

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
WEDNESDAY, JUNE 23, 2021 – 5:15 P.M.
VIA ELECTRONIC MEANS PURSUANT TO MINNESOTA STATUTES
SECTION 13D.021
AGENDA**

Please take notice that the Duluth Economic Development Authority will hold a public hearing by other electronic means pursuant to Minnesota Statutes Section 13D.021 on Wednesday, June 23, 2021, at 5:15 p.m. All persons interested may monitor and participate in the hearing by visiting: <http://dulutheda.org/live-meeting> promptly at 5:15 p.m. on Wednesday, June 23, 2021, and written comments may be submitted to DEDA in advance of the meeting via the DEDA's web site at <http://dulutheda.org/contact-us/> or via email at cfleege@duluthmn.gov, and DEDA will decide if the conveyance is advisable.

The regular meeting place of DEDA is the Duluth City Council Chambers at City Hall, 411 West First Street, in Duluth, Minnesota. At this time board members of DEDA do not intend to attend the meeting in person; due to continually evolving restrictions and guidance from state and federal officials and agencies, the board members of DEDA will attend the meeting remotely via telephone or other electronic means pursuant to Minnesota Statutes Section 13D.021.

1. CALL TO ORDER

2. PUBLIC TO ADDRESS THE COMMISSION

3. PUBLIC HEARINGS

RESOLUTION 21D-22: RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH PORTLAND LAND CO., LLC AND CORRESPONDING FINANCING FOR THE REDEVELOPMENT OF THE 627 E 4TH STREET RESIDENTIAL REDEVELOPMENT PROJECT

RESOLUTION 21D-24: RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 17, ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 35: REDEVELOPMENT DISTRICT THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR

4. APPROVAL OF MINUTES

-MEETING MINUTES FROM MAY 26, 2021

5. APPROVAL OF CASH TRANSACTIONS

MAY 1, 2021 TO MAY 31, 2021

NEW BUSINESS

6. RESOLUTIONS FOR APPROVAL

RESOLUTION 21D-22: RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH PORTLAND LAND CO., LLC AND CORRESPONDING FINANCING FOR THE REDEVELOPMENT OF THE 627 E 4TH STREET RESIDENTIAL REDEVELOPMENT PROJECT

RESOLUTION 21D-23: RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH 521 WEST 2ND DEVELOPMENT, LLC FOR THE DEVELOPMENT OF THE BURNHAM APARTMENTS PROJECT

RESOLUTION 21D-24: RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 17, ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 35: REDEVELOPMENT DISTRICT THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR

7. DISCUSSION

DIRECTORS REPORT

8. ADJOURN

RESOLUTION 21D-22

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH PORTLAND LAND CO., LLC AND CORRESPONDING FINANCING FOR THE REDEVELOPMENT OF THE 627 E 4TH STREET RESIDENTIAL REDEVELOPMENT PROJECT

WHEREAS, Portland Land Co., LLC (“Developer”), proposes to redevelop property located at 627 East Fourth Street in Duluth, Minnesota into a multi-family residential facility with apartment units (the “Project”);

WHEREAS, DEDA has determined that it is reasonable and necessary to provide certain financial assistance to Developer in order to facilitate Developer’s plans for the Project and to that end, DEDA and Developer have negotiated a Development Agreement for the Project; and

WHEREAS, DEDA has committed to provided existing redevelopment district pooled funds in the amount of up to One Hundred Twenty-six Thousand Dollars (\$126,000).

NOW, THEREFORE, BE IT RESOLVED:

1. DEDA finds that the Development Agreement is in the best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of the applicable State and local laws and requirements under which the development will be undertaken.
2. DEDA hereby determines that the Project will enhance the economic diversity of the City and the City’s tax base, enhance the quality of life of the City’s residents by investing in neglected neighborhoods or business areas and stimulating the redevelopment of underutilized, blighted or obsolete land uses including demolition of commercial areas in the City and substandard structures, expand the City’s tax base and realize a reasonable rate of return on the public investment; encourage the development of commercial areas in the City that result in higher quality development and private investment, and achieve development on a site which would not be developed without assistance.
3. DEDA hereby authorizes the proper DEDA officials to enter into a Development Agreement with Developer substantially in the form of that attached hereto (DEDA Contract No. 20-860-____), together with any related documents necessary in connection therewith.
4. DEDA staff, officials and consultants are authorized to implement the terms of the Development Agreement as provided therein and carry out DEDA’s obligations under the Development Agreement.

Approved by the Duluth Economic Development Authority this 23rd day of June 2021.

ATTEST:

Executive Director

STATEMENT OF PURPOSE:

This resolution authorizes a Development Agreement with Portland Land Co., LLC and corresponding financing in an amount not to exceed \$126,000 from existing redevelopment district pooled funds for the residential development on property located at 627 E 4th Street. The Development Agreement provides for the repair and restoration of the façade and structure of the building, reflecting its original condition and footprint, and the reconstruction of the existing residential units, resulting in not less than 16 apartment units, 100% of which will be set at a rate affordable to those earning an income at or below 80% of the area median income. The project includes at-grade parking stalls, together with related utilities, landscaping, and other amenities at a total development cost of approximately \$1,083,000. DEDA will provide up to \$126,000 in funds from existing redevelopment district pooled funds.

RESOLUTION 21D-24

RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 17, ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 35: REDEVELOPMENT DISTRICT THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR

WHEREAS, it has been proposed by the Board of Commissioners (the "Board") of the Duluth Economic Development Authority ("DEDA") and the City of Duluth (the "City") that DEDA adopt a Modification to the Redevelopment Project / Municipal Development District adopted pursuant to Resolution 89D-03 (the "Development Program Modification") for the Redevelopment District (the "Project Area") and establish Tax Increment Financing District No. 35 (the "TIF District 35") and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Development Program Modification and the TIF Plan are referred to collectively herein as the "Program and Plan"), all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.090 to 469.1082, and Sections 469.174 to 469.1794, inclusive, as amended (the "Act"), all as reflected in the Program and Plan and presented for the Board's consideration; and

WHEREAS, DEDA has investigated the facts relating to the Program and Plan and has caused the Program and Plan to be prepared; and

WHEREAS, DEDA has performed all actions required by law to be performed prior to the adoption of the Program and Plan.

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

1. DEDA hereby finds that the establishment of TIF District 35 is in the public interest and is a "Redevelopment District" under M.S., Section 469.174, Subd. 10 and M.S., Section 469.1794, and finds that the adoption of the proposed Program and Plan conform in all respects to the requirements of the Act and will help fulfill a need to redevelop an area of the State of Minnesota, and constructing additional affordable and high-quality housing.
2. DEDA further finds that the Program and Plan will afford maximum opportunity, consistent with the sound needs for the City as a whole, for the development of the Project Area by private enterprise in that the intent is to provide only that public assistance necessary to make the private developments financially feasible.
3. The boundaries of the Project Area are not being expanded.
4. The reasons and facts supporting the findings in this resolution as set forth in the Program and Plan are hereby affirmed.

5. Conditioned upon the approval thereof by the City Council following its public hearing thereon, the Program and Plan, as presented to DEDA on this date, are hereby approved, established and adopted and shall be placed on file in the office of the Executive Director of DEDA.
6. Upon approval of the Program and Plan by the City Council, the staff, DEDA's advisors and legal counsel are authorized and directed to proceed with the implementation of the Program and Plan and for this purpose to negotiate, draft, prepare and present to this Board for its consideration all further plans, resolutions, documents and contracts necessary for this purpose. Approval of the Program and Plan does not constitute approval of any project or a Development Agreement with any developer.
7. Upon approval of the Program and Plan by the City Council, the Executive Director of DEDA is authorized and directed to forward a copy of the Program and Plan to the Minnesota Department of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes 469.175, Subd. 4a.
8. The Executive Director of DEDA is authorized and directed to forward a copy of the Program and Plan to the St. Louis County Auditor and request that the Auditor certify the original tax capacity of TIF District 34 as described in the Program and Plan, all in accordance with Minnesota Statutes 469.177.

