Development and promulgated for Itasca County by the Minnesota Housing Finance Agency, as adjusted for bedroom size.

Pursuant to the Purchase and Development Agreement between the City of Grand Rapids and **Unique Opportunities, LLC** dated as of May \_\_, 2020, at least 10 of the 48 rental units comprising the Minimum Improvements must be reserved for tenants whose income is 50% or less of the area's median gross income and the rent for such units shall not exceed 97% of the Multifamily Rent and Income Limits set by the U.S. Department of Housing and Urban Development and promulgated for Itasca County by the Minnesota Housing Finance Agency, as adjusted for bedroom size..

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Reviewed and approved on behalf of Unique Opportunities, LLC.

By \_\_\_\_\_

Date \_\_\_\_\_

**EXHIBIT F**

**AUTHORIZING RESOLUTION**

**CITY OF GRAND RAPIDS, MINNESOTA**

**RESOLUTION NO. \_\_\_\_\_**

APPROVING THE CONVEYANCE OF REAL PROPERTY, APPROVING A PURCHASE AND DEVELOPMENT AGREEMENT, AND AWARDING THE SALE OF, AND PROVIDING THE FORM, TERMS, COVENANTS AND DIRECTIONS FOR THE ISSUANCE OF ITS TAX INCREMENT REVENUE NOTE TO UNIQUE OPPORTUNITIES, LLC

BE IT RESOLVED BY the City Council (the "Council") of the City of Grand Rapids, Minnesota (the "City") as follows:

Section 1. Recitals; Approval and Authorization; Award of Sale.

1.01. Recitals.

(a) The City has heretofore approved the establishment of the Tax Increment Financing District No. 1-13: Unique Opportunities Housing, a housing district (the "TIF District"), within the Development District No.1 in the City (the "Development District"), and has adopted a tax increment financing plan therefor for the purpose of financing certain improvements within the Development District.

(b) To facilitate the development of certain property within the Development District and the TIF District, the City, the Grand Rapids Economic Development Authority (the "Authority"), and Unique Opportunities, LLC, a Minnesota limited liability company, or an affiliate thereof or party related thereto (the "Developer"), have negotiated a Purchase and Development Agreement (the "Agreement") which provides for the conveyance of certain real property described in SCHEDULE A attached hereto (the "Development Property") from the Authority to the Developer and the acquisition, construction and equipping by the Developer of an approximately 48-unit multi-family rental housing facility, with at least twenty percent (20%) of such units to be available to persons of low and moderate income, and a 12-stall detached parking garage, with all related improvements to be completed, owned and operated by the Developer on the Development Property (the "Minimum Improvements"), and the issuance by the City of its Tax Increment Revenue Note, Series 2020 (Unique Opportunities Project) (the "Note") to the Developer.

(c) The City currently owns the Development Property and has determined that it is essential to the development of thereof to convey the Development Property to the Authority.

(d) The City is authorized to convey real property pursuant to Minnesota Statutes, Section 465.035 to any governmental subdivision for a nominal consideration, or pursuant to

Minnesota Statutes, Section 471.64 to any other political subdivision of the State of Minnesota (the “State”).

(e) The Authority is a political subdivision of the State pursuant to Minnesota Statutes, Section 469.091, Subdivision 2.

1.02. Approval of Conveyance of Development Property.

(a) The Council approves the conveyance of the Development Property to the Authority by quit claim deed for reconveyance to the Developer pursuant to the Agreement, and authorizes and directs City staff and officials to execute the deed and related documents necessary to facilitate the transaction referenced herein and contemplated herein, with all such actions to be in accordance with the terms and conditions set forth in this resolution.

(b) City staff and officials are authorized and directed to take any and all additional steps and actions necessary or convenient in order to accomplish the conveyance of the Development Property as established by this resolution.

1.03. Approval of Agreement.

(a) The Agreement in substantially the form on file with the City is hereby in all respects approved, subject to modifications that do not alter the substance of the transaction and that are approved by the Mayor and City Administrator, provided that execution of the Agreement by such officials shall be conclusive evidence of approval.

(b) City staff and officials are authorized to take all actions necessary to perform the City’s obligations under the Agreement as a whole, including without limitation execution of any documents to which the City is a party referenced in or attached to the Agreement, all as described in the Agreement.

1.04. Authorization of Note. Pursuant to Minnesota Statutes, Section 469.178, the City is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Development District. Such bonds are payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds. The City hereby finds and determines that it is in the best interests of the City that it issue and sell the Note to the Developer for the purpose of financing certain public development costs of the Development District, subject to all terms and conditions of the Agreement.

1.05. Issuance, Sale, and Terms of the Note. (a) The City hereby authorizes the Mayor and City Administrator to issue the Note in accordance with the Agreement. All capitalized terms in this resolution have the meaning provided in the Agreement unless the context requires otherwise.

(b) The Note shall be issued to the Developer in the maximum aggregate principal amount of \$372,000 in consideration of certain eligible costs incurred by the Developer in connection with construction of the Minimum Improvements. The Note shall be dated the date of delivery thereof

and shall bear interest at the rate of 5.00% per annum from the date of issue to the earlier of maturity or prepayment. The Note will be issued in the principal amount of the Public Development Costs submitted and approved in accordance with Section 3.6 of the Agreement. The Note is secured by Available Tax Increment, as further described in the form of the Note set forth in SCHEDULE B attached hereto. The City hereby delegates to the City Administrator the determination of the date on which the Note is to be delivered, in accordance with the Agreement.

Section 2. Form of Note. The Note shall be in substantially the form set forth in SCHEDULE B attached hereto, with the blanks to be properly filled in and the principal amount adjusted as of the date of issue:

Section 3. Terms, Execution and Delivery.

