

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

Thursday, September 22, 2016

4:00pm

Grand Rapids City Hall

NOTICE IS HEREBY GIVEN, that a regular meeting of the Grand Rapids Economic Development Authority will be held in Conference Room 2A in the Grand Rapids City Hall, 420 North Pokegama Avenue, in Grand Rapids, Minnesota on Thursday, September 22, 2016 at 4:00pm.

AGENDA

1. Call to Order
2. Call of Roll
3. Setting of the Regular Agenda - *This is an opportunity to approve the regular agenda as presented or add/delete by a majority vote of the Commissioners present an agenda item.*
4. Approval of minutes from the August 25, 2016 regular meeting.
5. Consider approval of claims
6. Consider adopting a resolution approving amendments to the Commercial Building Improvement Loan Program Guidelines
7. Consider approving amendments to the SCDP Commercial & Residential Rehabilitation Deferred Loan Program Policy and Procedures Handbook.
8. Consider approving a Subordination Agreement for Mortgage with Gabe and Brandi Miskovich DBA Miskovich Properties, LLC
9. Consider approving a residential lease for the property located at 3002 Airport Rd.
10. Updates:
 - a. Grand Rapids Hotel Partners
 - b. Swan Machine
11. Adjourn

GREDA Members/terms:

Dale Christy – 12/31/16 (with council term)

Rick Blake– 12/31/18 (with council term)

Mike Przytarski – 3/1/21

Cory Jackson – 3/1/17

Mike Stefan – 3/1/18

Chris Lynch – 3/1/19

Sholom Blake – 3/1/19

**GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING
THURSDAY, AUGUST 25, 2016
4:00 P.M.
GRAND RAPIDS CITY HALL – CONFERENCE ROOM 2A
420 NORTH POKEGAMA AVE., GRAND RAPIDS, MINNESOTA**

CALL TO ORDER: Pursuant to due notice and call thereof, a Regular Meeting of the Grand Rapids Economic Development Authority (GREDA) was called to order on Thursday, August 25, 2016 at 4:00 p.m. in Conference Room 2A of City Hall, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL: On a Call of Roll the following members were present: Commissioners: Sholom Blake, Dale Christy, Rick Blake, Mike Przytarski, Chris Lynch, Michael Stefan. Absent: Cory Jackson.

SETTING OF REGULAR AGENDA: **Approved with addition.**

- **Approve and authorize payment to Itasca County Abstract Co in the amount of \$17,903.11.**

APPROVAL OF MINUTES:

DRAFT

MOTION BY COMMISSIONER STEFAN, SECOND BY COMMISSIONER CHRISTY TO APPROVE THE MINUTES OF THE JULY 28, 2016 REGULAR MEETING. The following voted in favor thereof: R. Blake, Stefan, S. Blake, Christy, Przytarski, Lynch. Opposed: None, passed unanimously.

APPROVAL OF CLAIMS:

MOTION BY COMMISSIONER R. BLAKE, SECOND BY COMMISSIONER CHRISTY TO APPROVE CLAIMS IN THE AMOUNT OF \$72,780.82.

Blandin Foundation	\$17,500.00	Itasca County HRA	\$50,323.77
Kennedy & Graven	\$2,083.75	SEH-RCM	\$2,806.00
Visa	\$67.30		

The following voted in favor thereof: Stefan, R. Blake, S. Blake, Christy, Przytarski, Lynch. Opposed: None, passed unanimously.

Consider approving a 2016 Central School lease with Ashley Brubaker dba True North Salon and Spa.

Ms. Brubaker is looking to lease additional space for her salon. Commissioner Lynch questioned the length of time on the lease and if we could extend the lease to December of 2017. Mr. Mattei said he would look into the matter.

MOTION BY COMMISSIONER LYNCH, SECOND BY COMMISSIONER CHRISTY TO APPROVE A LEASE WITH ASHLEY BRUBAKER DBA TRUE NORTH SALON AND SPA THRU DECEMBER 2016 OR 2017. The following voted

in favor thereof: R. Blake, Stefan, S. Blake, Christy, Lynch, Przytarski. Opposed: None, passed unanimously.

Consider approval and authorize payment to Itasca County Abstract Company in the amount of \$17,903.11.

This is for the Swan Machine closing.

MOTION BY COMMISSIONER CHRISTY, SECOND BY COMMISSIONER R. BLAKE TO APPROVE AND AUTHORIZE PAYMENT IN THE AMOUNT OF \$17,903.11. The following voted in favor thereof: Przytarski, Lynch, Christy, S. Blake, Stefan, R. Blake. Opposed: None, passed unanimously.

Consider approving a 2016 Central School lease with Beauty and Bliss LLC.

This would be a boutique consignment shop in suite 101 which is the former Dustables space.

MOTION BY COMMISSIONER PRZYTARSKI, SECOND BY COMMISSIONER STEFAN TO APPROVE A LEASE WITH BEAUTY AND BLISS LLC THRU DECEMBER 2016 OR 2017. The following voted in favor thereof: R. Blake, Stefan, S. Blake, Christy, Lynch, Przytarski. Opposed: None, passed unanimously.

Consider approving a Commercial Building Improvement Loan with Brian Maki dba Maki Body and Glass.

Mr. Maki would like to improve his business located at 624 NW 4th Street. His plan is to do stucco repairs, asphalt parking lot repairs, installation of three new doors and installation of new front windows. The total estimated project cost is \$31,297.00. The review committee met with Mr. Mattei and have a favorable opinion of the loan.

MOTION BY COMMISSIONER CHRISTY SECOND BY COMMISSIONER LYNCH TO APPROVE A COMMERCIAL BUILDING IMPROVEMENT LOAN WITH BRIAN MAKI DBA MAKI BODY AND GLASS IN THE AMOUNT OF \$23,473. The following voted in favor thereof: Przytarski, Lynch, Christy, S.Blake, Stefan, R. Blake. Opposed: None, passed unanimously.

Consider approving a Commercial Building Improvement Loan with JBS Holdings.

JBS Holdings was previously awarded a \$24,000 SCDP Commercial Rehabilitation loan by GREDA for the building located at 415 NW 8th Avenue. With the anticipated cost of the project increasing JBS Holdings is requesting a \$35,000 CBIL. The review committee met with staff and are in favor of the loan.

MOTION BY COMMISSIONER PRZYTARSKI, SECOND BY COMMISSIONER R. BLAKE TO APPROVE A COMMERCIAL BUILDING IMPROVEMENT LOAN WITH JBS HOLDINGS IN THE AMOUNT OF \$35,000. The following voted in favor thereof: R. Blake, Stefan, S. Blake, Christy, Lynch, Przytarski. Opposed: None, passed unanimously.

Consider awarding a contract to TNT Aggregates for the Swan Machine Site Improvements Project.

The IRRRB has awarded a \$150,000 infrastructure grant to Swan Machine. As addressed in the Contract for Private Development with Swan lease GREDA will take on the roll as administrator of the grant funds. Any costs in excess of the grant amount will be reimbursed to GREDA.

MOTION BY COMMISSIONER PRZYTARSKI, SECOND BY COMMISSIONER LYNCH TO APPROVE AWARDING THE CONTRACT TO TNT AGGREGATES FOR THE SWAN MACHINE SITE IMPROVEMENTS CONTINGENT ON THE CLOSING OF THE PROPERTY. The following voted in favor thereof: Przytarski, Lynch, Christy, S. Blake, Stefan, R. Blake. Opposed: None, passed unanimously.

Discuss a request for purchase and subsequent conveyance of tax forfeited parcels.

Dave Hernesman is interested in a new location for Ray's Sport and Marine on four tax forfeited parcels along Hwy 2 East. These properties were classified by the Itasca County Board as Conservation properties, which can't be sold due to the existence of a snowmobile trail. The trail has been relocated and the County has now classified the property as Non- Conservation.

Under MN Statue 282.01 public entities like GREDA are able to purchase tax forfeited properties at market value. In order to facilitate this GREDA would develop a purchase agreement with Hernesman Brothers Partnership and then request the purchase of the tax forfeited parcels through the Itasca County Board. If approved, the request for conveyance provided by the County Land Department would put the property on hold for a period of six months and does not, at this point, obligate the GREDA to purchase.

MOTION BY COMMISSIONER R. BLAKE, SECOND BY COMMISSIONER CHRISTY TO APPROVE THE REQUEST FOR CONVEYANCE OF TAX FORFEITED PARCELS. The following voted in favor thereof: R. Blake, Stefan, S. Blake, Christy, Lynch, Przytarski. Opposed: None, passed unanimously.

Consider approving a GREDA 2017 budget recommendation and request for levy.

The Commissioners reviewed the proposed Operating Budget and levy request.

MOTION BY COMMISSIONER PRZYTARSKI, SECOND BY COMMISSIONER STEFAN TO APPROVE THE PROPOSED 2017 GREDA BUDGET AND A \$60,000 LEVY REQUEST. The following voted in favor thereof: Przytarski, Lynch, Christy, S. Blake, Stefan, R. Blake.

There being no further business the meeting adjourned at 4:52 p.m.