Approved by the Duluth Economic Development Authority on this 23rd day of June 2021.

ATTEST:

Executive Director

STATEMENT OF PURPOSE: The purpose of this Resolution is to adopt a modification to the Development Program for the Development District, establish TIF District No. 35 and adopt a Tax Increment Financing Plan for TIF District No. 35 related to the Burnham Apartments (former St. Louis County Jail) residential facility located at 521 West 2nd Street in Duluth.

Duluth Economic Development Authority

May 2021 Cash Activity - all DEDA Funds

ACCUMULATED TRANSACTION LISTING, G/L Date Range 5/01/21 - 5/31/21 (as of 06/03/21)

G/L Date	Journal Number	Sub Ledg	Name	Net Amount	Description
FUND 860 - OPERATING FUND			Beginning Balance	\$ 2,799,732.24	
05/01/21	2021-00000028	GL	Cost Allocation - DEDA	(33,333.33)	Cost Allocation - DEDA
05/04/21	2021-00002921	RA	Pay Group OReilly LLC	450.20	Building Rent
05/10/21	2021-00003006	AP	Duluth News Tribune	(36.56)	DEDA Advertising 4/16/21
05/10/21	2021-00003006	AP	Zack Filipovich	(35.00)	DEDA Meeting 4/28/21
05/10/21	2021-00003006	AP	Derek Medved	(35.00)	DEDA Meeting 4/28/21
05/10/21	2021-00003006	AP	Rozalind Randorf	(35.00)	DEDA Meeting 4/28/21
05/10/21	2021-00003006	AP	St Louis County Auditor	(65,904.00)	Multiple Property Tax Pmts
05/10/21	2021-00003006	AP	St Louis County Recorder	(46.00)	Cert of Compliance DOC 01408688
05/10/21	2021-00003006	AP	St Louis County Recorder	(132.00)	Resolution 1034210 Lease 1034211
05/10/21	2021-00003006	AP	St Louis County Recorder	(138.00)	Termination 01399565 Resolution 01399566 Lease 01399567
05/10/21	2021-00003006	AP	St Louis County Recorder	(92.00)	Resolution 01399562 Lease 01399563
05/10/21	2021-00003006	AP	St Louis County Recorder	(198.00)	Termination 1034206 Resolution 1034207 Lease 1034208
05/11/21	2021-00003110	RA	PVN Holdings Inc	3,000.00	The Burnham Project (Historic St Louis County Jail Redevelopment)
05/11/21	2021-00003110	RA	Portland Land Company	3,000.00	Project 621-633 E 4th St Brewery Creek
05/11/21	2021-00003110	RA	Merge LLC	3,000.00	Application
05/14/21	2021-00003203	RA	Passport Labs	379.17	April Parking Ramp Revenue
05/17/21	2021-00003226	RA	Interstate Parking	(1,162.74)	April 2021 Parking Revenue
05/24/21	2021-00003317	AP	Ehlers and Associates Inc	(2,070.00)	20 860 968 TIF Management Services
05/24/21	2021-00003317	AP	Ehlers and Associates Inc	(1,327.50)	20 860 968 TIF Management Services
05/24/21	2021-00003317	AP	Ehlers and Associates Inc	(510.00)	20 860 968 TIF Management Services
05/24/21	2021-00003317	AP	Ehlers and Associates Inc	(637.50)	20 860 968 TIF Management Services
05/24/21	2021-00003317	AP	Ehlers and Associates Inc	(270.00)	20 860 968 TIF Management Services
05/24/21	2021-00003317	AP	Ehlers and Associates Inc	(1,282.50)	20 860 968 TIF Management Services
05/24/21	2021-00003317	AP	WSB & Associates, Inc.	(6,472.25)	DEDA Contract 20-860-964 EAW Hacienda Project
05/24/21	2021-00003317	AP	WSB & Associates, Inc.	(4,114.50)	DEDA Contract 20-860-964 EAW Hacienda Project
05/24/21	2021-00003317	AP	Arrowhead Manufacturers & Fabricators Assn	(370.00)	AMFA Membership 2021
05/24/21	2021-00003317	AP	Hoisington Koegler Group, Inc.	(5,874.00)	21-860-100 Lot D Development Framework Scope of Work
05/24/21	2021-00003317	AP	Hoisington Koegler Group, Inc.	(5,874.00)	21-860-100 Lot D Development Framework Scope of Work
05/27/21	2021-00003474	RA	Northridge	4,143.75	Invoice #2021-00000057
05/31/21	2021-00003530	GL	Investment Earnings for May	1,873.00	Investment Earnings for May
FUND 860 - OPERATING FUND			Ending Balance: 5-31-2021	2,685,628.48	TB

<u>FUND 861 - DEBT SERVICE</u>				<i>Beginning Balance</i>	1,048.90	
05/31/21	2021-00003530	GL	Investment Earnings for May	1.00	Investment Earnings for May	
FUND 861 - DEBT SERVICE				Ending Balance: 5-31-2021	1,049.90	TB
<u>FUND 865 - CAPITAL PROJECTS</u>				<i>Beginning Balance</i>	4,084,292.81	
05/31/21	2021-00003530	GL	Investment Earnings for May	2,789.00	Investment Earnings for May	
FUND 865 - CAPITAL PROJECTS				Ending Balance: 5-31-2021	4,087,081.81	TB
<u>FUND 866 - MRO FACILITY</u>				<i>Beginning Balance</i>	759,351.56	
05/10/21	2021-00003006	AP	Summit Companies	(3,285.00)	Fire Sprinkler Service	
05/10/21	2021-00003006	AP	Minnesota Power	(7,178.69)	5447119029 2/28/21-4/1/21	
05/21/21	2021-00003369	RA	Lake Superior Helicopter	1,000.00	Invoice #2021-00000093	
05/24/21	2021-00003317	AP	Minnesota Power	(6,329.32)	5447119029 4/1/21-4/30/21	
05/24/21	2021-00003317	AP	Duluth Public Utilities - Comfort Systems	(1,899.69)	4600 Stebner Rd Gas 4/2/21-5/3/21	
05/24/21	2021-00003317	AP	Duluth Public Utilities - Comfort Systems	(491.75)	4600 Stebner Rd Sewer 4/2/21-5/3/21	
05/24/21	2021-00003317	AP	Duluth Public Utilities - Comfort Systems	(822.15)	335 W Superior St 3/30/21-4/29/21	
05/31/21	2021-00003530	GL	Investment Earnings for May	512.00	Investment Earnings for May	
FUND 866 - MRO FACILITY				Ending Balance: 5-31-2021	740,856.96	TB
<u>FUND 867 - STOREFRONT LOANS</u>				<i>Beginning Balance</i>	256,803.03	
05/19/21	2021-00003308	RA	Alerus Financial	1,037.10	Old City Hall Loan Payment #70003	
05/31/21	2021-00003530	GL	Investment Earnings for May	176.00	Investment Earnings for May	
FUND 867 - STOREFRONT LOANS				Ending Balance: 5-31-2021	258,016.13	TB

RESOLUTION 21D-22

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH PORTLAND LAND CO., LLC AND CORRESPONDING FINANCING FOR THE REDEVELOPMENT OF THE 627 E 4TH STREET RESIDENTIAL REDEVELOPMENT PROJECT

WHEREAS, Portland Land Co., LLC (“Developer”), proposes to redevelop property located at 627 East Fourth Street in Duluth, Minnesota into a multi-family residential facility with apartment units (the “Project”);

WHEREAS, DEDA has determined that it is reasonable and necessary to provide certain financial assistance to Developer in order to facilitate Developer’s plans for the Project and to that end, DEDA and Developer have negotiated a Development Agreement for the Project; and

WHEREAS, DEDA has committed to provided existing redevelopment district pooled funds in the amount of up to One Hundred Twenty-six Thousand Dollars (\$126,000).