3.01. Denomination, Payment. The Note shall be issued as a single typewritten note numbered R-1.

The Note shall be issuable only in fully registered form. Principal of and interest on the Note shall be payable by check or draft issued by the Registrar described herein.

3.02. Dates; Interest Payment Dates. Principal of and interest on the Note shall be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not such day is a business day.

3.03. Registration. The City hereby appoints the City Administrator of the City to perform the functions of registrar, transfer agent and paying agent (the "Registrar"). The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its office a bond register in which the Registrar shall provide for the registration of ownership of the Note and the registration of transfers and exchanges of the Note.

(b) Transfer of Note. Upon surrender for transfer of any Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, a new Note of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until such Payment Date.

(c) Cancellation. The Note surrendered upon any transfer shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(d) Improper or Unauthorized Transfer. When any Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on

such Note or separate instrument of transfer is legally authorized. The Registrar shall incur no liability for its refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(e) Persons Deemed Owners. The City and the Registrar may treat the person in whose name the Note is at any time registered in the bond register as the absolute owner of such Note, whether the Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Note and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the City upon such Note to the extent of the sum or sums so paid.

(f) Taxes, Fees and Charges. For every transfer or exchange of the Note, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such transfer or exchange.

(g) Mutilated, Lost, Stolen or Destroyed Note. In case the Note shall become mutilated or be lost, stolen, or destroyed, the Registrar shall deliver a new Note of like amount, maturity dates and tenor in exchange and substitution for and upon cancellation of such mutilated Note or in lieu of and in substitution for such Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case the Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. The Note so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City. If the mutilated, lost, stolen, or destroyed Note has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new Note prior to payment.

3.04. Preparation and Delivery. The Note shall be prepared under the direction of the City Administrator and shall be executed on behalf of the City by the signatures of its Mayor and City Administrator. In case any officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. When the Note has been so executed, it shall be delivered by the City Administrator to the owner thereof in accordance with the Agreement.

#### Section 4. Security Provisions.

4.01. Pledge. The City hereby pledges to the payment of the principal of and interest on the Note all Available Tax Increment as defined in the Note.

4.02. TIF Fund. Until the date the Note is no longer outstanding and no principal thereof or interest thereon (to the extent required to be paid pursuant to this resolution) remains unpaid, the City shall maintain a separate and special "TIF Fund" to be used for the payment of the principal of and interest on the Note. The City irrevocably agrees to appropriate to the TIF Fund on or before each Payment Date the Available Tax Increment in an amount equal to the Payment then due, or the

actual Available Tax Increment, whichever is less. Any Available Tax Increment remaining in the TIF Fund upon the termination of the Note in accordance with its terms may be used for any authorized purpose in accordance with the TIF Act.

4.03. Additional Obligations. The City will issue no other obligations secured in whole or in part by Available Tax Increment unless such pledge is on a subordinate basis to the pledge on the Note.

Section 5. Certification of Proceedings.

5.01. Certification of Proceedings. The officers of the City are hereby authorized and directed to prepare and furnish to the owner of the Note certified copies of all proceedings and records of the City, and such other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the facts recited therein.

Section 6. Effective Date. This resolution shall be effective upon approval.

Approved this 11<sup>th</sup> day of May, 2020, by the City Council of the City of Grand Rapids, Minnesota.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk



## **SCHEDULE A**

### **DEVELOPMENT PROPERTY**

The property located in the City of Grand Rapids, Itasca County, Minnesota legally described as:

That part of the North 318.00 feet of the Northwest Quarter of the Northeast Quarter (NW  $\frac{1}{4}$  NE  $\frac{1}{4}$ ), Section Thirty-three (33), Township Fifty-five (55) North, Range Twenty-five (25) West of the Fourth Principal Meridian, lying Easterly of the West 880.00 feet thereof in Itasca County, Minnesota.

Subject to reservations, restrictions and easements of prior record.

**SCHEDULE B**

**FORM OF TIF NOTE**

UNITED STATE OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF ITASCA  
CITY OF GRAND RAPIDS

No. R-1

\$ \_\_\_\_\_

TAX INCREMENT REVENUE NOTE  
SERIES 2020  
(UNIQUE OPPORTUNITIES PROJECT)

Rate

Date of Original Issue

5.00%

\_\_\_\_\_, 20\_\_

The City of Grand Rapids, Minnesota (the "City") for value received, certifies that it is indebted and hereby promises to pay to Unique Opportunities, LLC, a Minnesota limited liability company, or its registered assigns (the "Owner"), the principal sum of \$\_\_\_\_\_ and to pay interest thereon at the rate of 5.00% per annum, solely from the sources and to the extent set forth herein. Capitalized terms shall have the meanings provided in the Purchase and Development Agreement, dated as of May \_\_, 2020 (the "Agreement"), between the City, the Grand Rapids Economic Development Authority (the "Authority"), and the Owner, unless the context requires otherwise.

1. Payments. Principal and interest (the "Payments") shall be paid on August 1, 2023 and each August 1 and February 1 thereafter (the "Payment Dates") to and including the earliest of (i) August 1, 2038, (ii) such date (if any) as the Authority shall have terminated the Agreement pursuant to its terms, or (iii) until the Developer has received the principal amount of the TIF Note plus accrued interest thereon (the "Final Payment Date"), in the amounts and from the sources set forth in Section 3 hereof. Payments shall be applied first to accrued interest, and then to unpaid principal.

Payments are payable by mail to the address of the Owner or such other address as the Owner may designate upon thirty (30) days written notice to the City. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. Interest. Simple, non-compounding interest at the rate stated herein shall accrue on the unpaid principal, commencing on the date of original issue. Interest shall be computed on the basis of a year of 360 days consisting of twelve 30-day months and shall be charged for actual days principal is unpaid.