Respectfully submitted:

Aurimy Groom, Recorder

DATE: 09/16/2016
 TIME: 13:59:14
 ID: AP443000.CGR

CITY OF GRAND RAPIDS
 DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 09/22/2016

VENDOR #	NAME	AMOUNT DUE
ECONOMIC DEVELOPMENT AUTHORITY		
0920065	ITASCA ECONOMIC DEVELOPMENT	10,000.00
	TOTAL	10,000.00
EDA - CAPITAL PROJECTS		
AIRPORT SOUTH INDUSTRIAL PARKS		
0315472	COMFORT HEATING LLC	5,898.00
	TOTAL AIRPORT SOUTH INDUSTRIAL PARKS	5,898.00
IND PARK SWAN MACHINE		
0315455	COLE HARDWARE INC	111.85
0718060	GRAND RAPIDS HERALD REVIEW	141.70
1105530	KENNEDY & GRAVEN	217.00
	TOTAL IND PARK SWAN MACHINE	470.55
DEED DEVELOPMENT PROGAMS		
0920051	ITASCA COUNTY H.R.A.	51,352.84
	TOTAL DEED DEVELOPMENT PROGAMS	51,352.84
	TOTAL UNPAID TO BE APPROVED IN THE SUM OF:	\$ 67,721.39
CHECKS ISSUED-PRIOR APPROVAL		
PRIOR APPROVAL		
0920030	ITASCA COUNTY ABSTRACT COMPANY	17,903.11
1621130	P.U.C.	96.71
2209665	VISA	67.30
	TOTAL PRIOR APPROVAL ALLOWED IN THE SUM OF:	\$18,067.12
	TOTAL ALL DEPARTMENTS	85,788.51



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE



ITASCA COUNTY
HOUSING AND REDEVELOPMENT AUTHORITY

SCDP Commercial & Residential Rehabilitation Deferred Loan Program Policy and Procedures Handbook

As adopted by:

Grand Rapids City Council on: 7/14/2014

And

The Grand Rapids Economic Development Authority on: 6/26/2014

As revised by:

Grand Rapids City Council on: 9/21/2016

And

The Grand Rapids Economic Development Authority on: 9/22/2016

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I. Purpose

The City of Grand Rapids and its economic development agent, the Grand Rapids Economic Development Authority (GREDA), will provide assistance to eligible applicants for the rehabilitation of commercial and residential properties. The policies and procedures for distribution and eligibility are incorporated in this document and its exhibits.

II. Statement of Affirmative Action

It is the policy of the City of Grand Rapids that no individual shall be discriminated against because of race, color, religion, creed, national origin, disability, marital status, age or status with respect to public assistance.

The City of Grand Rapids shall insure that every person be given full and equal opportunities for participation in the deferred loan program undertaken by this project.

Itasca County Housing and Redevelopment Authority (ICHRA), as the administrator of the Grand Rapids Commercial & Residential Rehabilitation Program, shall take necessary actions to guarantee that minority contractors and subcontractors are provided equal opportunity to perform rehabilitation work.

It shall be the responsibility of the City and ICHRA to encourage all contractors participating in the rehabilitation deferred loan program to carry out Affirmative Action Policies necessary to assure equal employment opportunity in all aspects of employment, regardless of race, creed, color, religion, sex, national origin, marital status, age or status with respect to public assistance.

In no case shall ICHRA or the City of Grand Rapids be in conflict with the State or Federal Statutes as they relate to equal opportunities for employment.

III. Delegation of Authority

The City of Grand Rapids has contracted with ICHRA for the administration of the Small Cities Development Program (SCDP). The City of Grand Rapids and ICHRA have been given the authority to set the guidelines for participation in the program and may amend this Handbook as it deems necessary within the regulations established by the Department of Employment and Economic Development (DEED). ICHRA shall be responsible for ensuring that only eligible applicants receive SCDP funds. ICHRA will assure that all rehabilitation repairs will meet program eligibility criteria. The City of Grand Rapids and ICHRA are bound by the terms agreed to by both parties for this project's Contractual Agreement.

IV. Review Committee

The loan review committee for Commercial Rehabilitation projects will consist of a two member sub-committee of the GREDA and the Community Development Director/GREDA Executive Director. The final determination on all commercial rehabilitation loan applications rests with the full membership of GREDA.

The Loan Review Committee for Residential Rehabilitation projects shall consist of ICHRA Executive Director and ICHRA Property and Program Development Specialist.

V. Definitions

- A. **Suitable for Rehabilitation:** The property must be structurally sound and economically feasible to rehabilitate as determined by ICHRA's Rehabilitation Specialist.
- B. **Rehabilitation Standards:** Upon completion, all properties must meet or exceed the attached construction standards.
- C. **Standard:** A unit which has no defects or only slight defects which are normally corrected during the course of routine and regular maintenance.
- D. **Substandard:** A unit which needs more repair than would normally be provided in the course of regular maintenance. A substandard commercial unit needs two or more major improvements such as roof replacement, furnace replacement, electrical wiring, plumbing, etc.
- E. **Substandard but Suitable for Rehabilitation:** A unit which needs two or more major improvements but is economically feasible to rehabilitate. The maximum amount of SCDP funds allowed per project are included in Exhibits A, B & C.
- F. **Dilapidated:** A substandard unit with numerous serious defects. A dilapidated unit fails to meet a majority of local standards and rehabilitation is neither practical, nor economically feasible. Dilapidated units will not be rehabilitated. The unit does not meet the "suitable for rehabilitation" definition.
- G. **Displacement:** Acts that will cause an occupant of a housing unit to physically relocate or to be adversely impacted economically by the rehabilitation project.
- H. **HQS / Housing Quality Standards:** Minimum standards established by HUD for units suitable for occupancy under its programs of housing assistance.
- I. **HUD:** The U.S. Department of Housing and Urban Development.

- J. **Low Income:** A household with income adjusted for family size that is at or below 80% of the Area Median Income which is determined annually by HUD.
- K. **Very-Low Income:** A household with income adjusted for family size that is at or below 50% of the Area Median Income which is determined annually by HUD.

VI. Property Eligibility

- A. The property must be located within the target area of the City of Grand Rapids (see attached map labeled Exhibit D).
- B. The property must be in compliance with applicable zoning ordinances or land use guidelines. No activities will take place within a 100 year flood plain.
- C. The property must be Suitable for Rehabilitation, as defined at Section V. A., and upon completion of rehabilitation, the property must meet the attached standards for the project.
- D. Each property will have a Tenant Survey completed.
- E. The property taxes must not be delinquent.

VII. Applicant Eligibility

- A. The recipient of funds under this program must have at least one third interest in one of the following types of ownership in the property to be improved:
 - 1. A fee title; or
 - 2. A fee title subject to a mortgage or other lien securing a debt; or
 - 3. A mutually binding contract (contract for deed) for the purchase of the property where the borrower is rightfully in possession and the purchase price is payable in installments. The Contract for Deed must be recorded at the office of the County Recorder. The contract for deed vendor (seller) must agree to enter into the Deferred Rehabilitation Repayment Agreement and Mortgage as additional signatories not in possession.

- B. No person who is (1) an employee, agent consultant, officer or elected or appointed official of the City of Grand Rapids or ICHRA who exercises or has exercised a function or responsibility with respect to assisted rehabilitation activities or (2) is in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity or have an interest in any contract, subcontract or agreement with respect thereto or the proceed thereunder, either for themselves, their immediate family, or those with whom they have business ties, during their tenure and for one (1) year thereafter. DEED may authorize exceptions to this policy on a case by case basis. If a conflict arises with an ICHRA employee or board member, that person shall not be involved in any manner with the project.

VIII. Data Privacy

Information on program applicants is private data which will be administered in accordance with the Minnesota Government Data Practices Act. Information or documentation shall be determined to be necessary if it is required for purposes of determining or auditing a properties eligibility to receive a deferred loan, for verifying relating information or for monitoring compliance with equal opportunity requirements. The use or disclosure of information obtained from a property owner or from another source pursuant to this release and consent is limited to purposes directly connected with the administration of this project under which the property owner is receiving assistance. Income, asset and other financial data received by ICHRA in its applicant's verification process is considered Private Data and is subject to Privacy of Information Provisions, pursuant to State Statutes. HUD, the State of Minnesota and DEED will have access to these records when necessary.

IX. Financial Assistance- See Exhibit A for the terms for Commercial Rehab, Exhibit B for the terms for Owner Occupied Residential Rehab, and Exhibit C for the terms for Rental Rehab.

X. Eligible Work Items

- A. Refer to Exhibit F for Property Rehabilitation Standards. Rehabilitation loans may only be used to:
1. Address Building Code Violations, address exterior building improvements and to remove health, safety or other deficiencies and to bring the structure into compliance with the property rehabilitation standards used by ICHRA. For example, roofing, siding, plumbing, water supply, waste systems or wiring may be eligible for repair; or
 2. Improve the property by increasing the structure's energy efficiency through, for example, upgrading insulation, windows and doors; or

3. Modify or rehabilitate the unit to make it accessible for a handicapped or disabled individuals. Accessibility Improvements include such improvements as: structural, exterior, bathroom or other improvements to buildings which are necessary to enable a handicapped person to function independently in a commercial or residential setting.
- B. All work or construction completed with DEED funds must be in compliance with applicable building codes and standards. Funds may be denied to building owners with properties which cannot be feasibly brought up to the Program Standards. ICHRA shall conduct a site and structure survey of those work items which are eligible with respect to HQS guidelines. Upon determination of those items which are eligible costs, ICHRA shall prepare specifications and, along with the building owner, evaluate contractor bids.
 - C. Rehabilitation Deferred Loans must be used to finance improvements that can normally be completed within 90 to 120 days from the date of the issuance of the Proceed to Work Order. However ICHRA, at its discretion, may grant an extension if it serves the purpose of the program.
 - D. Certain costs required by law or regulation shall be eligible costs with respect to the program. These costs include permits and other similar costs.

XI. Ineligible Activities

- A. Rehabilitation Deferred Loans (except for necessary replacement undertaken in connection with eligible improvements) may not be used to finance:
 1. Commercial “remodeling” type improvements.
 2. Landscaping (except to conduct water away from the dwelling); or
 3. Work begun or completed before the date of the Proceed to Work Order.
- B. Additions to structures and finishing of basements are not eligible. However, the building owner may utilize match financing to undertake such improvements.
- C. Rehabilitation Deferred Loans shall not be used for refinancing an existing mortgage or debt.
- D. No Deferred Loans shall be paid to program participants for any improvements made under this program who have sold their property prior to execution of the Completion Certificate.

- E. Misrepresentations - Any material misrepresentation on the part of the applicant, revealed through the application process or otherwise may result in a determination of ineligibility. The applicant shall be notified in writing of such determination by ICHRA and shall be given the opportunity to request an informal review of the matter.

XII. Rehabilitation Procedures

- A. Program Marketing: The GREDA and ICHRA will communicate the availability of this program by a direct mailed notice to the owners of all property within the target areas identified in Exhibits D & E, as listed within the Itasca County tax records. The mailed notice will describe the program, sources of additional information and a defined period within applications will be accepted.

Upon expiration of the application period, the GREDA will determine if an extension of the application period and additional marketing of the program is necessary based upon: the number of applications received, the eligible nature of the proposed activities described within the applications received, and the total amount of program funds applied for.