NOW, THEREFORE, BE IT RESOLVED:

1. DEDA finds that the Development Agreement is in the best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of the applicable State and local laws and requirements under which the development will be undertaken.
2. DEDA hereby determines that the Project will enhance the economic diversity of the City and the City’s tax base, enhance the quality of life of the City’s residents by investing in neglected neighborhoods or business areas and stimulating the redevelopment of underutilized, blighted or obsolete land uses including demolition of commercial areas in the City and substandard structures, expand the City’s tax base and realize a reasonable rate of return on the public investment; encourage the development of commercial areas in the City that result in higher quality development and private investment, and achieve development on a site which would not be developed without assistance.
3. DEDA hereby authorizes the proper DEDA officials to enter into a Development Agreement with Developer substantially in the form of that attached hereto (DEDA Contract No. 20-860-____), together with any related documents necessary in connection therewith.
4. DEDA staff, officials and consultants are authorized to implement the terms of the Development Agreement as provided therein and carry out DEDA’s obligations under the Development Agreement.

Approved by the Duluth Economic Development Authority this 23rd day of June 2021.

ATTEST:

Executive Director

STATEMENT OF PURPOSE:

This resolution authorizes a Development Agreement with Portland Land Co., LLC and corresponding financing in an amount not to exceed \$126,000 from existing redevelopment district pooled funds for the residential development on property located at 627 E 4th Street. The Development Agreement provides for the repair and restoration of the façade and structure of the building, reflecting its original condition and footprint, and the reconstruction of the existing residential units, resulting in not less than 16 apartment units, 100% of which will be set at a rate affordable to those earning an income at or below 80% of the area median income. The project includes at-grade parking stalls, together with related utilities, landscaping, and other amenities at a total development cost of approximately \$1,083,000. DEDA will provide up to \$126,000 in funds from existing redevelopment district pooled funds.

**DEVELOPMENT AGREEMENT
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
PORTLAND LAND CO., LLC
627 E 4TH STREET REVELOPMENT**

THIS AGREEMENT entered into this _____ day of _____, 2021, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority created and existing under Minnesota Statutes (1989) Chapter 469, whose address is 402 City Hall, 411 West First Street, Duluth, MN 55802 (hereinafter referred to as "DEDA") and PORTLAND LAND CO., LLC, a Minnesota limited liability company, whose address is 202 East First Street, Duluth, Minnesota, 55802 (hereinafter referred to as "Developer").

WHEREAS, Developer is the fee owner of the herein after-described property located at 627 East Fourth Street, Duluth, Minnesota, and has proposed to redevelop the structure thereon into approximately sixteen (16) apartment units, not less than 100% of which will be occupied by households at 80% or less of area median income; and

WHEREAS, Developer has requested assistance from DEDA for infrastructure and other costs eligible for public financing related to the redevelopment of the Property as are set forth herein since without such assistance the redevelopment would not be economically viable; and

WHEREAS, DEDA has further determined that the interests of the citizens of the City of Duluth and the well-being and quality of life in the City of Duluth would be enhanced by nurturing and encouraging the redevelopment of the site; and

WHEREAS, after careful analysis of the projected costs of the Project and of the financial resources available and economic feasibility to pay for the infrastructure and other costs related to the Project described herein, DEDA has determined that:

- A. a "gap" exists between the cost to Developer of redeveloping the Project and the funds presently available to or known to Developer and DEDA to finance those

costs at rates that would be economically feasible as hereafter described. Based on the best estimates currently available to the parties, the amount of said “gap” equals \$126,000. In order to reduce this “gap,” DEDA has committed to provide tax increment proceeds from DEDA’s pooled tax increment districts in the amount of up to One Hundred Twenty-six Thousand Dollars (\$126,000). DEDA has determined that said tax increment investment is sufficient to fill said gap; and

- B. without the tax increment assistance to be provided pursuant to this Agreement, the cost of redevelopment of the Project would be more than can be supported by the amounts that are reasonable to be charged for the rental of the units, and the available resources would be inadequate and not economically feasible to redevelop said Project, and that therefore, but for the tax increment assistance to be provided for hereunder, the Project could not reasonably be expected to be redeveloped in the foreseeable future; and
- C. the increased market value of the Property that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the Project after subtracting the present value of the projected tax increment financing.

WHEREAS, the public purpose of the tax increment assistance to be provided pursuant to this Agreement is to enhance the economic diversity of the City and the City’s tax base; to enhance the quality of life of the City’s residents by investing in neglected neighborhoods or business areas or stimulating the redevelopment of underutilized, blighted or obsolete land uses including rehabilitation or demolition of commercial areas in the City and substandard structures; to expand the City’s tax base and realize a reasonable rate of return on the public investment; to encourage the development of safe and affordable housing for persons of low and moderate income in the City; and to achieve development on sites which would not be developed without assistance; and

WHEREAS, the Property is located in a redevelopment district within the meaning of Minnesota Statutes §469.174 et. seq.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter contained, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Definitions

For the purposes of this Agreement, the following terms shall have the meanings hereinafter ascribed to them unless a different meaning clearly appears from the context:

- A. Certificate of Completion: means a written certification executed by the Director in recordable form certifying that the construction of the Project in conformance with the Plans has been totally completed.
- B. City means the City of Duluth.
- C. Eligible Project Costs means costs of Project construction incurred by Developer which may be legally funded with TIF. The current estimate of Eligible Project Costs is \$126,000.
- D. Executive Director means the Executive Director of DEDA or such person or persons designated in writing by said Executive Director to act on behalf of him/her with regard to this Agreement or any portion thereof.
- E. Plans: means the those plans, specifications and elevations for the Project together with detailed site grading, utility and landscaping plans and elevations for the Project necessary and appropriate for the work to be completed, and as approved pursuant to Article III below.
- F. Project means the redevelopment by Developer of a multi-family residential development with not less than sixteen (16) residential apartments, not less than 100% of which will be held for rent to households at 80% or less of area median income together with related utilities and other amenities at a total project cost of approximately \$1,083,000, all according to the plans approved by the Executive Director pursuant to Article III and pursuant to required City approvals.
- G. Property means that Property located in St. Louis County, Minnesota, described on Exhibit A.

- H. TIF: means tax increment proceeds generated in accordance with the requirements of Minnesota statutes §§ 469.174-469.1812.

ARTICLE II

Preconditions to Project Construction

Prior to the commencement of construction of the Project and as a precondition to the commencement thereof, Developer shall provide to DEDA the following items:

- A. Title. Proof reasonably satisfactory to DEDA that Developer owns the Property in fee simple absolute.
- B. Construction Costs. A sworn construction cost statement showing that upon completion of the Project, it will have a “hard” construction cost of approximately One Million eighty three thousand and 00/100s (\$1,083,000) Dollars. The aforesaid construction cost statement shall be subject to the approval of the Executive Director, which approval shall not be unreasonably withheld.
- C. Construction Contract. A copy of the executed contract between Developer and a general contractor necessary to complete the construction of the Project in accordance with the Plans.
- D. Construction Financing. Copies of loan commitments and other financing commitments obtained by Developer for the Project, the total of said commitments and the equity contribution to be in an amount not less than the total contract price between Developer and its general contractor as described in Paragraph C above.
- E. Survey. A survey of the Property performed by a Registered Land Surveyor under the laws of the State of Minnesota.