3. Available Tax Increment. (a) Payments on this Note are payable on each Payment Date solely from and in the amount of Available Tax Increment, which shall mean 90% of the Tax Increment attributable to the Minimum Improvements and Development Property that is paid to the City by Itasca County in the six (6) months preceding the Payment Date on the Note. Available Tax Increment shall not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default under the Agreement.

The City shall have no obligation to pay principal of and interest on this Note on each Payment Date from any source other than Available Tax Increment, and the failure of the City to pay the entire amount of principal or interest on this Note on any Payment Date shall not constitute a default hereunder as long as the City pays principal and interest hereon to the extent of Available Tax Increment. The City shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the Final Payment Date.

4. Default. If on any Payment Date there has occurred and is continuing any Event of Default under the Agreement, the City may withhold from payments hereunder all Available Tax Increment. If the Event of Default is thereafter cured in accordance with the Agreement, the Available Tax Increment withheld under this Section shall be deferred and paid, without interest thereon, on the next Payment Date after the Event of Default is cured. If the Event of Default is not cured in a timely manner, the City may terminate this Note by written notice to the Owner in accordance with the Agreement.

5. Optional Prepayment. The principal sum and all accrued interest payable under this Note is prepayable in whole or in part at any time by the City without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Note.

6. Termination. At the City's option, this Note shall terminate and the City's obligation to make any payments under this Note shall be discharged upon the occurrence of an Event of Default on the part of the Developer as defined in Section 9.1 of the Agreement, but only if the Event of Default has not been cured following notice to the Developer and the applicable cure period in accordance with the Agreement.

7. Nature of Obligation. This Note is issued in the total principal amount of \$ \_\_\_\_\_, issued to aid in financing certain public development costs and administrative costs of a Development District undertaken by the City pursuant to Minnesota Statutes, Sections 469.124 through 469.133, as amended, and is issued pursuant to an authorizing resolution (the "Resolution") duly adopted by the City on May 11, 2020, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 through 469.1794, as amended. This Note is a limited obligation of the City which is payable solely from Available Tax Increment pledged to the payment hereof under the Resolution. This Note and the interest hereon shall not be deemed to constitute a general obligation of the City, the State of Minnesota or any political subdivision thereof, including, without limitation, the City. Neither the State of Minnesota, the City, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Note or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the City or any political

subdivision thereof is pledged to the payment of the principal of or interest on this Note or other costs incident hereto.

8. Registration and Transfer. This Note is issuable only as a fully registered note without coupons. As provided in the Resolution, and subject to certain limitations set forth therein, this Note is transferable upon the books of the City kept for that purpose at the principal office of the City Administrator of the City, by the Owner hereof in person or by such Owner's attorney duly authorized in writing, upon surrender of this Note together with a written instrument of transfer satisfactory to the City, duly executed by the Owner and an investment letter executed by the transferee to the City. Upon such transfer or exchange and the payment by the Owner of any tax, fee, or governmental charge required to be paid by the City with respect to such transfer or exchange, there will be issued in the name of the transferee a new Note of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date.

Except as otherwise provided in Section 3.7(c) of the Agreement, this Note shall not be transferred to any person or entity, unless the City has provided written consent to such transfer.

9. Estimates of Available Tax Increment. Any estimates of Tax Increment prepared by the City or its financial advisors in connection with the Available Tax Increment and the Agreement are for the benefit of the City only, and are not intended as representations on which the Developer may rely.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen, and to be performed in order to make this Note a valid and binding limited obligation of the City according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the City Council of the City of Grand Rapids, Minnesota has caused this Note to be executed with the manual signatures of its Mayor and City Administrator, all as of the Date of Original Issue specified above.

CITY OF GRAND RAPIDS, MINNESOTA

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Mayor

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City Administrator

REGISTRATION PROVISIONS

The ownership of the unpaid balance of the Note herein is registered in the bond register of the City Administrator of the City of Grand Rapids, Minnesota, in the name of the person last listed below.

Date of Registration

Registered Owner

Signature of  
City Administrator

Unique Opportunities, LLC  
Federal Tax I.D. No.:

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# Memo

**To:** Rob Mattei, Community Development Director  
Barb Baird, Finance Director

**From:** Jessica Cook

**Date:** March 17, 2020

**Subject:** Unique Opportunities, LLC – Tax Increment Request

The City of Grand Rapids received a request for tax increment financing (“TIF”) from Unique Opportunities, LLC (the “Developer”) for construction of a 48-unit apartment building located at the intersection of 21<sup>st</sup> Street East and Airport Road. Citing a financial gap in the project, the Developer requested 26 years of tax increment from the City totaling \$500,000.

The project will qualify for a 26-year housing TIF District if the developer makes 20% of the units available to persons with incomes at or below 50% of the median area income. The state statute does not require the Developer to limit rents. Nevertheless, the City has indicated that it will require rents on the ten affordable units to be lower than the rents proposed by the developer in order to be affordable to persons at or below the income limit. The project’s proposed rents are in the table below.

Unit Type	Number of Units	Monthly Rent
1 Bedroom Affordable	5	\$660
2 Bedroom Affordable	5	\$790
1 Bedroom Market Rate	13	\$775
2 Bedroom Market Rate	25	\$925

Ehlers evaluated the need for tax increment financing assistance by analyzing the Developer’s sources and uses budget and financial projections, generally known as a pro forma. We reviewed the project based on industry standards for construction, land, and project costs; operating expenses; Developer fees; underwriting and financing criteria; and cash flow / return on investment.