- B. Project Selection:

Commercial- Due to the limited availability of the SCDP Commercial Rehabilitation funds, the GREDA has established a set of criteria to be applied as a means of ranking and selecting projects, to be funded under this program. A review committee will be assigned to evaluate all applications for eligible activities.

The review committee will assess the applications, deemed to meet the minimum eligibility requirements, based upon the following factors, which are not necessarily listed in order of importance:

1. The proposed projects total value/addition to the tax base – with higher value projects scoring higher.
2. The extent the proposed project addresses program objectives – with projects involving visible exterior improvements that address conditions which contribute to slum and blighting scoring higher.
3. The proposed projects level of compliance with City Ordinances and consistency with the objectives stated within the *Comprehensive Plan* with projects found to be compliant with applicable ordinances and addressing specific plan objectives scoring higher.
4. The credit worthiness of the applicant and the feasibility of the project as measured by:
 - a. An as needed confidential evaluation of the applicant's net worth, business plan, letters of commitment from other funding sources, cash flow and income projections

5. The level of job creation tied to the project in terms of number of additional jobs created, if any, and their average wages. Although additional job creation is not mandatory, those projects that create additional employment opportunity will receive higher scoring in this area.

Residential- Application Process- The order of Application Processing / Project Underwriting will be determined by points assigned by the review committee based on the following:

Owner Occupied

- 10 points for properties owned by an applicant who is 62 or older
- 5 points for applicants who own home debt free
- 5 points for applicants who meet the definition of very-low income
- 5 points for properties that require multiple elements that address program objectives

Rental

- 15 points for properties of 5+ units
- 10 points for properties of 3-5 units
- 5 points for properties with Owner/User who is currently or has been a cooperator in use of the Housing Choice Voucher program within the past 5 years
- 5 points for properties with 3 or more units, with 100% of current tenant households being of very-low income

The group of applications with the highest number of points will be considered first proceeding subsequently in order to the group with the next highest number of points. Within a point group, applications will be considered in the order received by date of application.

If additional funds remain following the initial group of applications, additional applications will be considered on a first come, first serve basis.

- C. For all residential units built on or before 1978,
 1. A lead risk assessment to be conducted by a licensed lead risk assessor.
 2. Occupants must receive a notification of a “Risk Assessment to be Conducted” and “Summary Notice of Lead Based Paint Risk Assessment Results”.
 3. The results of that assessment must be incorporated into the rehabilitation work write up for the property.
 4. Occupants must receive a “Summary Notice of Completion of Lead-based Paint Hazard Reduction”.
- D. If the building owner is found eligible and the project is selected for rehabilitation assistance, the owner is notified of the decision and a property inspection is arranged.

- E. Notification to Ineligible Building Owners – GREDA or ICHRA will give an applicant prompt written notice of a decision denying assistance to the applicant. The notice shall also state that the applicant may request an informal review of the decision and shall describe how to obtain the informal review.
- F. A Rehabilitation Specialist inspects the property to locate Code, energy and other deficiencies. The building owner is also invited to provide input with regard to their building improvement needs. The building owner is made fully aware that he/she is not obligated to accept the proposed work. All proposed work must be an eligible item in accordance with this policy.
- G. Following the inspection, the Rehabilitation Specialist prepares a cost estimate of the proposed improvements which are discussed with the building owner. The cost estimates will be used to determine the legitimacy of the bids submitted for the project. A detailed work write up is then prepared which outlines the proposed work and materials to be used. This document is given to the building owner who is responsible for obtaining the necessary bids or selecting contractors for ICHRA to contact.
- H. If the building was constructed prior to 1970 ICHRA is required by federal regulations to provide for historical review and clearance to the Minnesota State Historical Society. This includes but is not limited to photographic and written documentation being sent to the Historical Society. If the structure is significant, the Historical Society may request certain improvements which are consistent with the Secretary of the Interior's Standards for Historic Renovations and Rehabilitation.
- I. A minimum of two bids will be sent out per job, the bids will have copies of the appropriate wage decisions attached. Contracts will be awarded to the contractor selected by the building owner, although if the building owner chooses a bid which is higher than the low, the building owner must make up the difference with resources other than SCDP funding. If only one bid is submitted it will be compared to the estimate for the project to determine that the bid was reasonable. The current wage decisions will also become part of the contract documents.
- J. It is required that all participating contractors be insured to meet the limits prescribed by ICHRA and to be licensed and/or bonded as required by state and/or local ordinances. Contractors are also required to conform to the Davis Bacon Act which states that workers are to receive no less than the prevailing wage for similar work in the locality, the Contract Work Hours and Safety Standards Act which states that workers are to receive overtime compensation at a rate of 1½ times their regular wage after they have worked 40 hours in one week and to the Copeland "Anti-kickback" Act which states workers are to be paid once per week. Contractors are also required to

maintain payroll records and submit weekly payrolls and statements of compliance to the contracting agency, if required.

- K. Once the contractor is selected, the Agreement Between Contractor and Property Owner is signed by contractor and building owner and outlines the contractual conditions that each party is required to follow. A Proceed to Work Order is then issued to the contractor by the Rehabilitation Specialist. The loan documents are signed, the mortgage is recorded and a lien is placed against the property for the term of the loan.
- L. All change orders to the contract must be in writing, using ICHRA's Change Order/Amendment Form and must be authorized by the building owner and the Rehabilitation Specialist.
- M. All construction work performed under contract shall be in compliance with an approved warranty covering workmanship and materials, as noted in the Agreement Between Contractor and Property Owner.
- N. If the contractor becomes involved in a situation where the work cannot be completed within the time frame specified in the Agreement Between Contractor and Property Owner or the relationship between the contractor and the building owner deteriorate to the point where the job cannot be completed by the original contractor a change order to complete the remainder of the work using a new contractor may be considered by the building owner and the review committee.
- O. During construction, the Rehabilitation Specialist monitors the work. The building owner notifies ICHRA promptly if defects or other problems arise. When all work is completed, the property and work is inspected and a Completion Certificate is executed between the building owner, contractor and rehabilitation specialist. A lien waiver for the amount to be paid is required prior to contractor payments.
- P. After a passing final inspection, ICHRA will submit the signed Completion Certificate and Invoice to the Office of the City Administrator of Grand Rapids for disbursement of program funds to contractor(s).

XIII. Appeals and General Complaints

- A. Each person making application for financial assistance under the program shall have the right to appeal any determination of GREDA staff to the Community Development Director of the City of Grand Rapids. Requests for general complaints should be made within a 30-day period and addressed to: Grand Rapids Economic Development Authority, 420 N. Pokegama Ave., Grand Rapids, MN 55744. General complaints that do not warrant a hearing shall be in writing and be addressed to Grand Rapids Economic Development

Authority at the previously mentioned address. A written response to the complaint will be issued within 30 days.

XIV. Disposition of Program Income.

- A. Program income will normally accrue from repayment of deferred loans resulting from property owner not maintaining ownership to the maturity date as prescribed in the Deferred Loan Repayment Agreement and Mortgage. Program income will be used for further rehabilitation. Rehabilitation funded by program income will be in accordance with the provisions of this procedural handbook and with the City of Grand Rapids Small Cities Development Program (SCDP) Income Reuse Plan dated July 14, 2014.

- B. Rehabilitation authorized after expiration of the administrative services contract between the City of Grand Rapids and ICHRA will be administered by either; (1) extending the term of the current contract if agreed by both parties; (2) entering into a new administrative services contract between the City of Grand Rapids and ICHRA, or; (3) entering into a new administrative services contract between the City of Grand Rapids and another administering entity.

XV. Amendments

These policies and procedures may be amended or changed at any time by the City Council of Grand Rapids except where a signed agreement precludes a change.

Exhibit A
Commercial Rehabilitation Specific Terms

- A. The financing plan for commercial properties will be 60% SCDP 10 year Deferred Loan and 40% bank loan or private financing. A separate program, through an enhanced GREDA Commercial Building Improvement Loan Program, may be used to finance up to \$35,000 per project at 1% interest over a corresponding ten year term (Please refer to the adopted guidelines and application for that program for further information) in addition to other commercial available lending sources. SCDP Deferred loans must be repaid as required if the building is sold in less than 10 years. SCDP Deferred loans are forgiven 10% per year with the loans completely forgiven on the first day of the eleventh year from the date of closing.
- B. The maximum amount of SCDP funds available per project will be \$32,000.
- C. The Deferred Loan will have a recorded mortgage and a lien placed against the property for the term of the loan. Truth in lending policies will be adhered to.
- D. Deferred Loans will be secured with a Repayment Agreement with the following terms and conditions:
1. A Deferred Loan will be forgiven on the first day of the eleventh year after loan execution.
 2. If the property is sold, title transferred or is no longer the residence of the applicant before the end of the tenth year, the required amount of loan funds must be repaid to the City of Grand Rapids.
- E. To the greatest extent possible, all sources of possible financing will be coordinated. Before loaning SCDP funds, ICHRA will evaluate each applicant for eligibility for such programs as MHFA, USDA Rural Development, local lending institutions, etc. ICHRA will assist eligible applicants in applying for funds including, but not limited to, preparing application forms and required materials.
- F. Subordination: The Loan Review Committee, at their discretion, may review a request for a subordination of an existing Commercial SCDP Deferred Loan, provided that the new financing, from all sources, is used to replace the existing debt on the subject property. This proposed new primary financing would be limited to: the payoff of the existing first and/or second mortgage in place prior to the loan, the financing of any closing costs (including prepaid items), and cash back of no greater than \$2,000. However, if cash back in amount greater than \$2,000 is substantially being reinvested into additional building improvements and the resulting cumulative loan to value is 75% or better, the Loan Review Committee may consider an exception.

Any request for subordination can, at the Committee's discretion, be accompanied by a request for a verification of the current value of the property, in order to show that the total loan to value has not increased from issuance of the initial CBIL Program loan. The Loan Review Committee reserves the right to request any information required under the program application form in order to aid them in their decision making process.

Exhibit B
Owner Occupied Rehabilitation Specific Terms

B-1 Income Limits- SCDP requires that households must meet the income guideline of Low Income to be eligible for assistance. Households with Very-low Income are given extra points for processing.