ARTICLE III

Project Plans

- A. Plans, Specifications and Elevations. No less than thirty (30) days prior to the commencement of construction of the Project, or such lesser time as approved

by the Executive Director, Developer shall submit any working drawings and specifications for the Project together with detailed site grading, utility and landscaping plans and elevations required for construction to the Executive Director for approval. All such plans, specifications and elevations shall be in material conformance with this Agreement, with the schematic design which shall consist of drawings and other documents illustrating scale and relationship of various Project components, and with all applicable laws, ordinances, rules, regulations and requirements of DEDA, the City, the State of Minnesota and the United States of America. The Executive Director shall review such plans, specifications and elevations within fifteen (15) days of submission of same by Developer. The Executive Director's approval shall be provided to the Developer in writing. If the Executive Director rejects such plans, specifications and elevations in whole or in part as not being in compliance with the foregoing requirements, and upon notification to Developer of said rejection together with the reason or reasons therefor, Developer shall submit new or corrected plans, specifications and elevations meeting said objections within fifteen (15) days of said notice. The provisions of this Paragraph relating to approval, rejection and resubmission of corrected plans hereinafter provided for with respect to the originally submitted plans, specifications and elevations shall continue to apply until said plans, specifications and elevations have been approved in writing by the Executive Director. The Executive Director's approval of Developer's plans, specifications and elevations shall not constitute a waiver of building code or zoning ordinance or other applicable codes or ordinances imposed in the future upon Developer by law. Developer expressly agrees to be solely responsible for all costs, including architectural fees, connected with said plans, specifications and elevations and any revisions thereto.

- B. Changes After Initial Approval. Any material or substantial changes made to plans by Developer after initial review of the Executive Director shall be submitted to the Executive Director for approval in the same manner provided for in Paragraph A above.

ARTICLE IV

Construction

- A. Construction. Upon the fulfillment of the preconditions to construction provided for in Articles II and III above, but in no event later than December 31, 2021, Developer shall commence construction of the Project in conformance with the plans approved pursuant to Article III. Construction of the Project shall be completed, as evidenced by receipt of a Certificate of Completion as set forth in paragraph D below not later than February 1, 2023. Notwithstanding the above, the time for completion of Project construction in accordance with this Agreement may be extended for a period of up to six (6) months upon the prior written approval of the Executive Director, but only if the Executive Director is given sixty (60) days advance written notice of Developer's request for an extension.
- B. Developer to Bear All Costs. Except for payments by DEDA provided for in Article V, Developer specifically agrees to bear all costs related to the construction of the Project.
- C. Progress Reports. Until construction of the entire Project has been completed, Developer shall make reports in such detail and at such times as may reasonably be requested by the Executive Director as to the actual progress of Developer with respect to the Project, but no more often than monthly. Additionally, upon reasonable notice, the Developer also agrees that it will permit DEDA access to the Property during construction.
- D. Project Costs/Certificate of Completion. Promptly upon completion by Developer of the construction of the Project in accordance with this Agreement, Developer shall submit to the Executive Director written evidence in a form satisfactory to the Executive Director of Eligible Project Costs incurred and paid. Such evidence shall include, at a minimum, paid invoices, receipts, canceled checks, mechanic lien waivers or comparable evidence of payment of at least \$126,000 in Eligible Costs or such lesser amount as may be approved in writing by the Executive Director. DEDA and its representatives shall have the right at all reasonable times after reasonable notice to inspect, examine and copy all books and records of Developer relating to the Eligible Project Costs and the Project. Such records shall be kept and maintained by Developer for a period of six (6)

years following the issuance of the Certificate of Completion. Upon furnishing by Developer of said written evidence of Eligible Project Costs and upon completion by Developer of the construction of the Project in accordance with this Agreement, DEDA through its Executive Director shall furnish to Developer the Certificate of Completion in the form of that attached hereto as Exhibit B. A Certificate of Completion shall not be issued until all elements of the Project have been completed consistent with this Agreement and applicable City code and ordinances. The Certificate of Completion shall constitute a conclusive determination of satisfaction of the construction obligations of Developer undertaken pursuant to this Agreement and may be recorded against the Property.

ARTICLE V

Payment Obligations

Upon DEDA's issuance of the Certificate of Completion pursuant to Paragraph D of Article IV, DEDA agrees to reimburse Developer for the amount of the Eligible Costs as approved by the Executive Director up to the amount of One Hundred Twenty-six Thousand Dollars (\$126,000), payable from TIF District NO. 24.

ARTICLE VI

Operating Covenants

Developer agrees that in its operations and use of the Property and the Project, in accordance with commercially reasonable standards for similar projects in the Duluth region, Developer shall:

- A. **Maintenance**. At all times cause the Project and the Property to be operated and maintained in a neat, orderly condition, to maintain and preserve and keep in good repair, working order and condition said Property and Project and to perform all needed and proper repairs, renewals and replacements necessary to be made thereto. The maintenance of the Project and the Property shall include but not be limited to maintenance of all foundations, external walls, doors,

windows, utility openings and all roofing systems as well as outside maintenance including snow removal, landscape maintenance, and all other exterior maintenance to the Property and the Project.

- B. Rental Restriction: Developer agrees and commits that, during the Term of this Agreement as set forth in Article XV below that the average rents for all apartment units in the Project will be rented to persons or families whose income is equal to or less than eighty (80%) percent of the area median income at rental rates determined to be affordable to such persons annually by the United States Department of Housing and Urban Development.
- C. Utilities. Unless disputed, pay or cause to be paid any and all charges for utilities including hook-up charges and assessments furnished to the Project and the Property, including but not limited to steam, water, sewer, gas, telephone, cable or satellite TV, and electrical power, as applicable.
- D. Licenses and Permits. Preserve the existence and all of its licenses, permits and consents to the extent necessary and desirable to the operation of its business and affairs relating to the Project and the Property and to be qualified to do business in the State of Minnesota.
- E. Obey All Laws. Conduct its affairs and carry on its business and operations with respect to the Project and the Property in such a manner as to comply with any and all applicable laws of the United States and the State of Minnesota, including all laws related to unlawful discrimination, and duly observe and conform to all valid orders, regulations and requirements of any governmental authority related to the conduct of its business and the ownership of the Project and the Property; provided that nothing herein contained shall require it to comply with, observe and conform to any such law or regulation or requirement so long as the validity thereof shall be contested in good faith through proper legal action provided that such protest shall in no way affect Developer's title to the Project and the Property.
- F. Payment of Taxes. Promptly pay or cause to be paid all lawful taxes and governmental charges, including real estate taxes and assessments at any time levied upon or against it or the Project or the Property, subject to the right to

contest in good faith in accordance with Minnesota law.

- G. Assessment Fees and Charges. Pay or cause to be paid when due or payable all special assessments levied upon or with respect to the Project and the Property, or any part thereof, and to pay all fees, charges and rentals for utilities, service or extensions for the Project and the Property and all other charges lawfully made by any governmental body for public improvements.
- H. Obligations and Claims. Promptly to pay or otherwise satisfy and discharge all of the obligations and indebtedness and all demands and claims against the Project and the Property as and when the same become due and payable other than any thereof whose validity, amount or collectability is being contested in good faith by appropriate proceedings.
- I. Continued Use. Continue use of the Project and the Property not less than sixteen (16) residential apartments, not less than 100% of which will be occupied by households at 80% or less of area median income, and provide reports evidencing the same.

ARTICLE VII

Provision Against Liens, Assignments and Transfers

- A. Provision Against Liens. Except for encumbrances permitted pursuant to this Article, the Developer shall not create or permit any mortgage or encumbrance or allow any mechanic's or materialmen's liens to be filed or established or to remain against the Project or the Property or any part thereof which would materially or adversely affect DEDA's interest in this Agreement during the term of this Agreement, provided that if Developer shall first notify DEDA of its intention to do so and post such security as DEDA reasonably deems necessary, Developer may, in good faith, contest any such mechanic's or other liens filed or established as long as DEDA does not deem its interest or rights in this Agreement to be subject to foreclosure by reason of such context. Notwithstanding the above, encumbrances in the nature of easements, licenses or the like, but not to include mechanic's or materialmen's lien, may be created or permitted after the issuance of a Certificate of Completion without the approval of

DEDA.