Based on our review, we have determined that the Developer can complete the project at the proposed rents with fifteen years of TIF assistance. The present value of the 15 years of TIF is \$372,000. The Developer has agreed to move forward with the project at this level of assistance.

The following table depicts the Developer’s proposed sources and uses for the project. The sources include a \$94,000 “gap” that the Developer intends to fill with savings on construction costs or developer equity.

<b>SOURCES</b>			
	<b>Amount</b>	<b>Pct.</b>	<b>Per Unit</b>
First Mortgage	3,489,000	70%	72,688
TIF Loan	372,000	8%	7,750
Equity	995,000	20%	20,729
Gap	94,000	2%	1,958
<b>TOTAL SOURCES</b>	<b>4,950,000</b>	<b>100%</b>	<b>103,125</b>

<b>USES</b>			
	<b>Amount</b>	<b>Pct.</b>	<b>Per Unit</b>
Acquisition Costs	175,000	4%	3,646
Construction Costs	4,465,000	90%	93,021
Professional Services	125,000	3%	2,604
Financing Costs	185,000	4%	3,854
Developer Fee	0	0%	-
<b>TOTAL USES</b>	<b>4,950,000</b>	<b>100%</b>	<b>103,125</b>

### Project Analysis and Return on Investment

Based on our review, the project's key metrics all fall within or below industry standard ranges.

1. Total Development Cost (the "TDC") – The estimated TDC is \$4,950,000 or \$103,125 per unit, which is lower than the market range for TDC. The Developer is achieving lower costs through reasonable land acquisition, not taking a developer fee, and not funding working capital reserves in the first mortgage.
2. Developer Fee – The Developer has not proposed a developer fee, which is typically 5% or more of TDC. However, the Developer is associated with the construction company and will be receiving a reasonable level of compensation in connection with constructing the project.
3. Rents – The proposed rents on the affordable units range from \$19-\$25 below the 2019 gross rents considered affordable to persons at 50% of the median income. The rent and income limits are derived by the United States Department of Housing and Urban Development (HUD) on an annual basis. 2020 rent and income limits have not yet been published.
4. Operating Expenses – The operating expenses on a per unit basis for the Project are \$1,526, which is less than the typical market range of \$3,500 to \$4,500 per unit per year. Please note that this per unit expense is before management fees, property taxes, and replacement reserves. Part of the reason for the lower costs is that tenants will be responsible for paying for their own heat. In addition, the Developer is not budgeting for marketing costs.
5. Management Fee – The proposed management fee is 6.9% of the effective gross income of the Project. This is higher than the typical 3% to 5% but because the project is relatively small and the Developer has not included marketing costs nor a Developer Fee, this is an acceptable percentage.

6. Reserves – The annual deposit to replacement reserves is set at \$290 per unit per year, which is typical for projects that have private financing of the first mortgage.
7. First Mortgage – The analysis confirms that the Developer has maximized the potential first mortgage based on the lender’s underwriting criteria. The analysis conservatively assumes a 1.5% inflator on revenues and a 2% inflator on expenses. The maximum mortgage is calculated based on the year 15 projected net operating income.
8. TIF Note – The recommended \$372,000 of TIF assistance represents approximately 8% of the total project cost. Depending on the project type, TIF assistance for housing projects is commonly in the range of 4-10% of the total project cost. Based on our estimate of available TIF, we project that a \$372,000 TIF note will be repaid with interest within 15 years.
9. Return on Investment – The most common measure we use to determine the Developer’s profit from the project is the cash-on-cash (COC) rate of return. This measure is simply the projected annual cash flow divided by the Developer’s equity in the project. Apartment projects like this are generally trying to achieve a COC of 10%. In this case, however, the Developer is hoping to achieve at least an 8% COC return. At project stabilization, the Developer’s cash return is expected to be 6.1% with the requested TIF assistance, which is well below both the industry standard as well as the Developer’s stated threshold. However, by Year 9 the project achieves an *average* 8% COC return over time. The Developer concluded that this was a workable solution.

We conclude that TIF assistance in the amount of \$372,000 can be justified for this project. The Developer has maximized the potential private mortgage and minimized development costs. However, a demonstrated financial gap remains. The proposed development will not reasonably be expected to occur solely through private investment within the reasonably near future. Due to the costs associated with developing the property and constructing housing with affordable rents, this project is feasible only through the requested public assistance.

Should you have any questions, please do not hesitate to contact Rebecca Kurtz at 651-697-8516 or Jessica Cook at 651-697-8546.





# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

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**File #:** 20-1063      **Version:** 1      **Name:**  
**Type:** Agenda Item      **Status:** Passed  
**File created:** 5/5/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020  
**Title:** Consider adoption of a resolution approving a modification to the Development Program for Municipal Development District No. 1 and the establishment of Tax Increment financing District No, 1-13: Unique Opportunities and a Tax Increment Financing Plan therefor

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [DOCSOPEN-#648893-v2-Grand Rapids Unique Opportunities Ctiy Resol Approving TIF District](#)

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Consider adoption of a resolution approving a modification to the Development Program for Municipal Development District No. 1 and the establishment of Tax Increment financing District No, 1-13: Unique Opportunities and a Tax Increment Financing Plan therefor

**Background Information:**

Following the public hearing, if the City Council is in agreement with the recommendation of approval provided by the Grand Rapids Economic Development Authority, the Council may adopt the proposed resolution, which: approves the modifications to the Development Plan for Development District No. 1, the establishment of TIF District 1-13, a housing TIF district for the Unique Opportunities apartment project, and the TIF Plan created therefor.