Income Limit by Household Size – Itasca County as of 12/18/13 (HUD determined annually)								
No. in HH	1	2	3	4	5	6	7	8
Low Income @ 80% of Median	34,000	38,850	43,700	48,550	52,450	56,350	60,250	64,100
Very-low Income @ 50% of Median	21,250	24,300	27,350	30,350	32,800	35,250	37,650	40,100

B-2 Funding Limits / Loan Terms

B-2.1 All Rehabilitation funding will be provided to Owner/Users as loans. The loans will be structured with terms favorable to the recipient as incentive to use the program.

Standard Loan Terms:	
Loan Maturity	7 years
Compliance Period	7 years
Interest Rate	5%
Repayment	Deferred Balloon –due in full at maturity*
Default	Due in full
Sale or Transfer	Due in full
The loan structure will be deferred repayment with a 7 (seven) year maturity with interest accrued at 5% (five percent).	
*For full compliance with terms and conditions of the program, principal and interest are forgiven at maturity.	

Each loan will be documented with a Loan Note and Agreement and a Real Estate Mortgage. Mortgages will be filed in the Real Estate records of the Itasca County Recorder.

B-2.2 The maximum project cost using the funds of Rehabilitation is limited to \$22,400 per residential unit.

Schedule of funding:		
Source	Percent	Owner Occupied Property
Project Cost	100%	\$ 32,000
SCDP Deferred Loan	70%	\$ 22,400
Owner/User (minimum)	30%	\$ 9,600

The Scope of Work developed for a project will determine to what extent work can be done using program funding. The listed percent per source will be used in determining the amount of funding to be used from each source on the approved

Scope of Work. The 30% from the Owner may be from cash or loans arranged by the Owner/User from private or public lenders.

If Owner/User portion is cash, it must be placed in escrow with ICHRA.

If Owner/User portion is from loans, there must be a written commitment from the lender(s) and a written agreement between the lender(s) and the ICHRA as to the means and methods of disbursement and the priority of liens.

B-2.3 Subordination: The City may review a request for a subordination of an existing Residential SCDP Deferred Loan, provided that the new financing, from all sources, is used to replace the existing debt on the subject property. This proposed new primary financing would be limited to: the payoff of the existing first and/or second mortgage in place prior to the loan, the financing of any closing costs (including prepaid items), and cash back of no greater than \$2,000. However, if cash back in amount greater than \$2,000 is substantially being reinvested into additional building improvements and the resulting cumulative loan to value is 75% or better, the City may consider an exception.

Any request for subordination can, at the City's discretion, be accompanied by a request for a verification of the current value of the property, in order to show that the total loan to value has not increased from issuance of the initial SCDP loan. The City reserves the right to request any information required under the program application form in order to aid them in their decision making process.

Exhibit C
Rental Rehabilitation Specific Terms

C-1 Under Affirmative Action requirements: Marketing Units to Tenants

An Owner/User of funding must agree in writing that for the term of the assistance granted under SCDP, they will comply with Nondiscrimination / Civil/Human Rights / Fair Housing / Equal Opportunity requirements and will make good faith efforts to attract to the housing eligible persons regardless of: race, color, creed, religion, national origin, sex, sexual orientation, marital status, familial status, public assistance, disability or age; and, that no discrimination will be exercised with respect to individuals or families in these categories as defined in various federal, state, and local civil/human rights, fair housing and equal opportunity laws and ordinances.

An Owner/User will be required to inform Tenants and Prospective Tenants of non-discrimination / civil/human rights / fair housing / equal opportunity laws and have Tenants and Prospective Tenants acknowledge receipt of a copy of such information at the time of application for tenancy. An Owner/User will utilize commercial media and provide announcements to housing referral agencies of the availability of units and utilize the equal housing opportunity logo and/or slogan in their advertisements and announcements. An Owner/User will keep records of their efforts to affirmatively market their property and annually certify that they have complied with affirmative marketing requirements.

C-2 Income and Rent Limits

The SCDP requires that after rehabilitation, **51%** or more of the first tenants to occupy units must certify their household income does not exceed **80%** of the area median income as shown in this table.

Income Limit by Household Size – Itasca County as of 12/18/13 (HUD Determined)								
No. in HH	1	2	3	4	5	6	7	8
Low Income @ 80% of Median	34,000	38,850	43,700	48,550	52,450	56,350	60,250	64,100
Very-low Income @ 50% of Median	21,250	24,300	27,350	30,350	32,800	35,250	37,650	40,100

Rent Limit

C-2.1 Gross Rent to tenants must not exceed the **Payment Standard** shown in this table. The payment standard is established annually by ICHRA. Compliance with the Payment Standard on all units in the property rehabilitated is required for the full term of compliance set forth in the SCDP Project Agreement with the Owner/User.

Maximum Gross Rent ¹ by Bedroom Size – Itasca County as of 12/18/13					
No. of BR	0	1	2	3	4
Payment Std (110% of FMR)	488	596	784	976	1047

¹Gross Rent means Rent plus Utilities or Allowance for Utilities

C-3 Funding Limits / Loan Terms

C-3.1 All Rehabilitation funding will be provided to Owner/Users as loans. The loans will be structured with terms favorable to the recipient as incentive to use the program.

Standard Loan Terms:	
Loan Maturity	7 years
Compliance Period	7 years
Interest Rate	5%
Repayment	Deferred Balloon –due in full at maturity*
Default	Due in full
Sale or Transfer	Due in full
The loan structure will be deferred repayment with a 7 (seven) year maturity with interest accrued at 5% (five percent).	
*For full compliance with terms and conditions of the program, principal and interest are forgiven at maturity.	

Each loan will be documented with a Loan Note and Agreement and a Real Estate Mortgage. Mortgages will be filed in the Real Estate records of the Itasca County Recorder.

C-3.2 The maximum project cost using the funds of Rehabilitation is limited to \$5,600 per unit in a building with 3 or more residential units.

Schedule of funding:			
Source	Percent	Per-unit	Example 4-unit project
Project Cost	100%	\$ 8,000	\$ 32,000
RIPRAP Deferred Loan	70%	\$ 5,600	\$ 22,400
Owner/User (minimum)	30%	\$ 2,400	\$ 9,600
Owners are allowed to make additional improvements at their own expense; however, the funding provided through this program must be secured with mortgage lien(s) subordinate only to a first lien mortgage, with some exceptions allowed by waiver at the discretion of Administering Entity.			

The Scope of Work developed for a project will determine to what extent work can be done using program funding. The listed percent per source will be used in determining the amount of funding to be used from each source on the approved Scope of Work. The 30% from the Owner may be from cash or loans arranged by the Owner/User from private or public lenders. If Owner/User portion is cash, it must be placed in escrow with ICHRA. If Owner/User portion is from loans, there must be a written commitment from the lender(s) and a written agreement between the lender(s) and the ICHRA as to the means and methods of disbursement and the priority of liens.

C-3.3 Subordination: The City may review a request for a subordination of an existing Residential Rental SCDP Deferred Loan, provided that the new financing, from all sources,

is used to replace the existing debt on the subject property. This proposed new primary financing would be limited to: the payoff of the existing first and/or second mortgage in place prior to the loan, the financing of any closing costs (including prepaid items), and cash back of no greater than \$2,000. However, if cash back in amount greater than \$2,000 is substantially being reinvested into additional building improvements and the resulting cumulative loan to value is 75% or better, the City may consider an exception.

Any request for subordination can, at the City's discretion, be accompanied by a request for a verification of the current value of the property, in order to show that the total loan to value has not increased from issuance of the initial SCDP loan. The City reserves the right to request any information required under the program application form in order to aid them in their decision making process.

Exhibit D

SCDP Commercial Rehab Target Area - 2014



CITY OF GRAND RAPIDS
TELEPHONE: 616.455.3000



Exhibit E

SCDP Residential Rehab Target Areas - (Proposed Expanded) 2015

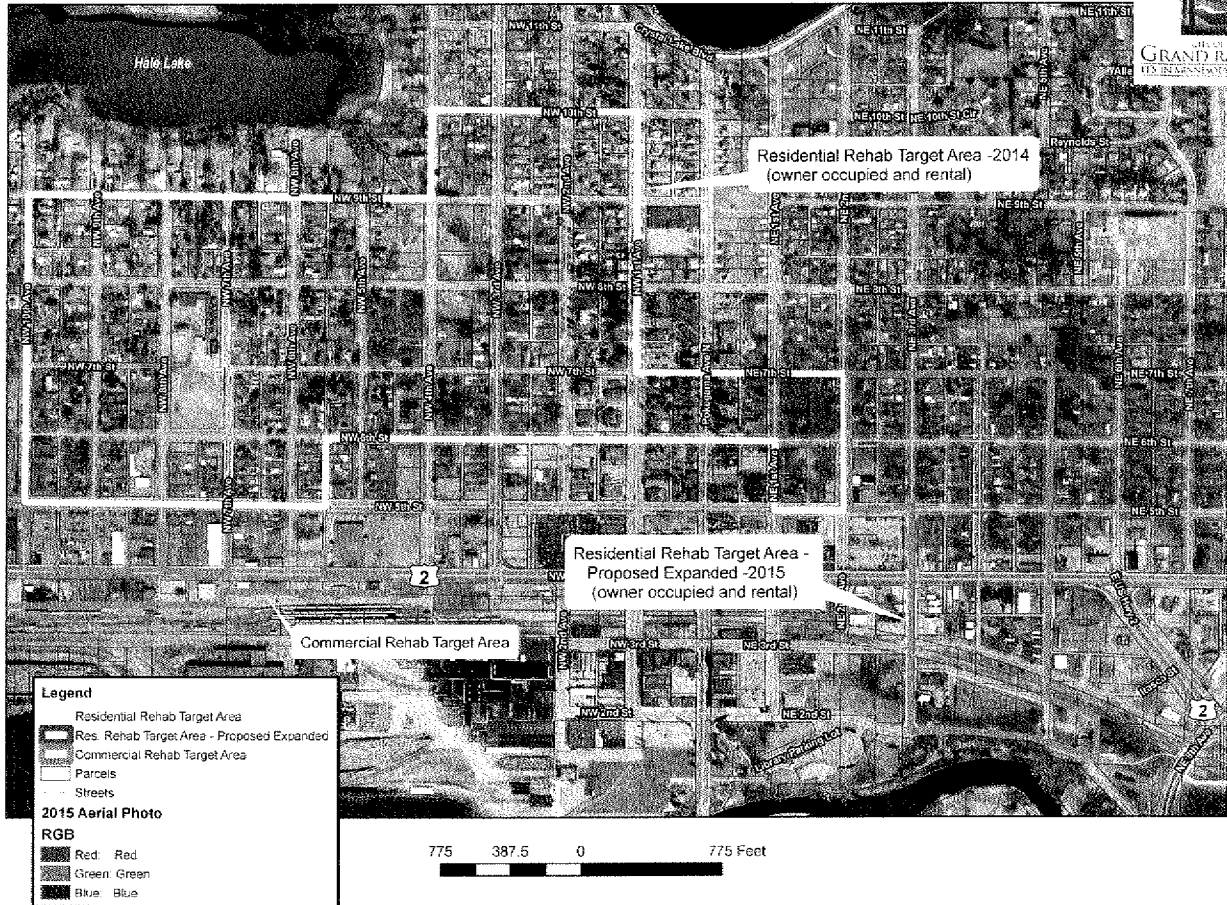


Exhibit F Property Rehabilitation Standards

The following standards are applicable to property rehabilitation using rehabilitation funds. These standards will be used in determining the eligibility of property for rehabilitation, developing a scope of work for rehabilitation and shall be met upon completion of the property rehabilitation.