- B. Transfers prior expiration of the Continued Operations Covenant. The parties hereto acknowledge that DEDA is relying upon the qualifications and identity of Developer to construct, operate and maintain the Project and the Property. Therefore, except for the purposes of obtaining financing as hereinafter described or as otherwise approved by this Agreement, prior to the expiration of Term of this Agreement, Developer represents and agrees that it has not made or created, and will not make or create or suffer to be made or created, any total or partial sale, assignment, conveyance, trust, lien or power of attorney, nor has it nor will it allow any change in the identity of the principals or their respective percentages of ownership or voting rights, if such change would result in a change of control, and has not or will not otherwise transfer in any other way all or any portion of the Property, the Project, Developer, this Agreement or any other contract or agreement entered into in connection with carrying out its obligations hereunder; and Developer will not make or create or suffer to be made any such transfer of Developer's rights hereunder without the prior written approval of DEDA.
- C. Permitted Encumbrances. Notwithstanding anything in this Article to the contrary, Developer is authorized, without the approval of DEDA, to obtain construction and permanent financing for the Project and to mortgage the Project and Property to provide security for the construction and permanent financing, and the Executive Director is authorized to subordinate this Agreement to such mortgaging of the Project and the Property. In addition, Developer is authorized to lease the residential units and the retail/commercial space to tenants at all times without the approval of DEDA.

ARTICLE VIII

Indemnification

- A. Generally. Developer shall, to the fullest extent permitted by law, protect,

indemnify and save DEDA and the City and their officers, agents, servants, employees and any person who controls DEDA within the meaning of the Securities Act of 1933, harmless from and against all liabilities, losses, damages, costs, expenses, including attorneys' fees and expenses, causes of action, suits, claims demands and judgments of any nature arising from:

1. Any injury to or death of any person or damage to property in or upon the Project or the Property, or growing out of or in connection with the use or non-use, condition or occupancy of the Project or the Property or any part thereof and also, without limitation, the construction or installation of the Project or any portion of the Project. The foregoing indemnification shall not be limited in any way by any limitation on the amount or type of damage, compensation or benefits payable by or for Developer, customers, suppliers or affiliated organizations under any Workers' Compensation Act, Disability Benefit Acts or any other Employee Benefit Acts.
2. Any material violation by Developer of any provision of this Agreement.
3. Any contract, agreement or restriction related to the Project or the Property which shall have existed at the commencement of the term of this Agreement or shall have been approved by Developer.
4. Any material violation of any law, ordinance, court order or regulation affecting the Project or the Property, or the ownership, occupancy or use thereof.

B. Environmental Indemnification. In addition to the generality of the above, Developer hereby agrees that for itself, its successors and assigns that it will indemnify and save DEDA and the City and their officers, agents, servants and employees and any person who controls DEDA or the City within the meaning of the Securities Act of 1933 harmless from and against all liabilities, losses, damages, costs, expenses, including reasonable attorneys' fees and expenses, causes of action, suits, claims, demands and judgments arising out of any condition existing in the Project or on the Property, whether pre-existing or after-created, which constitutes a violation of any environmental law or laws with

regard to pollutants or hazardous or dangerous substances promulgated by the government of the United States or of the State of Minnesota or of any such duly promulgated rules and regulations of the United States Environmental Protection Agency or the Minnesota Pollution Control Agency or the presence in the Project or on the Property, or the release or threatened release of any element, compound, pollutant, contaminant, or toxic or hazardous substance, material or waste, or any mixture thereof, which otherwise causes injury or death to persons or damage to property, and that indemnification granted hereby shall include all costs of clean-up and remediation and response costs, together with the costs incurred in proceedings before a court of law or administrative agency including attorneys' fees, expenses, the fees and expenses of persons providing technical expertise addressing such problems including expert witnesses, the costs of preparing and securing approval of Response Action Plans as may be necessary to meet the requirements of the aforesaid agencies and any other costs and expenses of any kind whatsoever arising out of such conditions existing in the Project or on the Property.

- C. Indemnification Procedures. Promptly after receipt by DEDA of notice of the commencement of any action with respect to which Developer is required to indemnify DEDA or the City under this Article, DEDA shall notify Developer in writing of the commencement thereof, and, subject to the provisions as hereinafter stated, Developer shall assume the defense of such action, including the employment of legal counsel satisfactory to DEDA or the City and the payment of expenses. In so far as such action shall relate to any alleged liability of DEDA or the City with respect to which indemnity may be sought against Developer, DEDA and the City shall have the right to employ separate counsel in any such action and to participate in the defense thereof, and the fees and expenses of such separate counsel shall be at the expense of Developer.

ARTICLE IX

Insurance

Developer shall provide for purchase and maintenance of such insurance as will protect Developer, DEDA and the City against risk of loss or damage to the Project and the Property and any other property permanently located or exclusively used at the Project site and against claims which may arise or result from the maintenance and use of the Project, including operations conducted in connection with construction of improvements thereupon. Such coverages shall include but shall not necessarily be limited to the following:

A. Insurance During Construction. Developer, prior to entering on the Property for construction work, shall procure or cause to be procured and maintain or require all contractors to procure and maintain the following insurance at not less than the limits of coverage or liability indicated during the period of construction as follows:

1. Property Insurance. Developer shall provide "All Risk" builder's risk insurance under a completed value form on all work on the Project, including foundations, permanent fixtures and attachments, machinery and equipment included in or installed under the construction contract, debris removal, architects' and engineers' fees, temporary structures, materials, equipment and supplies of all kinds located on the Project and the Property, to the full replacement value thereof, except that such policy may provide for a deductible amount not to exceed Fifty Thousand and No/100 Dollars (\$50,000.00) per occurrence. Said insurance shall be endorsed to provide consent for occupancy of the Project and shall be maintained in effect until permanent property coverage as provided for hereinafter is in force.
2. Public Liability Insurance. Public Liability Insurance written on an "occurrence" basis under a Comprehensive General Liability Insurance and Automobile Liability Insurance Form with "Broad Form" property damage liability coverage, with XCU exclusion removed, in limits of not less than \$1,500,000 aggregate per occurrence for personal injury, bodily injury and death, and limits of \$1,500,000 for property damage liability. If per person limits are specified, they shall be for not less than \$1,500,000

per person and be for the same coverages. DEDA and the City shall be named as additional insureds on the Commercial General Liability Insurance and Automobile Liability Insurance policies. Contractor shall also require such liability coverage of its subcontractors unless they be insured under contractor's policies. Contractor's and subcontractors' liability coverages shall include:

- a. Contractors public liability--premises and operations;
- b. Independent contractors' protective contingent liability;
- c. Personal injury;
- d. Owned, non-owned, and hired vehicles;
- e. Contractual liability covering customary construction contract and subcontract indemnify provisions;
- f. Workers' Compensation coverage in required statutory limits.

Policy shall carry an "all states" endorsement. In addition, employers liability coverage shall be maintained in limits of \$100,000 per employee.

B. Permanent Insurance. Developer shall procure and continuously maintain, except as otherwise provided below, insurance covering all risks of injury to or death of persons or damage to property arising in any way out of or as a result of Developer's ownership of, occupancy of or use of the Project and the Property, carried in the name of Developer as follows:

1. Property Insurance. Prior to expiration of the buildings' risk coverage specified above, the Project and the Property, including all fixtures, equipment and machinery, shall be insured to the full replacement value thereof against all risk of Direct Physical Loss, except that such insurance may provide for a deductible amount not to exceed \$15,000 per occurrence. For the purposes hereof, "all risk" means insurance equivalent in scope to protect against all risks of direct physical loss ordinarily insured against in the region. Developer hereby waives any and all claims or causes of action against DEDA for damages caused by an insured peril hereunder, except such rights hereinafter set forth to an

interest in the insurance proceeds payable in the event of such loss.