**Requested City Council Action**

Consider adoption of a resolution approving a modification to the Development Program for Municipal Development District No. 1 and the establishment of Tax Increment financing District No, 1-13: Unique Opportunities and a Tax Increment Financing Plan therefor

**CITY OF GRAND RAPIDS, MINNESOTA**

**RESOLUTION NO. \_\_\_\_**

**RESOLUTION APPROVING A MODIFICATION TO  
DEVELOPMENT PROGRAM FOR MUNICIPAL  
DEVELOPMENT DISTRICT NO. 1 AND THE  
ESTABLISHMENT OF TAX INCREMENT FINANCING  
DISTRICT NO. 1-13: UNIQUE OPPORTUNITIES AND A  
TAX INCREMENT FINANCING PLAN THEREFOR**

BE IT RESOLVED by the City Council (the "Council") of the City of Grand Rapids, Minnesota (the "City") as follows:

Section 1. Recitals.

1.01. The City has heretofore established Municipal Development District No. 1 (the "Development District") and adopted a Development Program therefor (the "Development Program") pursuant to Minnesota Statutes, Sections 469.124 through 469.133, as amended. It has been proposed by the City that it adopt a Modification to the Development Program for Municipal Development District No. 1 (the "Modified Development Program") for the Development District, establish the Tax Increment Financing District No. 1-13: Unique Opportunities, a housing district (the "TIF District") therein, and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Modified Development Program and the TIF Plan are referred to collectively herein as the "Plans"); all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.124 to 469.133, as amended, and Sections 469.174 to 469.1794, as amended, (the "TIF Act") all as reflected in the Plans, and presented for the Council's consideration.

1.02. The City has investigated the facts relating to the Plans and has caused the Plans to be prepared.

1.03. Notice of the City's intent to establish the TIF District was delivered to the County Commissioner who represents the area to be included in the TIF District, at least 30 days before publication of the notice of public hearing.

1.04. A copy of the draft TIF Plan, including estimates of the fiscal and economic implications of the TIF District, was provided to Independent School District No. 318 and Itasca County, Minnesota at least 30 days before the Council's public hearing on the TIF Plan.

1.05. Certain written materials (the "Materials") relating to the Plans and to the activities contemplated therein have heretofore been prepared by staff and consultants and submitted to the Council and/or made a part of the City files and proceedings on the Plans. The Materials include the tax increment application made and other information supplied by Unique Opportunities, LLC, a Minnesota limited liability companies (or one or more entities to be

formed thereby or affiliated therewith, the “Developer”) as to the activities contemplated therein, the items listed under the heading “Supporting Documentation” in the TIF Plan, and information constituting or relating to (1) why the assistance satisfies the so-called “but for” test and (2) the bases for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies, and adopts the Materials, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.06. The Board of Commissioners of the Grand Rapids Economic Development Authority (the “EDA”) adopted a resolution on April 23, 2020 supporting the adoption of the TIF District.

1.07. The City is not modifying the boundaries of the Development District, but is modifying the Development Program to include the establishment of the TIF District.

1.08. This Council has fully reviewed the contents of the Plans, and on this date conducted a duly noticed public hearing thereon at which the views of all interested persons were heard.

## Section 2. Findings; Modified Development Program.

2.01. The Council finds that the boundaries of the Development District are not being expanded and the Development Program is not being modified other than by the Modified Development Program to incorporate the establishment of the TIF District therein and therefore the Council reaffirms the findings and determinations originally made in connection with the establishment of the Development District and the adoption of the Development Program therefor.

2.02. It is found and determined that the Modified Development Program is intended to provide an impetus for development in the public interest, that the land within the Development District would not be available for development without the financial aid to be sought under this Modified Development Program, and that the effect of the Modified Development Program will be to encourage development in accordance with the general plan of development of the City as a whole. The Council approves the Modified Development Program.

## Section 3. Findings; TIF District

3.01. The Council hereby finds that the TIF District is in the public interest and the TIF District is a housing district under Section 469.174, subdivision 11 of the TIF Act, based on the findings described in the TIF Plan, which is incorporated herein by reference, and other records on file with the City.

3.02. It is found and determined that it is necessary and desirable for the sound and orderly development of the Development District and the City as a whole, and for the protection and preservation of the public health, safety, and general welfare, that the authority of the

TIF Act be exercised by the City to provide public financial assistance to the TIF District and the Development District.

3.03. It is further found and determined, and it is the reasoned opinion of the City, that the development proposed in the TIF Plan for the TIF District could not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.

3.04. The TIF Plan for the TIF District conforms to the general plan for development of the City as a whole.

3.05. 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 and Development District by private enterprise.

3.06. The proposed housing development will help provide a range of affordable housing options for residents of the City, including persons low and moderate income.

3.07. It is not anticipated that the TIF District will contain commercial/industrial property. Therefore, the City does not anticipate that the TIF District will result in a fiscal disparities contribution under Minnesota Statutes, Chapter 276A.

3.08. Reasons and facts supporting the findings under this Section 3 are stated in the TIF Plan, specifically Appendix C, which is incorporated herein by reference. The City has also relied upon the Materials and other reports and recommendations of its staff and consultants as well as the personal knowledge of members of the Council in reaching its conclusions regarding the TIF District.

3.09. The adoption of the TIF Plan conforms in all respects to the requirements of the TIF Act. The TIF Plan will help facilitate an affordable housing development for residents of the City, including persons of low and moderate income, and develop an area of the City. The City expressly finds that the tax increment assistance is provided solely to make the development financially feasible and thus produce the public benefits described. Therefore, the City finds that the public benefits of the TIF Plan exceed any private benefits.

#### Section 4. Modified Development Program and TIF Plan Adopted; Certification; Filing.

4.01. The Modified Development Program and the TIF Plan are hereby approved and adopted.

4.02. The geographic boundaries of the TIF District and the Development District are described in the TIF Plan and Modified Development Program, respectively, and are incorporated herein by reference.