F-1 COMPLIANCE WITH CODES. Rehabilitation of a property must be completed in accord with all currently applicable codes.

F-1.1 The completed rehabilitation must meet the current Minnesota State Building Code, Minnesota State Energy Code and any applicable health, safety or other code imposed where the property is located.

F-1.2 The Contractor will be responsible for applying for any and all applicable building permits and for compliance with any and all applicable code requirements.

F-1.3 The completed rehabilitation must result in the dwelling units being in compliance with HUD Housing Quality Standards (HQS).

F-2 SITE. The property site shall be reasonably free from hazards to the health, safety and general welfare of the tenants. The site shall not be subject to serious adverse environmental conditions, natural or manmade, such as:

F-2.1 Dangerous walks, steps, or instability; all steps and walks shall be level, free from dangerous cracks, crumbling or breaks, tripping hazards, broken and missing materials, etc., and have sufficient pitch to prevent water accumulation.

F-2.2 Flooding, poor drainage, or mudslides; the property shall have positive drainage away from the dwelling units to prevent standing water at the foundation and be situated and landscaped in such manner as to prevent mudslides into the building or close proximate premises.

F-2.3 Septic tank back-up, sewer hazards; the property shall meet all sanitary code requirements.

F-2.4 Excessive accumulations of trash; any materials which accumulate on the property shall be removed, or screened and arranged in a manner which does not detract from the general appearance of the neighborhood.

F-2.5 Fire hazards; the site shall be free from fire hazards, such as the storage of highly flammable materials, etc.

F-3 ACCESS. The property shall have adequate access for the occupants.

F-3.1 The building(s) and the dwelling units shall be usable and capable of being maintained without the unauthorized use of other private properties. The property shall be adjacent to an access street or road.

F-3.2 Alternative means of egress shall be provided in case of fire (e.g., fire stairs or egress through windows).

F-4 STRUCTURE AND MATERIALS. The building(s) and dwelling units shall be structurally sound, free from threats to the health and safety of the occupants and shall protect the occupants from the environment.

F-4.1 Ceiling, walls (interior and exterior), floors, roofs, porches, etc., shall not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling or noticeable movement under walking stress, missing parts, or other serious damage. Where crawl spaces or basements exist, all first floor structural wood members, including floor joists, plates, piers and pilings shall be inspected for cracked, broken, rotten or otherwise damaged conditions. Damaged members shall be repaired or replaced as required. The exterior and interior walls shall be weather tight in a manner that prevents, to the extent reasonably possible, heat loss in the winter and cooling loss in the summer. This includes the repainting or installation of siding to protect the exterior surface from the elements. The interior walls shall be repaired or replaced as required to meet this standard.

F-4.2 The roof structure shall be firm and the roof shall be weather-tight. All roof framing members shall be free from cracks and rot. The roof sheathing shall be solid and free from sagging, buckling and heaving. If the roofing appears to be nearing the end of its functional life, it shall be replaced. If financially feasible, the roofing shall be stripped all the way down to the sheathing and replaced. If the roof is structurally adequate and costs dictate, a second layer of roofing may be installed over the first layer. If there are already two or more layers of roofing materials, the roofing shall be stripped down to the sheathing and replaced.

F-4.3 The exterior wall structure and the exterior and interior wall surfaces shall not have any serious defects such as serious leaning, buckling, sagging, cracks or holes, loose materials, loose siding, or other serious damage. Concrete block or brick foundations, piers and pilings shall be inspected for loose mortar joints. All empty or cracked mortar joints shall be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the structure.

F-4.4 The condition of interior and exterior stairways, halls, porches, walkways, etc. shall not present a danger of tripping or falling. Crumbling, cracked, broken, missing or uneven conditions shall be repaired or replaced as necessary. Handrails shall be properly installed on all stairways.

F-4.5 All out-buildings such as garages and storage sheds shall be repaired to a usable condition or removed from the Property.

F-4.6 The general appearance of the outside of the building and the property, after rehabilitation, shall make a positive contribution to the general appearance of the neighborhood.

F-5 WATER SUPPLY. The water supply shall be free from contamination.

F-5.1 The building(s) shall be served by an approved public or private sanitary water supply.

F-5.2 There shall be water heaters of sufficient capacity to serve present and anticipated future residents.

F-5.3 Hot and cold water shall be supplied to all kitchens, baths and laundry facilities in all dwelling units and common areas.

F-5.4 All water lines shall be protected from freezing.

F-6 INTERIOR AIR QUALITY. The building shall be free of pollutants in the air at levels which threaten the health of the occupants.

F-6.1 The building shall be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust and other harmful air pollutants. All gas or oil fired systems and appliances shall have proper venting to the outside of the building for combustion gases.

F-6.2 Air circulation shall be adequate throughout the building and dwelling units. All windows designed to open shall open easily, be provided with proper window hardware and with storm windows and screens properly installed and maintained. All windows with easy access from the outside shall have locks.

F-6.3 Bathroom areas that contain a toilet shall have at least one window that can be opened or other adequate exhaust ventilation, vented to the outside.

F-6.4 Kitchen areas shall also have adequate ventilation via air exchange, circulation or exhaust.

F-7 ILLUMINATION AND ELECTRICITY. Each room shall have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of the occupants. Sufficient electrical outlets shall be provided to permit use of essential electrical appliances while assuring safety from fire.

F-7.1 Living and sleeping rooms shall include at least one window; if the room is located below grade, the window must meet egress requirements.

F-7.2 A ceiling or wall light fixture, operated by a wall switch, shall be present in the kitchen, bath, bedrooms, and hallways.

F-7.3 At least two electric outlets shall be present and operable in the living area, kitchen, and each bedroom area. Outlets installed in a kitchen or bathroom in the general location of water shall be protected by ground fault interrupter in accordance with state electrical code. All outlets installed as a result of the rehabilitation shall be of the grounded type.

F-7.4 Each dwelling unit shall be provided with at least 100-amp service and a sufficient number of circuits to service present/anticipated use of the unit.

F-7.4.1 There shall be separate circuits for any air conditioners (window included), electric dryers, electric stoves and other special appliances.

F-7.4.2 There shall be a separate minimum 20-amp circuit for the heavy workload area in the kitchen.

F-7.4.3 With the exception of kitchens (see 7.4.2), all other rooms shall be assessed relative to their use of electricity and additional outlets and switches installed based on anticipated usage and safety factors.

F-7.5 Connection at the main service to the dwelling units shall be in compliance with code.

F-7.5.1 Placement of the connection shall be out of reach of children.

F-7.5.2 Proper anchoring shall be used.

F-7.6 All exposed "knob and tube" wiring shall be removed. If replacement is necessary, it shall be done in accordance with code.

F-7.7 All hazardous conditions such as broken switches and outlets, missing covers, bare wiring, and fixtures not properly installed or anchored, shall be repaired or replaced in accordance with code. It is recommended that all "pendant" type fixtures be replaced with an appropriate ceiling or wall fixture.

F-7.8 Even though a room may meet criteria of 7.3, if the inspection reveals the use of octopus plugs, adapters, extension/zip cords, or other unsafe practices, additional outlets shall be installed.

F-8 THERMAL ENVIRONMENT AND EFFICIENCY. The building(s) and each dwelling unit shall have and be capable of maintaining a thermal environment healthy for the human body.

F-8.1 The building(s) shall contain safe heating and cooling facilities which are in proper operating condition and provide adequate heating or cooling to each room in each dwelling unit appropriate for the climate to insure a healthy living environment. The heating and cooling facilities shall be inspected for proper functioning and tested if necessary. All parts of the venting system for central heating and cooling units shall be in proper working condition. Specifically:

F-8.1.1 Vent pipes shall be free of rust and be properly maintained.

F-8.1.2 Where vent pipes are connected to a masonry chimney, that chimney shall be inspected and repaired if necessary to ensure that all mortar joints are tightly sealed or be lined with a sealed liner.

F-8.2 Unvented room heaters which burn gas, oil or kerosene are not permitted.

F-8.3 Attic space shall be insulated to a rating of no less than R-30 (or higher if specified in local code) with acceptable insulating material. When adding insulation to the attic, it shall be brought up to a rating of R-44 or as close thereto as physically and financially feasible. Cellulose shall be acceptably rated for fire resistance as derived from flame-spread tests.

F-8.4 Weather stripping shall be applied as needed around all doors and windows.

F-8.5 Storm windows and doors shall be installed whenever it is determined appropriate for conditions and it is financially feasible.

F-8.6 Any exterior building wall, which is opened down to the studs during the course of the rehabilitation, shall be fully insulated with an acceptable insulating material.

F-8.7 All joints in the building envelope shall be sealed with appropriate sealant. All brittle or loose sealant shall be replaced.

F-8.8 Supply and return heating and air conditioning ducts shall be insulated wherever they run through unheated spaces.

F-8.9 Wherever space heaters or floor furnaces are used, they shall be inspected for proper functioning, evaluated for efficiency and a determination made as to whether they shall be replaced with a properly installed, more efficient central heating and cooling system.