2. Liability Insurance. During the construction period (unless covered under the policies required previously) and permanently thereafter for the balance of the term of this Agreement, Developer shall procure and maintain continuously in force Public Liability Insurance written on an "occurrence" basis under a Commercial General Liability Insurance and Automobile Liability Insurance Form in limits of not less than \$1,500,000 per occurrence for personal bodily injury and death, and limits of \$1,500,000 for property damage liability. If person limits are specified, they shall be for not less than \$1,500,000 per person and be for the same coverages. DEDA and the City shall be named as additional insureds therein. Insurance shall cover:
 - a. Public liability, including premises and operations coverage;
 - b. Independent contractors--protective contingent liability;
 - c. Personal injury;
 - d. Owned, non-owned and hired vehicles;
 - e. Contractual liability covering the indemnity obligations set forth herein;
 - f. Products--completed operations.
3. Workers' Compensation. Workers' Compensation Coverage in statutory amounts with "all states" endorsement unless qualified as a self-insurer under Minnesota Law, and evidence of such qualification is furnished to DEDA. Employees' liability insurance shall be carried in limits of \$100,000 per employee.

- C. Modification of Insurance Requirements. It is agreed between the parties that DEDA shall have the right to modify the forms of the insurance provided for in Paragraphs A and B above and the limits set forth with regard thereto provided that any such modification and policy forms or limits shall be of such a character and in such amounts as are reasonably necessary to provide DEDA with the types and amounts of protection provided for in this Agreement at the time of its execution. In the event that DEDA shall desire to so modify said insurance

requirements, DEDA shall notify Developer of the proposed modifications not less than sixty (60) days prior to the date set by DEDA for said modifications to go into effect.

- D. Requirements for All Insurance. All insurance required in this Article shall be taken out and maintained in responsible insurance companies organized under the laws of the states of the United States and licensed to do business in Minnesota.
- E. Certifications. Developer shall be required to supply to DEDA written certifications of insurance requiring the insurer to give DEDA thirty (30) days' written notice prior to cancellation or modification of said insurance for any reason other than non-payment of premium and ten (10) days' written notice prior to cancellation for non-payment of premium of said insurance.
- F. Reconstruction Obligation and Uninsured Loss. In the event the Project or any portion thereof is destroyed by fire or other casualty, Developer shall forthwith repair, reconstruct, and restore the improvements to substantially the same scale and condition, quality, and value as existed prior to the event causing such damage or destruction, and to the extent necessary to accomplish such repair, reconstruction, restoration, or construction, Developer shall apply the proceeds of any insurance received by Developer to the payment or reimbursement of the costs thereof. Developer shall, however, complete the repair, reconstruction and restoration of the improvements whether or not the proceeds of any insurance received by Developer are sufficient to pay for such repair, restoration, and reconstruction.

ARTICLE X

Developer Defaults and Remedies Therefor

- A. Events of Default. The following shall be deemed to be events of default by Developer under the terms and conditions of this Agreement to which the remedies set forth in Section B below shall be applicable.
 - 1. Developer shall fail to pay real estate taxes as and when due and payable

unless contested in good faith by Developer.

2. Developer shall fail to observe or perform any of the terms, conditions, covenants or agreements required to be observed or performed by it pursuant to this Agreement and such failure shall continue for a period of 45 calendar days after DEDA has, pursuant to the provisions of this Agreement, given written notice to Developer of such default or, in the event that such default shall be incapable of cure with reasonable diligence during said 45 day period, shall have failed to commence to cure said default within 45 days of the date of said notice and to diligently pursue the same to completion.
3. Developer shall permit valid liens, not cured or contested within thirty 30 days, to be placed on the Project or the Property, or Developer loses title to the Project or the Property or both.
4. Developer makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts as they become due; or an adjudication of bankruptcy or insolvency is made as to Developer or its business; or Developer files a petition of bankruptcy or files a petition seeking any reorganization, dissolution, liquidation, or rearrangement, composition, readjustment or similar action under any present or future bankruptcy or insolvency statute, law or regulation; or Developer files an answer admitting to or not contesting to the material allegations of a petition filed against it in such proceeding or fails to have dismissed or vacated within sixty (60) days after its filing such a petition or seeks or consents or acquiesces in the appointment of any trustee, receiver or liquidator of a material part of Developer's properties or fails to have dismissed or vacated within sixty (60) days after the appointment without the consent or acquiescence of Developer of any trustee, receiver or liquidator of any material part of Developer's properties.

B. Remedies. DEDA shall have the following remedies in the event of a default, and after the expiration of any applicable cure periods:

1. Terminate this Agreement.

2. Withhold the performance of any obligation owed by DEDA under this Agreement.
 3. Seek and be entitled to monetary damages for any damages incurred by DEDA as a result of a default.
 4. Withhold payment under this Agreement.
 5. Seek and be entitled to injunctive or declaratory relief as is necessary to prevent violation of the terms and conditions of this Agreement or to compel Developer's performance of its obligations hereunder.
 6. Seek such other legal or equitable relief as a court of competent jurisdiction may determine is available to DEDA.
- C. Non-Waiver. The waiver by DEDA of any default on the part of Developer or the failure of DEDA to declare default on the part of Developer of any of its obligations pursuant to this Agreement shall not be deemed to be a waiver of any subsequent event of default on the part of Developer of the same or of any other obligation of Developer under this Agreement. To be effective, any waiver of any default by Developer hereunder must be in writing by the Executive Director.
- D. Remedies Cumulative. The remedies provided under this Agreement shall be deemed to be cumulative and non-exclusive and the election of one remedy shall not be deemed to be the waiver of any other remedy with regard to any occasion of default hereunder.
- E. Attorneys' Fees. In the event that Developer is in default of any of the terms and conditions of this Agreement and DEDA shall successfully take legal action to enforce said rights herein, in addition to the foregoing, DEDA shall be entitled to reimbursement for its reasonable attorneys' fees and costs and disbursements occasioned in enforcing its rights hereunder.

ARTICLE XI

Representations by DEDA

DEDA makes the following representations as the basis for the undertaking on its part herein contained:

- A. It is a lawfully constituted economic development authority under the laws of the State of Minnesota, it is not in material violation of any provisions of State law, all actions of DEDA have been taken to establish its tax increment financing districts and duly approve the grant of Available Tax Increment, and it has full power and authority to enter into this Agreement and perform all of its obligations hereunder.
- B. There are not actions, suits or proceedings pending, or to the knowledge of DEDA, threatened against DEDA or any property of DEDA in any court or before any federal, state, municipal or governmental agency which, if decided adversely to DEDA, would have a material adverse effect upon DEDA or any business or property of DEDA and DEDA is not in default with respect to any order of any court or government agency.
- C. DEDA will perform all of its obligations under this Agreement.

ARTICLE XII

Developer's Representations and Warranties

Developer represents and warrants that:

- A. The Developer is a Minnesota limited liability company duly organized and authorized to transact business in the State of Minnesota, it has acquired the Property and is fully competent to construct the Project thereon, it is not in violation of any provisions of its articles of organization, member control agreement, or the laws of the State of Minnesota, it has the power to enter into this Agreement, and it has duly authorized the execution, delivery and performance of this Agreement by proper action of its members.
- B. Developer will perform all of its obligations under this Agreement. Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of the terms, conditions, or provisions of any agreement or instrument

of whatever nature to which the Developer is now a party or by which Developer is bound, or constitutes a default under the foregoing.

- C. No actions, suits, or proceedings are pending or, to the knowledge of Developer, threatened against Developer or any property of Developer in any court or before any federal, state, or municipal or other governmental agency that, if decided adversely to Developer, would have a material adverse effect upon Developer, the Property, or the Project, and Developer is not in default of any order of any court or governmental agency which, if decided adversely to Developer, would have a material adverse effect upon the Property or the Project.
- D. The Developer shall be responsible for constructing the Project in accordance with the terms of this Agreement and all local, state and federal laws and regulations (including, but not limited to, environmental, zoning, building code and public health laws and regulations, and living and prevailing wages). The Developer will obtain, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state and federal laws and regulations which must be obtained or met before the Project may be lawfully constructed.
- E. Developer is not in default on the payment of principal of or interest on any indebtedness for borrowed money or in default under any instrument or agreement pursuant to which the indebtedness has been incurred.
- F. Developer shall do such things as are necessary to cause any information, document, certificate, statement in writing, or report required under this Agreement delivered to DEDA or any third party under this Agreement to be true, correct, and complete in all material respects.
- G. 100% of the units will be held for rent to individuals and family with incomes at 80% or less of the St. Louis County median income.
- H. That without the assistance to be provided by DEDA hereunder, Developer's cost of constructing the Project would be more than can be supported by the amounts that are reasonable to be charged for rent and the available resources would be inadequate and not economically feasible to construct the Project and that, therefore, but for the DEDA assistance to be provided for hereunder, the Project

would not be economically feasible for Developer; and Developer would not have developed the Project and operated the same in the reasonably foreseeable future.