4.03. The City Administrator is authorized and directed to transmit a certified copy of

this resolution together with a certified copy of the TIF Plan for the TIF District to the Auditor/Treasurer of Itasca County with a request that the original tax capacity of the property within the TIF District be certified to the City pursuant to Section 469.177, subdivision 1 of the TIF Act, and to file a copy of the Modified Development Program, and the TIF Plan with the Minnesota Commissioner of Revenue and State Auditor as required by the TIF Act.

Adopted this 11<sup>th</sup> day of May, 2020 by the City Council of the City of Grand Rapids, Minnesota.

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Mayor

Attest:

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City Clerk



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

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**File #:** 20-1064      **Version:** 1      **Name:**  
**Type:** Agenda Item      **Status:** Passed  
**File created:** 5/5/2020      **In control:** City Council  
**On agenda:** 5/11/2020      **Final action:** 5/11/2020

**Title:** Consider adoption of a resolution approving the conveyance of real property, approving a Purchase and Development Agreement, and awarding the sale of, and providing the form, terms, covenants and directions for the issuance of its tax increment revenue note to Unique Opportunities, LLC.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [Resolution approving conveyance, Purchase and Development Agreement, and awarding sale, form.](#)

Date	Ver.	Action By	Action	Result
5/11/2020	1	City Council		

Consider adoption of a resolution approving the conveyance of real property, approving a Purchase and Development Agreement, and awarding the sale of, and providing the form, terms, covenants and directions for the issuance of its tax increment revenue note to Unique Opportunities, LLC.

**Background Information:**

Following the public hearing, if the City Council is in agreement with the recommendation of approval provided by the Grand Rapids Economic Development Authority, the Council may adopted the proposed resolution which approves the conveyance of land, the Contract for Private Development, and awarding the sale of and providing the form, terms, covenants and directions for the issuance of its tax increment revenue note to Unique Opportunities, LLC.

**Requested City Council Action**

Consider adoption of a resolution approving the conveyance of real property, approving a Purchase and Development Agreement, and awarding the sale of, and providing the form, terms, covenants and directions for the issuance of its tax increment revenue note to Unique Opportunities, LLC.

**CITY OF GRAND RAPIDS, MINNESOTA**

**RESOLUTION NO. \_\_\_\_\_**

**APPROVING THE CONVEYANCE OF REAL PROPERTY, APPROVING A PURCHASE AND DEVELOPMENT AGREEMENT, AND AWARDING THE SALE OF, AND PROVIDING THE FORM, TERMS, COVENANTS AND DIRECTIONS FOR THE ISSUANCE OF ITS TAX INCREMENT REVENUE NOTE TO UNIQUE OPPORTUNITIES, LLC**

BE IT RESOLVED BY the City Council (the "Council") of the City of Grand Rapids, Minnesota (the "City") as follows:

Section 1. Recitals; Approval and Authorization; Award of Sale.

1.01. Recitals.

(a) The Council has heretofore approved the establishment of the Tax Increment Financing District No. 1-13: Unique Opportunities Housing, a housing district (the "TIF District"), within the Development District No.1 in the City (the "Development District"), and has adopted a tax increment financing plan therefor for the purpose of financing certain improvements within the Development District.

(b) To facilitate the development of certain property within the Development District and the TIF District, the City, the Grand Rapids Economic Development Authority (the "Authority"), and Unique Opportunities, LLC, a Minnesota limited liability company, or an affiliate thereof or party related thereto (the "Developer"), have negotiated a Purchase and Development Agreement (the "Agreement") which provides for the conveyance of certain real property described in SCHEDULE A attached hereto (the "Development Property") from the Authority to the Developer and the acquisition, construction and equipping by the Developer of an approximately 48-unit multi-family rental housing facility, with at least twenty percent (20%) of such units to be available to persons of low and moderate income, and a 12-stall detached parking garage, with all related improvements to be completed, owned and operated by the Developer on the Development Property (the "Minimum Improvements"), and the issuance by the City of its Tax Increment Revenue Note, Series 2020 (Unique Opportunities Project) (the "Note") to the Developer.

(c) The City currently owns the Development Property and has determined that it is essential to the development of thereof to convey the Development Property to the Authority.

(d) The City is authorized to convey real property pursuant to Minnesota Statutes, Section 465.035 to any governmental subdivision for a nominal consideration, or pursuant to Minnesota Statutes, Section 471.64 to any other political subdivision of the State of Minnesota (the "State").

(e) The Authority is a political subdivision of the State pursuant to Minnesota Statutes,

Section 469.091, Subdivision 2.

(f) On April 23, 2020, the Authority held a duly noticed public hearing on the sale of the Development Property and approved the Purchase and Development Agreement.

1.02. Approval of Conveyance of Development Property.

(a) The Council approves the conveyance of the Development Property to the Authority by quit claim deed for reconveyance to the Developer pursuant to the Agreement, and authorizes and directs City staff and officials to execute the deed and related documents necessary to facilitate the transaction referenced herein and contemplated herein, with all such actions to be in accordance with the terms and conditions set forth in this resolution.

(b) City staff and officials are authorized and directed to take any and all additional steps and actions necessary or convenient in order to accomplish the conveyance of the Development Property as established by this resolution.

1.03. Approval of Agreement.

(a) The Agreement in substantially the form on file with the City is hereby in all respects approved, subject to modifications that do not alter the substance of the transaction and that are approved by the Mayor and City Administrator, provided that execution of the Agreement by such officials shall be conclusive evidence of approval.

(b) City staff and officials are authorized to take all actions necessary to perform the City's obligations under the Agreement as a whole, including without limitation execution of any documents to which the City is a party referenced in or attached to the Agreement, all as described in the Agreement.