F-9 SANITATION FACILITIES. Each dwelling unit shall include its own sanitation facilities which are in proper operating condition, can be used in privacy, and are adequate for personal cleanliness and the disposal of human waste.

F-9.1 A flush toilet, a fixed basin with hot and cold running water, and a bathtub or shower with hot and cold running water shall be present in each dwelling unit and shall be fully operational. The toilet and basin shall be located in close proximity to one another. Likewise, the tub or shower should be located in close proximity to the toilet and basin if reasonably possible. The toilet shall be located in a room separated from other rooms by a door and the room must have ventilation via a window that opens or exhaust ventilation to the exterior of the building.

F-9.2 These facilities shall be connected to an approved public or private sewage disposal system. The connection plumbing shall be inspected and repaired if necessary to correct any sewage leakage.

F-9.3 Where a private sewage treatment system is in use, certification of adequacy shall be obtained from the responsible unit of government.

F-10 SPACE AND SECURITY. Each dwelling unit shall afford the residents adequate space and security.

F-10.1 A living room, kitchen area, and bathroom shall all be present.

F-10.2 The dwelling unit shall contain at least one sleeping or combined living and sleeping room of appropriate size for each two persons.

F-10.3 Exterior doors and windows accessible from outside the building shall be lockable.

F-10.4 Dwelling unit entrance doors from a common use space such as vestibule or hallway shall be lockable.

F-10.5 Each floor of the building and each dwelling unit must have U.L approved smoke detectors in accordance with code.

F-10.6 Each floor of the building and each dwelling unit must have U.L. approved carbon monoxide detectors in accordance with code.

F-11 FOOD PREPARATION AND REFUSE DISPOSAL. Each dwelling unit shall contain suitable space and equipment to store, prepare, and serve food and dispose of waste and refuse in a sanitary manner.

F-11.1 Each dwelling unit shall contain the following equipment in operating condition:

F-11.2 Cooking equipment appropriate for the type, and anticipated occupancy of the dwelling unit;

F-11.3 Refrigerator of appropriate size for the anticipated occupancy of the dwelling unit;

F-11.4 Kitchen sink plumbed with hot and cold running water and plumbed to drain into an approved public or private sewer system.

F-11.2 Adequate space for the storage, preparation and serving of food shall be provided. Food storage space shall be cabinets or pantry type storage. Food preparation space shall be counters or other horizontal workspace.

F-11.3 There shall be adequate facilities and services for the sanitary disposal of food waste and refuse, including facilities for temporary storage where necessary.

F-12 SANITARY CONDITION. The building(s) and its equipment shall be in sanitary condition.

F-12.1 The building, its equipment, and each dwelling unit shall be free of rodent, insect and other vermin infestation.

Grand Rapids Economic Development Authority Commissioner _____ introduced the following resolution and moved for its adoption:

**GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY
RESOLUTION NO. 16-04**

**A RESOLUTION TO MODIFY THE GRAND RAPIDS
COMMERCIAL BUILDING IMPROVEMENT LOAN PROGRAM GUIDELINES**

WHEREAS, the Grand Rapids Economic Development Authority (GREDA) has found the use and effectiveness of the Commercial Building Improvement Loan Program to be improved since its amendment in September of 2005, and

WHEREAS, the GREDA has determined that certain changes to the Program guidelines are necessary in order to sustain a viable CBIL Program and to improve its administrative function, and

WHEREAS the proposed changes to the Commercial Building Improvement Loan Program, attached as Exhibit A to this Resolution, are intended to ensure those goals are met.

WHEREAS, the GREDA finds that the above mentioned changes would make the necessary improvements to the Program.

NOW THEREFORE, BE IT RESOLVED, by the Economic Development Authority of Grand Rapids, Minnesota, that the GREDA hereby:

1. Adopts the program guidelines contained in Exhibit A to this resolution, and make these guidelines effective upon passage of this resolution.

Adopted this 22nd day of September, 2016.

Shoim Blake, President

Attest:

Robert Mattei, Executive Director

Commissioner _____ seconded the foregoing resolution and the following voted in favor thereof: _____, and the following voted against same: none, whereby the resolution was declared duly passed and adopted.

Exhibit A
to GREDA Resolution 16-04

A RESOLUTION TO MODIFY THE GRAND RAPIDS ECONOMIC DEVELOPMENT
AUTHORITY'S
COMMERCIAL BUILDING IMPROVEMENT LOAN PROGRAM GUIDELINES

1. Purpose: The Commercial Building Improvement Loan (CBIL) Program is a revolving loan fund intended primarily to help building owners and leaseholders improve the appearance and function of their existing buildings. Secondary purposes of the Program include: the removal of blight, to increase the vitality and competitiveness of small businesses, and to strengthen the tax base in the Grand Rapids commercial districts.
2. Program Objective: The objective of the Commercial Building Improvement Loan Program is to fill the financing gap between project costs and private debt financing and private equity by making direct below market interest loans for certain approved activities in the City of Grand Rapids.
3. Eligible Locations: Any retail/commercial building or building site within the following zoning districts shall be eligible to apply for a Commercial Building Improvement Loan, provided the project involves eligible improvements and is submitted by an eligible applicant : (LB – Limited Business, GB – General Business, CBD – Central Business District, SGB – Shoreland General Business, SLB – Shoreland Limited Business, I-1 – Industrial Park 1, SI-1 – Shoreland Industrial Park 1)
4. Eligible Applicants: The owner of a commercial building may apply for an improvement Loan. If a person leasing a commercial building would like to apply for a loan, the property owner must also sign the application, and loan papers. The application must be supported by evidence of property ownership, such as a title insurance policy, title opinion, or copy of a deed.
5. Eligible Improvements: Program funds may be used for fixed asset financing such as:
 - 5.1. Building construction and expansion
 - 5.2. Building renovation and remodeling
 - 5.3. Landscaping and parking lot improvements
 - 5.4. Signage

These loan funds will be granted for building and site improvement related purposes only. This program is not intended for purposes such as; providing working capital, refinancing of existing loans, marketing and promotion, or inventory acquisition.

6. Application and Review:
 - 6.1. Interested applicants should meet with the Community Development Director (GREDA Executive Director) to obtain information about the GREDA Commercial Building Improvement Loan Program and to discuss the proposed project and obtain application forms.
 - 6.2. A completed application form, along with the required submittals must be submitted to the Community Development Director prior to review by GREDA.

6.3. The application is reviewed by the Community Development Director to determine if it conforms to the general requirements of this Program, and all other City Codes, policies, ordinances and regulations.

7. Project Review:

7.1. The Grand Rapids Economic Development Authority (GREDA) Loan Review Committee, which is comprised of two GREDA Commissioners, the Community Development Director (GREDA Executive Director), the City Finance Director will review each application in terms of its proposed activities in relation to their impact on the Grand Rapids economic community. The Committee will make a recommendation to the GREDA concerning funding of the proposed project for final consideration of the application

7.2. The GREDA will evaluate the project application in terms of the following:

7.2.1. Project Design – Evaluation of project design will include a review of the proposed activities, timelines and capacity to implement.

7.2.2. Financial Feasibility – Availability of funds, private involvement, financial packaging and cost effectiveness.

7.2.2.1. Ratio of private funds to GREDA loan funds

7.2.2.2. Sufficient cash flow to cover proposed debt service.

7.2.2.3. Net Worth Test: Applicant to be assisted must show a positive net worth.

7.2.2.4. Letter of commitment from applicable business pledging to complete project during proposed duration if loan application is approved.

7.2.2.5. Letter of commitment from regulated financial institution stating terms and conditions of their participation in project.

7.2.2.6. Sufficient security to cover debt service.

7.2.3. Project compliance with all City Codes and policies.

7.3. All applications failing to meet the minimum threshold standards but are able to show sufficient documentation of ability to cover the expected debt service may be reviewed on a case by case basis by the GREDA. The GREDA reserves the right to waive certain requirements of this program and may request additional information and documentation as deemed necessary.

7.4. The GREDA must review and approve all applications prior to disbursement of loan proceeds.

8. Maximum Loan Amount: The Commercial Building Improvement Loan program funds may finance up to 75% of the project cost, or \$40,000, whichever is less.

9. Interest Rate: The interest rate for Commercial Building Improvement Loans shall be four percent (4%). Interest will begin accruing on any interim disbursements at the time those payments are approved. The payment of accumulated interest prior to the final disbursement will be factored into the monthly payment schedule at the time of final disbursement. There will be no penalty for early payment.

10. Term: The maximum term for any improvement Loan shall be 5 years. Loans will be amortized over a twenty year period with a balloon payment due at the end of the term.

10.1. Balance Due: Unless otherwise provided for herein, all balances will due and payable if and when the loan recipient refinances/restructures other existing debt associated with the same property. At the time the balance of the original Commercial Building Improvement Loan is paid, as required herein, the loan recipient will have the option of re-applying to GREDA for a new loan under the current terms and objectives of the CBIL Program at that time.

10.2. Subordination: The GREDA Loan Review Committee, at their discretion, may review a request for a subordination of an existing GREDA Commercial Building Improvement Loan, provided that the new financing, from all sources, is used to replace the existing debt on the subject property. This proposed new primary financing would be limited to: the pay off of the existing first and/or second mortgage in place prior to GREDA's loan, the financing of any closing costs (including prepaid items), and cash back of no greater than \$2,000. However, if cash back in amount greater than \$2,000 is substantially being reinvested into additional building improvements and the resulting cumulative loan to value is 75% or less, the Committee may consider an exception.

Any request for subordination can, at the Committee's discretion, be accompanied by a request for a verification of the current value of the property, in order to show that the total loan to value has not increased from issuance of the initial CBIL Program loan. If there is an increase in the loan to value ratio of the property, the requestor must apply for a new loan under the terms outlined herein. The GREDA Loan Review Committee reserves the right to request any information required under the CBIL Application form in order to aid them in their decision making process.