ARTICLE XIII

Term

The term of this Agreement shall commence on the date first shown above and shall continue for a period of 15 years from the date of the payment from DEDA to Developer as provided for in Article V above. Termination shall not terminate the indemnification provisions or any other provisions of this Agreement which by their nature survive termination and shall not terminate any other rights or remedies arising under this Agreement due to any event of default which occurred prior to such termination.

ARTICLE XIV

Agreement Personal to Parties

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties to the extent assignment is permitted hereunder. This Agreement shall run with the land.

ARTICLE XV

Notices

Any notice, demand or other communication under this Agreement by either party to the other shall be deemed to be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid to:

In the case of DEDA: DEDA
 402 City Hall

418 West First Street
Duluth, MN 55802
Attn: Executive Director

In the case of Developer: Portland Land Co., LLC
202 E 1st St.
Duluth, MN 55802
Attn: Mike Schraepfer

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

ARTICLE XVI

Recordation

Promptly upon execution of this Agreement, Developer agrees to record this Agreement in the offices of the St. Louis County Registrar of Title and to pay all costs associated therewith. Upon recordation, Developer shall promptly submit to DEDA an executed original of the Agreement showing the date and document number of record, or a certified copy of the filed original.

ARTICLE XVII

Disclaimer of Relationships

Developer acknowledges that nothing contained in this Agreement nor any act by the City, DEDA or the Developer shall be deemed or construed by Developer or by any third person to create any relationship of third-party beneficiary, principal and agent, limited or general partner, or joint venture between DEDA, Developer and/or any third party.

ARTICLE XVIII

Applicable Law

This Agreement together with all of its Articles, paragraphs, terms and provisions is made in the State of Minnesota and shall be construed and interpreted in accordance with the laws of the State of Minnesota. All proceedings related to this Agreement shall be venued in Duluth, Minnesota.

ARTICLE XIX

Judicial Interpretation

Should any provision of this Agreement require judicial interpretation, the court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the party who itself or through its agent or attorney prepared the same, it being agreed that the agents and attorneys of both parties have participated in the preparation hereof.

ARTICLE XX

Authorization to Execute Agreement

Developer represents to DEDA that the execution of this Agreement has been duly and fully authorized by its governing body or board, that the officers of Developer who executed this Agreement on its behalf are fully authorized to do so, and that this Agreement when thus executed by said officers on its behalf will constitute and be the binding obligation and agreement of Developer in accordance with the terms and conditions thereof.

ARTICLE XXII

Title of Articles

Any title, Articles and Sections in this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

ARTICLE XXIII

Severability

In the event any provision herein shall be deemed invalid or unenforceable, the remaining provision shall continue in full force and effect and shall be binding upon the parties to this Agreement.

ARTICLE XXIV

Unavoidable Delays

Neither party shall be held responsible for, and neither party shall be in default of this Agreement as a result of, delay or default caused by fire, riot, acts of God, war, government actions, judicial actions by third parties, labor disputes, or adverse weather conditions, except for delays caused by government and judicial actions which could have been avoided by compliance with laws, rules and regulations of which either party had knowledge or should have reasonably had knowledge.

ARTICLE XXV

Entire Agreement

It is understood and agreed that the entire agreement of the parties is contained herein and that this Agreement supersedes all oral agreements and negotiations between the parties relating to the subject matter hereof. Any amendment to this Agreement shall be in writing and shall be executed by the same parties who executed the original agreement or their successors in office.

ARTICLE XXVI

Counterparts

This Agreement may be executed, acknowledged and delivered in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(The remainder of this page intentionally left blank.)

EXHIBIT A

Legal Description of Property

That tract of land in **PORTLAND DIVISION OF DULUTH** enclosed in the following described boundary lines, to-wit:

1. The original center line of East Fourth Street as such street was dedicated by the original plat of said Portland Division of Duluth, which plat was filed for record April 23, 1870 in the office of the Register of Deeds in Book A of Plats on page 91.
2. The center line of the alley in the rear of Block 93 as dedicated by said plat.
3. The extended westerly line of Lot 11 in said Block 93.
4. The center line of Seventh Avenue East as dedicated by said plat.

Property Address: 621-633 East 4th Street
Duluth, MN 55805

Property being Torrens: - Certificate of Title No. 297936

EXHIBIT B

CERTIFICATE OF COMPLETION

RECITALS:

A. On _____, 2021, the Duluth Economic Development Authority, an economic development authority created and existing under Minnesota Statutes (1989) Chapter 469 (“DEDA”), and Portland Land Co., LLC, a Minnesota limited liability company (“Developer”), entered into a Development Agreement, which agreement was recorded in the Office of the St. Louis County Registrar of Title on _____, 2021, as Document No. _____ (the “Development Agreement”), relating to property located in St. Louis County, Minnesota, and legally described in the attached Exhibit A (the “Property”).

B. Capitalized terms used in this Certificate of Completion but not defined herein shall have the meanings ascribed to them in the Development Agreement.

C. Paragraph D of Article V of the Development Agreement provides that a Certificate of Completion be issued by DEDA’s Executive Director upon, among other things, completion by Developer of the construction of the Project in accordance with the Development Agreement.

D. Developer has completed construction of the Project in a manner deemed sufficient by DEDA to permit execution and recording of this Certificate of Completion.

NOW, THEREFORE:

1. Construction of the Project required to be performed by Developer pursuant to the Development Agreement with respect to the Property, has been completed, and those requirements under the Development Agreement which relate solely to construction obligations of the Project have been fulfilled, but all other conditions and restrictions contained in the Development Agreement shall remain in effect.

2. The Registrar of Titles in and for St. Louis County, Minnesota, are hereby authorized to accept for recording and to record this instrument.

RESOLUTION 21D-23

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH 521 WEST 2ND DEVELOPMENT, LLC FOR THE DEVELOPMENT OF THE BURNHAM APARTMENTS PROJECT

WHEREAS, 521 West 2nd Development, LLC (“Developer”), proposes to redevelop property located at 521 West 2nd Street, Duluth, Minnesota into a multi-family residential facility with apartment units (the “Project”);

WHEREAS, DEDA has determined that it is reasonable and necessary to provide certain financial assistance to Developer in order to facilitate Developer’s plans for the Project and to that end, DEDA and Developer have negotiated a Development Agreement for the Project; and

WHEREAS, DEDA has approved the establishment of Tax Increment Financing District No. 35, a Redevelopment District (the “TIF District”) pursuant to Minnesota Statutes §§469.174 to 469.1794, as amended; and

WHEREAS, pursuant the terms of the Development Agreement, DEDA proposes to provide certain tax increment financing assistance to Developer consisting of a pay-as-you-go tax increment revenue note (the “TIF Assistance”) payable from the TIF District; and

WHEREAS, the TIF Assistance constitutes a business subsidy within the meaning of Resolution 18-0515R of the City of Duluth (the “Business Subsidy Resolution”), and the Development Agreement constitutes a “business subsidy agreement” under the Business Subsidy Resolution; and

WHEREAS, pursuant to Minnesota Statutes §§116J.993 through 116J.995 (the “Business Subsidy Act”), after a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero; and

WHEREAS, DEDA on this same date held a duly noticed public hearing on the granting of a business subsidy to Developer pursuant to the Development Agreement and on setting the wage and job goals at zero in accordance with the Business Subsidy Act; and

NOW, THEREFORE, BE IT RESOLVED:

1. DEDA finds that the Development Agreement is in the best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of the applicable State and local laws and requirements under which the development will be undertaken.
2. DEDA hereby determines that the Project will enhance the economic diversity of the City and the City’s tax base; enhance the quality of life of the

City's residents by investing in neglected neighborhoods or business areas and stimulating the redevelopment of underutilized, blighted or obsolete land uses, expand the City's tax base and realize a reasonable rate of return on the public investment; encourage the development of housing and commercial areas in the City that result in higher quality development and private investment; and achieve redevelopment on a site which would not be redeveloped without assistance. DEDA hereby determines that the creation or retention of jobs is not a goal of the Project for purposes of the Business Subsidy Act. Therefore, the wage and job goals may be and hereby are set at zero in the Development Agreement in accordance with the Business Subsidy Act.