1.04. Authorization of Note. Pursuant to Minnesota Statutes, Section 469.178, the City is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Development District. Such bonds are payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds. The City hereby finds and determines that it is in the best interests of the City that it issue and sell the Note to the Developer for the purpose of financing certain public development costs of the Development District, subject to all terms and conditions of the Agreement.

1.05. Issuance, Sale, and Terms of the Note. (a) The City hereby authorizes the Mayor and City Administrator to issue the Note in accordance with the Agreement. All capitalized terms in this resolution have the meaning provided in the Agreement unless the context requires otherwise.

(b) The Note shall be issued to the Developer in the maximum aggregate principal amount of \$372,000 in consideration of certain eligible costs incurred by the Developer in connection with construction of the Minimum Improvements. The Note shall be dated the date of delivery thereof and shall bear interest at the rate of 5.00% per annum from the date of issue to the earlier of maturity



or prepayment. The Note will be issued in the principal amount of the Public Development Costs submitted and approved in accordance with Section 3.6 of the Agreement. The Note is secured by Available Tax Increment, as further described in the form of the Note set forth in SCHEDULE B attached hereto. The City hereby delegates to the City Administrator the determination of the date on which the Note is to be delivered, in accordance with the Agreement.

Section 2. Form of Note. The Note shall be in substantially the form set forth in SCHEDULE B attached hereto, with the blanks to be properly filled in and the principal amount adjusted as of the date of issue:

Section 3. Terms, Execution and Delivery.

3.01. Denomination, Payment. The Note shall be issued as a single typewritten note numbered R-1.

The Note shall be issuable only in fully registered form. Principal of and interest on the Note shall be payable by check or draft issued by the Registrar described herein.

3.02. Dates; Interest Payment Dates. Principal of and interest on the Note shall be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not such day is a business day.

3.03. Registration. The City hereby appoints the City Administrator of the City to perform the functions of registrar, transfer agent and paying agent (the "Registrar"). The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its office a bond register in which the Registrar shall provide for the registration of ownership of the Note and the registration of transfers and exchanges of the Note.

(b) Transfer of Note. Upon surrender for transfer of any Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, a new Note of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until such Payment Date.

(c) Cancellation. The Note surrendered upon any transfer shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(d) Improper or Unauthorized Transfer. When any Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Note or separate instrument of transfer is legally authorized. The Registrar shall incur no

liability for its refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(e) Persons Deemed Owners. The City and the Registrar may treat the person in whose name the Note is at any time registered in the bond register as the absolute owner of such Note, whether the Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Note and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the City upon such Note to the extent of the sum or sums so paid.

(f) Taxes, Fees and Charges. For every transfer or exchange of the Note, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such transfer or exchange.

(g) Mutilated, Lost, Stolen or Destroyed Note. In case the Note shall become mutilated or be lost, stolen, or destroyed, the Registrar shall deliver a new Note of like amount, maturity dates and tenor in exchange and substitution for and upon cancellation of such mutilated Note or in lieu of and in substitution for such Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case the Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. The Note so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City. If the mutilated, lost, stolen, or destroyed Note has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new Note prior to payment.

3.04. Preparation and Delivery. The Note shall be prepared under the direction of the City Administrator and shall be executed on behalf of the City by the signatures of its Mayor and City Administrator. In case any officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. When the Note has been so executed, it shall be delivered by the City Administrator to the owner thereof in accordance with the Agreement.

#### Section 4. Security Provisions.

4.01. Pledge. The City hereby pledges to the payment of the principal of and interest on the Note all Available Tax Increment as defined in the Note.

4.02. TIF Fund. Until the date the Note is no longer outstanding and no principal thereof or interest thereon (to the extent required to be paid pursuant to this resolution) remains unpaid, the City shall maintain a separate and special "TIF Fund" to be used for the payment of the principal of and interest on the Note. The City irrevocably agrees to appropriate to the TIF Fund on or before each Payment Date the Available Tax Increment in an amount equal to the Payment then due, or the actual Available Tax Increment, whichever is less. Any Available Tax Increment remaining in the

TIF Fund upon the termination of the Note in accordance with its terms may be used for any authorized purpose in accordance with the TIF Act.

4.03. Additional Obligations. The City will issue no other obligations secured in whole or in part by Available Tax Increment unless such pledge is on a subordinate basis to the pledge on the Note.

Section 5. Certification of Proceedings.

5.01. Certification of Proceedings. The officers of the City are hereby authorized and directed to prepare and furnish to the owner of the Note certified copies of all proceedings and records of the City, and such other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the facts recited therein.

Section 6. Effective Date. This resolution shall be effective upon approval.

Approved this 11<sup>th</sup> day of May, 2020, by the City Council of the City of Grand Rapids, Minnesota.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

## **SCHEDULE A**

### **DEVELOPMENT PROPERTY**

The property located in the City of Grand Rapids, Itasca County, Minnesota legally described as:

That part of the North 318.00 feet of the Northwest Quarter of the Northeast Quarter (NW  $\frac{1}{4}$  NE  $\frac{1}{4}$ ), Section Thirty-three (33), Township Fifty-five (55) North, Range Twenty-five (25) West of the Fourth Principal Meridian, lying Easterly of the West 880.00 feet thereof in Itasca County, Minnesota.

Subject to reservations, restrictions and easements of prior record.