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10.3. Term Extension Requests: Only under extraordinary circumstances will GREDA consider a request for a term extension on an existing loan. When sufficient evidence is provided by the loan recipient that replacement financing from a commercial lender cannot be secured, GREDA will consider an extension of up to 36 months. In their consideration, GREDA will review all relevant current financial information it deems necessary, including but not limited to the submittals required in the CBIL program application, to assess the worthiness of the request. In any term extension, GREDA reserves the right to adjust the amortization period and the interest rate to six percentage points (6%) over the rate, in effect at the time of consideration, for a 36 month U.S. Treasury Note.

11. Payments: Payments shall be on a monthly basis unless otherwise approved by the Grand Rapids EDA. If the monthly payment calculated under these terms is less than \$50.00, the loan payment shall be set at \$50.00 per month.

11.1. Delinquent Payment Charges: Loan payments not paid in full by the end of business on the 15th day of the month will become delinquent and will be subject to a \$15.00 delinquent payment charge, per payment occurrence. Delinquent payment charges will be invoiced separately.

12. Security: The loan shall be secured by a promissory note and mortgage of the borrower.

13. Fee: The filing fee for the program shall be \$150. This fee shall be paid when the application is filed.

14. Documents: Loans shall be subject to whatever agreements and documents as are reasonably necessary to insure that the purpose and intent of this program are met. The application form lists the minimum required submittals. The GREDA reserves the right to waive certain submittal requirements for smaller loan requests.
15. Deadline for Improvements: The construction for any project funded by the program must be completed within 120 days of the loan closing.
16. Disbursement of Loan Proceeds: Loan funds will be disbursed upon the City's verification of the completion of the entire project or project element involving an interim disbursement, through a site visit by the City Building Official. Prior to disbursements of the loan fund, the applicant will also be required to provide an Ownership and Encumbrances Report in a form acceptable to the City Attorney. Accommodations may be made for interim draws when the work being done is part of a large project, subject to interim inspections. If interim disbursements are requested, borrower will furnish proper lien waivers from contractors. The minimum time interval between requests for interim disbursements is 30 days. The maximum interval between the first and final disbursement shall be 90 days. Interim disbursement amounts will be no greater than 75% of the value of completed construction. At the time of the disbursement request, invoice copies shall be provided as evidence of the cost of completed construction.
17. Insurance: Applicant shall provide verification that the building is insured at a level equal to its value, with the GREDA listed as additional insured. The applicant shall provide verification of Key Man life insurance in appropriate situations such as a sole proprietorship.
18. Availability of Funds: Program funds are limited. Loans may be awarded on a first come, first serve basis for eligible projects. Some funds are reserved for projects within the traditional Downtown business district.
19. Default Provisions: Loans will be considered in default after thirty days (30) days have elapsed past the payment due date. At that time the GREDA will make contact, by written notice, that payment is due. After sixty (60) days have elapsed, the GREDA will discuss the nonpayment and past due balance. A second letter will be sent plus a site visit to the building owner. After ninety (90) days elapse, and if no payment is received, the GREDA may initiate foreclosure proceedings.

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SUBORDINATION AGREEMENT FOR MORTGAGE

Effective Date: September 8, 2016

Owners: Gabriel and Brandi Miskovich
DBA: Miskovich Properties, LLC
1186 Prairie River Trail
Grand Rapids, MN 55744

Current Lien Amount: \$35,000.00

Senior Lender: Woodland Bank
2610 South Highway 169
PO Box 5010
Grand Rapids, MN 55744

Subordinating Lender: Grand Rapids Economic Development Authority
420 North Pokegama Avenue
Grand Rapids, MN 55744

Property Address: 702 NW 4th Street
Grand Rapids, MN 55744

THIS AGREEMENT (the "Agreement"), effective as of the Effective Date above, is made by and among the Subordinating Lender, Owners and the Senior Lender named above.

Gabriel and Brandi Miskovich, married, DBA: Miskovich Properties, LLC (individually and collectively the "Owner") own the real property located at the above Property Address (the "Property").

The Subordinating Lender has an interest in the Property by virtue of a Mortgage (the "Existing Security Instrument") given by the Owner, covering that real property, more particularly described as follows:

See Exhibit A

which documents are dated the 14th day of December, 2015, which were filed in Document ID#A000699615 of the records of the Office of the County Recorder of the County of Itasca, State of Minnesota. The Existing Security Instrument secures repayment of a debt evidenced by a note or a line of credit agreement extended to Gabriel and Brandi Miskovich DBA: Miskovich Properties, LLC (individually and collectively "Borrower") by the Subordinating Lender.

The Senior Lender has agreed to make a new loan or amend an existing loan in the original principal amount NOT to exceed \$325,000.00 (the "New Loan or Amended Loan"), provided that the New Loan or Amended Loan is secured by a first lien mortgage on the Property (the "New Security Instrument") in favor of the Senior Lender. If the New Loan or Amended Loan exceeds this amount, the Subordination Agreement is VOID.

The Subordinating Lender is willing to subordinate the lien of the Existing Security Instrument to the lien of the New Security Instrument under the terms set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the above recitals, the covenants herein contained, and for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

A. Agreement to Subordinate

Subordinating Lender hereby subordinates the lien of the Existing Security Instrument, and all of its modifications, extensions and renewals, to the lien of the New Security Instrument. This Agreement is effective as to any sum whose repayment is presently secured or which may in the future be secured by the Existing Security Instrument.

B. General Terms and Conditions

Binding Effect - This Agreement shall be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto and all of those holding title under any of them.

Nonwaiver - This Agreement may not be changed or terminated orally. No indulgence, waiver, election or non-election by New Lender or the trustee(s) under the New Security Instrument or related documents shall affect this Agreement.

Severability – The invalidity or unenforceability of any portion of this Agreement shall not affect the remaining provisions and portions of this Agreement.

C. Signatures and Acknowledgements

The Subordinating Lender, through its authorized officer, has set its hand and seal as of the Effective Date above unless otherwise indicated.

SUBORDINATING LENDER:

Grand Rapids Economic Development Authority

By _____
(Signature) (Date)

(Printed Name)

(Title)

FOR NOTARIZATION OF SUBORDINATING LENDER

STATE OF Minnesota)
)ss.
COUNTY OF Itasca)

The foregoing Subordination Agreement was acknowledged before me, a notary public or other official qualified to administer oaths this _____ day of _____, by _____ as _____ of the Grand Rapids Economic Development Authority, on behalf of said Subordinating Lender pursuant to authority granted by its _____. He/She is personally known to me or has produced satisfactory proof of his/her identity.

(Notary Public)

The Borrower, through its authorized officer, has set its hand and seal as of the Effective Date above unless otherwise indicated.

BORROWER:

Gabriel Miskovich

By _____
(Signature) (Date)

(Printed Name) (Title)

The foregoing Subordination Agreement was acknowledged before me, a notary public or other official qualified to administer oaths this _____ day of _____, _____, by Kurt D. Werner, as Executive Vice President of Woodland Bank, the Lender, on behalf of said Lender pursuant to authority granted by its Board of Directors. He/She is personally known to me or has produced satisfactory proof of his/her identity.

_____ (Notary Public)

This Instrument Prepared by:

Woodland Bank
PO Box 5010
Grand Rapids, MN 55744
(218) 327-4000

Exhibit A

Parcel 1: Lots 1, 2, 3, 4, and 5, Block 28, Grand Rapids Second Division and the West 1/2 of vacated 7th Avenue Northwest lying adjacent to Lots 1 and 2 and North 10.5 feet of Lot 3, and the East 1/2 of vacated alley lying West of and adjacent to Lots 1-5, Block 28, according to the plat thereof on file and of record in the office of the County Recorder in and for Itasca County, Minnesota.

And

Parcel 2: Lots 6 and 7 and the East 43 feet of Lots 8, 9, and 10, Block 28, Grand Rapids Second Division and the East 1/2 of vacated 8th Avenue Northwest lying adjacent to Lots 6 and 7, and the West 1/2 of vacated alley lying East of and adjacent to Lots 6-10, Block 28, Less a 14 foot wide strip of land, the centerline of which is described as follows: a line parallel to and 193 feet West of the East line of Block 28, according to the plat thereof on file and of record in the office of the County Recorder in and for Itasca County, Minnesota.

NOTE: This property is Abstract.

Property Address: 702 Northwest 4th Street
Grand Rapids, Minnesota

RESIDENTIAL LEASE

I. IDENTIFICATION OF PARTIES, PREMISES AND LEASE TERM

A. Parties and Premises

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY (“Landlord”) hereby leases the Property at 3002 Airport Road, Grand Rapids, as legally described on Exhibit A attached hereto, Itasca County, Minnesota (the “Premises”), under the terms and conditions stated herein, to ACC Manufacturing, Inc., a wholly-owned affiliate of ONE Aviation Corporation (“Tenant”).

B. Term

This Lease will begin on October 1, 2016 and end on the earlier of September 30, 2017 or when terminated pursuant to the provisions of Section VIII.B. hereof, unless extended pursuant to Section VIII.A. hereof.

II. PAYMENTS DUE UNDER THE LEASE

A. Rent

\$1,800 per month, including utilities and property taxes as described herein.

B. Security Deposit

There is no security deposit under this Lease.

C. Condition of Dwelling

By signing the Lease, Tenant acknowledges that the Premises are safe, clean and in good condition, and that all appliances and equipment in the Premises are in good working order. Landlord shall be responsible, at its sole expense, to keep all appliances (washer, dryer, refrigerator, stove, garbage disposal, dishwasher, etc., if any) and equipment (including without limitation the furnace, air conditioner, water heater and water softener, if any) in a state of good repair at all times during the term of this Lease. The Premises are provided unfurnished.

D. Utilities

Landlord is responsible for payment of all utilities and services that are furnished to the Premises as a result of Tenant’s occupancy of the Premises, including but not limited to the following: heat, gas, electricity, hot water, sewer, water, trash removal, recycling, telecommunications, and telephone.

E. Good Working Order.

Tenant is responsible to maintain in good safe working order and condition electrical, plumbing, sanitary, heating, ventilating and other facilities and appliances on the Premises, at Landlord's cost.

F. Maintenance and Service Charges.

Tenant shall notify Landlord promptly of required repairs to structural elements of the Premises, and of unsafe conditions in the areas surrounding the Premises. Landlord shall be responsible for repair and maintenance of structural elements, such as the roof, walls, windows, and doors. Tenant agrees to pay reasonable charges for the repair of damage to the structural elements of the Premises and the areas surrounding the Premises caused by the Tenant, household members, or guests. Tenant also agrees to pay reasonable charges for repair of damages caused by the failure of the Tenant to report the need for repairs.