**SCHEDULE B**

**FORM OF TIF NOTE**

UNITED STATE OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF ITASCA  
CITY OF GRAND RAPIDS

No. R-1

\$ \_\_\_\_\_

TAX INCREMENT REVENUE NOTE  
SERIES 2020  
(UNIQUE OPPORTUNITIES PROJECT)

Rate

Date of Original Issue

5.00%

\_\_\_\_\_, 20\_\_

The City of Grand Rapids, Minnesota (the "City") for value received, certifies that it is indebted and hereby promises to pay to Unique Opportunities, LLC, a Minnesota limited liability company, or its registered assigns (the "Owner"), the principal sum of \$\_\_\_\_\_ and to pay interest thereon at the rate of 5.00% per annum, solely from the sources and to the extent set forth herein. Capitalized terms shall have the meanings provided in the Purchase and Development Agreement, dated as of May \_\_, 2020 (the "Agreement"), between the City, the Grand Rapids Economic Development Authority (the "Authority"), and the Owner, unless the context requires otherwise.

1. Payments. Principal and interest (the "Payments") shall be paid on August 1, 2023 and each August 1 and February 1 thereafter (the "Payment Dates") to and including the earliest of (i) August 1, 2038, (ii) such date (if any) as the Authority shall have terminated the Agreement pursuant to its terms, or (iii) until the Developer has received the principal amount of the TIF Note plus accrued interest thereon (the "Final Payment Date"), in the amounts and from the sources set forth in Section 3 hereof. Payments shall be applied first to accrued interest, and then to unpaid principal.

Payments are payable by mail to the address of the Owner or such other address as the Owner may designate upon thirty (30) days written notice to the City. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. Interest. Simple, non-compounding interest at the rate stated herein shall accrue on the unpaid principal, commencing on the date of original issue. Interest shall be computed on the basis of a year of 360 days consisting of twelve 30-day months and shall be charged for actual days principal is unpaid.

3. Available Tax Increment. (a) Payments on this Note are payable on each Payment Date solely from and in the amount of Available Tax Increment, which shall mean 90% of the Tax Increment attributable to the Minimum Improvements and Development Property that is paid to the City by Itasca County in the six (6) months preceding the Payment Date on the Note. Available Tax Increment shall not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default under the Agreement.

The City shall have no obligation to pay principal of and interest on this Note on each Payment Date from any source other than Available Tax Increment, and the failure of the City to pay the entire amount of principal or interest on this Note on any Payment Date shall not constitute a default hereunder as long as the City pays principal and interest hereon to the extent of Available Tax Increment. The City shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the Final Payment Date.

4. Default. If on any Payment Date there has occurred and is continuing any Event of Default under the Agreement, the City may withhold from payments hereunder all Available Tax Increment. If the Event of Default is thereafter cured in accordance with the Agreement, the Available Tax Increment withheld under this Section shall be deferred and paid, without interest thereon, on the next Payment Date after the Event of Default is cured. If the Event of Default is not cured in a timely manner, the City may terminate this Note by written notice to the Owner in accordance with the Agreement.

5. Optional Prepayment. The principal sum and all accrued interest payable under this Note is prepayable in whole or in part at any time by the City without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Note.

6. Termination. At the City's option, this Note shall terminate and the City's obligation to make any payments under this Note shall be discharged upon the occurrence of an Event of Default on the part of the Developer as defined in Section 9.1 of the Agreement, but only if the Event of Default has not been cured following notice to the Developer and the applicable cure period in accordance with the Agreement.

7. Nature of Obligation. This Note is issued in the total principal amount of \$ \_\_\_\_\_, issued to aid in financing certain public development costs and administrative costs of a Development District undertaken by the City pursuant to Minnesota Statutes, Sections 469.124 through 469.133, as amended, and is issued pursuant to an authorizing resolution (the "Resolution") duly adopted by the City on May 11, 2020, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 through 469.1794, as amended. This Note is a limited obligation of the City which is payable solely from Available Tax Increment pledged to the payment hereof under the Resolution. This Note and the interest hereon shall not be deemed to constitute a general obligation of the City, the State of Minnesota or any political subdivision thereof, including, without limitation, the City. Neither the State of Minnesota, the City, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Note or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the City or any political

subdivision thereof is pledged to the payment of the principal of or interest on this Note or other costs incident hereto.

8. Registration and Transfer. This Note is issuable only as a fully registered note without coupons. As provided in the Resolution, and subject to certain limitations set forth therein, this Note is transferable upon the books of the City kept for that purpose at the principal office of the City Administrator of the City, by the Owner hereof in person or by such Owner's attorney duly authorized in writing, upon surrender of this Note together with a written instrument of transfer satisfactory to the City, duly executed by the Owner and an investment letter executed by the transferee to the City. Upon such transfer or exchange and the payment by the Owner of any tax, fee, or governmental charge required to be paid by the City with respect to such transfer or exchange, there will be issued in the name of the transferee a new Note of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date.

Except as otherwise provided in Section 3.7(c) of the Agreement, this Note shall not be transferred to any person or entity, unless the City has provided written consent to such transfer.

9. Estimates of Available Tax Increment. Any estimates of Tax Increment prepared by the City or its financial advisors in connection with the Available Tax Increment and the Agreement are for the benefit of the City only, and are not intended as representations on which the Developer may rely.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen, and to be performed in order to make this Note a valid and binding limited obligation of the City according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the City Council of the City of Grand Rapids, Minnesota has caused this Note to be executed with the manual signatures of its Mayor and City Administrator, all as of the Date of Original Issue specified above.

CITY OF GRAND RAPIDS, MINNESOTA

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Mayor

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City Administrator

REGISTRATION PROVISIONS

The ownership of the unpaid balance of the Note herein is registered in the bond register of the City Administrator of the City of Grand Rapids, Minnesota, in the name of the person last listed below.

Date of Registration

Registered Owner

Signature of  
City Administrator

Unique Opportunities, LLC  
Federal Tax I.D. No.:

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