Notice of charges billed to Tenant for repairs or services under this section shall specify the items or damages involved, correctional action taken, and the charges shall be due and payable in full two (2) weeks after written notice is issued. Failure to pay for maintenance and service charges in a timely manner is a violation of this Lease and will be grounds for termination of the Lease pursuant to Section VIII.

III. OCCUPANCY OF THE DWELLING UNIT

A. Proper Uses

Tenant shall not assign this Lease, nor sublet or transfer possession of the Premises, nor give accommodation to boarders or lodgers other than employees of Tenant. Tenant shall not use or permit the use of the dwelling unit for any purpose other than as a private dwelling unit solely for the Tenant's employees. All residents of the Premises must be approved and listed on the Lease or in a subsequent notice to Landlord. This provision does not exclude reasonable accommodation of Tenant's guests or visitors who may stay in the unit up to ten (10) days per guest per month, unless otherwise authorized by Landlord in writing.

B. Conduct on Premises

Tenant shall conduct itself and cause employees, guests, and other persons who are on the Premises with Tenant's consent to conduct themselves in a manner which will not disturb a neighbor's peaceful enjoyment of their accommodations and will be conducive to maintaining the Premises in a decent, safe, and sanitary manner and shall refrain from illegal or other activity which impairs the physical or social environment of the Premises. Tenant shall not use or store on or near the Premises any flammable, toxic, hazardous or explosive substances.

Tenant shall refrain from, and cause employees and guests to refrain from destroying, defacing, damaging, or removing any part of the Premises.

C. Observations of Laws and Occupancy Rules

Tenant shall observe all requirements and obligations imposed by local, state or federal laws, applicable building and housing codes and by this Lease relating to the use of the Premises.

D. Pets

Tenant shall be allowed to keep domesticated pets on the Premises, as permitted by local ordinance.

IV. OBLIGATIONS AND RESPONSIBILITIES OF LANDLORD

A. Maintenance and Repairs; Abatement

Landlord shall be responsible for maintaining the structural elements of the buildings on the Premises, such as the roof, walls, windows, and doors in a safe condition in conformity with the requirements of building codes. Landlord shall make all necessary repairs, alterations, and improvements to the structural elements, such as the roof, walls, windows, and doors with reasonable promptness at its own cost and expense, unless the damages were caused by intentional conduct of Tenant or Tenant's guests.

B. Insurance.

Landlord shall maintain hazard insurance on the Property at all times.

C. No Responsibility for Tenant's Property

Landlord is not responsible for any damages and/or losses to Tenant's furniture or other personal belongings. Landlord's insurance will not cover the Tenant's personal property. Tenant understands and agrees that it shall be Tenant's responsibility to insure personal property on the Premises.

D. Taxes and Special Assessments.

Landlord shall be responsible to pay all real estate taxes attributable to the Premises as a result of this Lease. The parties are aware that private use of publicly owned property, such as the Premises, in one calendar year may result in taxes payable in a following calendar year.

V. OBLIGATIONS AND RESPONSIBILITIES OF TENANT

A. Care of the Premises

Tenant shall keep the Premises in such condition as to prevent health, safety or sanitation problems from arising on the Premises and/or cause damage to the Premises.

B. Trash

Tenant shall dispose of all ashes, garbage, rubbish and other waste from the Premises in a safe and sanitary manner.

C. No Disorderly Conduct or Harassment

Tenant shall not permit any objectionable, threatening or disorderly conduct, offensive language, noise, or create a nuisance that will disturb or interfere with the Tenant's neighbors or Landlord personnel. Tenant shall also act in a cooperative manner with neighbors and Landlord personnel.

D. Alterations

Tenant may, at Tenant's sole expense, make alterations or changes to the interior (i.e. painting or wallpapering) or exterior of the Premises or to equipment on the Premises, or install additional equipment or appliances on the Premises, without notice to or approval of Landlord. All alterations or changes to the Premises must be undertaken in compliance with all applicable codes and regulations.

E. No Lock Changes

No additional or new locks shall be installed on any doors without prior written approval from Landlord.

F. Unlawful Activity

Tenant, employees, guests or other person's under Tenant's control shall not:

- a. engage in any criminal activity that threatens the health, safety, or right of peaceful enjoyment of other residents, neighbors or Landlord personnel; or
- b. engage in any drug-related criminal activity on or off the Premises (The term "drug-related criminal activity" means the illegal manufacture, sale, distribution, use or possession with intent to manufacture, sell, distribute or use a controlled substance or drug paraphernalia.)

The occurrence of any activity identified herein shall constitute good cause for the termination of the tenancy and immediate eviction of the Tenant from the Premises.

G. Tenant Cooperation

Tenant shall respond and comply with all reasonable requests of Landlord relating to the implementation of this Lease, including but not limited to responding to requests for information, allowing entry into the Premises by Landlord, returning required leasing documents to Landlord and cooperating with Landlord's maintenance employees. Tenant shall not interfere with the operation of the rental property by Landlord or engage in any activity or allow any condition that would cause a cancellation, restriction or increase in premium in Landlord's insurance.

VI. ENTRY OF PREMISES DURING TENANCY

Tenant agrees that any authorized agent, employee, or representative of Landlord may, upon advance notice to Tenant, be permitted to enter the Premises during reasonable business hours for the purpose of conducting routine inspections and maintenance, or for making improvements and repairs. Landlord will provide Tenant with at least two days' written notice of its intention of entering the Premises; provided, however, that Landlord shall have the right to enter the Premises at any time without advance written notification to Tenant, if Landlord reasonably believes that an emergency exists that requires such entrance or if Tenant has requested a service call or otherwise consented to Landlord's entry without prior notice. In the event that Tenant and all employee-occupants of Tenant are absent from the Premises at the time of entry, Landlord's agent, employee, or representative shall leave in the dwelling unit a written statement specifying the date, time, and purpose of entry.

VII. NOTICES

Notice by Landlord: Any notice from Landlord shall be in writing and either personally delivered to the Tenant residing in the Premises, or sent to the Tenant by Certified Mail, return receipt requested, properly addressed, and postage prepaid and addressed to: Steve Serfling, 1401 Tower Avenue, Superior WI 54880.

Notice by Tenant: Any notice to Landlord, as owner of the Premises and managing agent of the Premises authorized to accept service of process, must be in writing and either personally delivered to Landlord at its office, or sent to Landlord by first-class mail, postage prepaid and addressed to: Grand Rapids Economic Development Authority, 420 N. Pokegama Avenue, Grand Rapids MN 55744-2658, Attn: Executive Director.

VIII. DURATION OF THE LEASE

A. Term of Lease.

This Lease shall be effective for one calendar year from its effective date. At the option of both parties, this Lease shall be extendable for additional one-year periods. Tenant must request any extension of this Lease in writing, no later than 60 days prior to termination of this Lease, by notice delivered to Landlord as provided in Section VII. hereof.

B. Landlord Termination.

Landlord may terminate the Lease for any of the following:

- Violation of Section I.A. of this Lease.
- Violation of Section II.F. of this Lease.
- Violation of Section V.F. of this Lease.
- Upon abandonment of the Premises by Tenant. The Premises are deemed to have been abandoned if during a continuous six-month period, Tenant

and no employee of Tenant has resided at the Premises. Tenant will not be deemed to have abandoned the Premises if the Tenant's absence is due to relocation of Tenant employees, and Tenant provides written notice to Landlord.

Landlord shall provide 30 days' advance written notice to Tenant of any termination under this Section and shall specify the cause for termination in the notice.

If Landlord terminates the Lease but Tenant does not move out voluntarily, Landlord may bring an eviction action. Under Minnesota law, seizure from any Premises of any illegal object or substance, including drugs, constitutes unlawful possession of the Premises by the Tenant, and is grounds for an automatic eviction.

C. Condition of Premises

Tenant agrees to leave the Premises in a clean and good condition, reasonable wear and tear excepted, to furnish a forwarding address, and to return all keys to Landlord when Tenant vacates. If Tenant abandons or vacates the Premises with personal property remaining in the Premises, Landlord shall store and dispose of the property in compliance with Minnesota law at the Tenant's expense.

IX. MODIFICATIONS

This Lease evidences the entire agreement between Landlord and Tenant. No change herein shall be made except in writing, signed, and dated by the parties.

X. SEVERABILITY CLAUSE

If any provisions of this Lease or portion of such provision or the application thereof to any person or circumstance is held to be invalid or unenforceable, the remainder of the lease or the remainder of such provision and the application thereof to other persons or circumstances shall not be affected thereby.

XI. NON-WAIVER OF LEASE VIOLATIONS

Landlord's failure to terminate the Lease upon the occurrence of any Lease violation shall not be considered a waiver of Landlord's right to terminate the Lease on the basis of any other violation of the Lease.

EXHIBIT A

Premises

Parcel 1 – 91-033-4402; 3002 Airport Rd, Grand Rapids, MN (Torrens)

The North two hundred eight feet (N. 208') of the East four hundred sixteen feet (E. 416') of the West six hundred fifty-seven feet (W. 657') of the Southeast Quarter of the Southeast Quarter (SE ¼ of SE1/4) of Section Thirty-three (33), Township Fifty-five (55) North, Range Twenty –five (25) West of the Fourth Principal Meridian, situated in the County of Itasca, State of Minnesota, according to the United States Government Survey thereof; and

Parcel 2 – 91-033-4401; 3002 Airport Rd, Grand Rapids, MN (Torrens)

The North Half of the Southeast Quarter of the Southeast Quarter (N. ½ of SE ¼ of SE 1/4), Section Thirty-three (33), Township Fifty-five (55) North, Range Twenty –five (25) West of the Fourth Principal Meridian, LESS the following:

The North two hundred eight feet (N. 208') of the East four hundred sixteen feet (E. 416') of the West six hundred fifty-seven feet (W. 657') of the Southeast Quarter of the Southeast Quarter (SE ¼ of SE1/4) of Section Thirty-three (33), Township Fifty-five (55) North, Range Twenty –five (25) West of the Fourth Principal Meridian

All in Itasca County, Minnesota.