3. DEDA hereby authorizes the proper DEDA officials to enter into a Development Agreement with Developer substantially in the form of that attached hereto (DEDA Contract No. _____), together with any related documents necessary in connection therewith.
4. DEDA staff, officials and consultants are authorized and directed to implement the terms of the Development Agreement as provided therein and carry out DEDA's obligations under the Development Agreement.

Approved by the Duluth Economic Development Authority this 23rd day of June 2021.

ATTEST:

Executive Director

STATEMENT OF PURPOSE:

This resolution authorizes a Development Agreement with 521 West 2nd Development, LLC for the development of the Burnham Apartments (former St. Louis County Jail) project located at 521 West 2nd Street in downtown Duluth. The project will be located in an area identified as Tax Increment Financing District No. 35, a Redevelopment District. A resolution approving the creation of TIF District No. 35 will be on the July 6, 2021, City Council agenda.

The Development Agreement provides for the acquisition of the property and redevelopment of the existing buildings by Developer resulting in approximately 32 apartment units and common areas. Of these apartment units, not less than 4 units will be available at 60% or less of the Area Median Income, as posted annually by the Minnesota

Housing Finance Agency. The total development cost is estimated to be \$8,265,000. DEDA will provide up to \$1,200,000 of the TIF generated by this project plus interest at the rate of 4.25% to pay for public eligible costs of redevelopment on a pay-as-you-go basis. The term of the TIF Note is for a period of twenty six (26) years from the date of receipt by DEDA from the St. Louis County Auditor's Office of the first payment of Captured Tax Increment, or until the principle interest on the TIF Note has been paid in full, whichever is sooner.

Tax base impact statement: The current market value (2020, payable 2021) of the properties located in this 26-year Redevelopment TIF District (to be created by DEDA) is \$82,800 and the property is generating \$1,242 in net tax capacity. After the improvements are completed, the taxable market value will increase to approximately \$4,200,000 and the annual tax increment will be provided to the Developer to facilitate the redevelopment. After the TIF District is terminated, the development is anticipated to generate over \$52,500 per year in net tax capacity (based on the County Assessor's valuation of the completed property, not including inflation).

**DEVELOPMENT AGREEMENT
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
NEW BURNHAM, LLC
HISTORIC ST. LOUIS COUNTY JAIL PROJECT**

THIS AGREEMENT entered into this _____ day of _____, 2021, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority created and existing under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA", and NEW BURNHAM, LLC, a Minnesota limited liability company, hereinafter referred to as "Developer".

WHEREAS, Developer has acquired the historic St, Louis County Jail property, hereinafter described, and the buildings located thereon, which is located at 521 West Second Street in downtown Duluth and has proposed to develop the Project as hereinafter described which includes the demolition of the so-called Annex Building and the redevelopment of the existing jail building into no less than 31 apartment units, 10% of which will be affordable, all as further hereinafter described; and

WHEREAS, Developer has requested assistance from DEDA for demolition of the so-called Annex building, redevelopment of the existing building, site preparation and infrastructure costs and other costs eligible for public financing related to the Project as is hereinafter set forth since, without such assistance, the Project would not be economically viable; and

WHEREAS, DEDA has further determined that the interests of the citizens of the City of Duluth and the wellbeing and quality of life in the City of Duluth would be enhanced by nurturing and encouraging the development of the Project; and

WHEREAS, after careful analysis of the projected costs of the Project and of the financial resources available and economic feasibility of such funding to pay for the costs of the Project described herein, DEDA has determined that:

- A. a "gap" exists between the cost to Developer of the Project and the funds presently available to or known to Developer and DEDA to be available to

finance those costs at rates that would make the Project economically feasible as hereafter described, which gap, based on the best currently-available estimates, is at least Two Million, One Hundred Fifty-five Dollars (\$2,155,000);

- B. without the tax increment assistance to be provided pursuant to this Agreement, the cost of developing the Project would be more than can be supported by the amounts that are affordable to be charged for the rental and the available resources would be inadequate to fund the development of said Project on a financially feasible basis and that therefore, but for the tax increment assistance to be provided for hereunder, the Project could not reasonably be expected to be constructed in the foreseeable future; and
- C. the increased market value of the Property that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the Project after subtracting the present value of the projected tax increment for the duration of this Agreement.

WHEREAS, the public purpose of the tax increment assistance to be provided pursuant to this Agreement is to stimulate the redevelopment of underutilized, blighted or obsolete land uses to encourage the development of residential rental housing, especially low and moderate income housing, in an area of the city that is in dire need of such housing, to achieve development on property which would not be redeveloped without assistance, and to enhance and diversify the tax base of the City of Duluth; and

WHEREAS, the Property is located in a redevelopment district within the meaning of Minnesota Statutes §469.174 et. seq. (Tax Increment Financing District No.34).

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter contained, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Definitions

For the purposes of this Agreement, the following terms shall have the meanings hereinafter ascribed to them unless a different meaning clearly appears from the context:

- A. Available Tax Increment means 90% of the Captured Tax Increment in the six (6) month period preceding each Scheduled Payment Date, as defined in the TIF Note.
- B. Building: means the Historic St Louis County Jail building located on the Property.
- C. Certificate of Completion: means a written certification executed by the Director in recordable form certifying that the construction of the Project in conformance with the Plans has been totally completed.
- C. Captured Tax Increment: means all real estate taxes resulting solely from the payment of real estate taxes on the Captured Net Tax Capacity, as defined in Minnesota Statutes Section 469.174, Subd. 4, of the Property resulting from the Project remitted to DEDA by the St. Louis County Auditor and received by DEDA.
- D. City means the City of Duluth.
- E. Director means the Executive Director of DEDA or such person or persons designated in writing by said Director to act on behalf of him/her with regard to this Agreement or any portion thereof.
- F. Eligible Project Costs means those Project Costs set forth in Exhibit A which may be legally funded with tax increment proceeds under Minnesota Statutes §469.174 et. seq. and case law. Eligible Project Costs are estimated to be at least One Million, Nine Hundred Ten Thousand Five Hundred Sixty-two Dollars (\$1,920,562).
- G. Plans: means the plans, specifications and elevations for the Project together with detailed utility and landscaping plans and elevations for the Project as approved pursuant to Article IV below.
- H. Project means the demolition of the so-called Annex structure and the redevelopment in the Building on the Property by Developer of not less than

Thirty-two (32) residential apartment units consisting of studio apartments, one-bedroom apartments and two-bedroom apartments, ten (10%) percent of which will be held for rent to persons having an income at or below 60% of the area median income at rental rates determined by the United States Department of Housing and Urban Development to be affordable to such persons, and common area space adequate to serve the needs of the building occupants, all at a cost of not less than Eight Million Two Hundred Fifty Thousand Dollars (\$8,250,000), all according to the plans approved by the Director pursuant to Article V and pursuant to required City approvals. . In the event that the application of the percentage calculation above results in a fractional unit, the number of units to be held for rent to persons having an income at or below 60% of the area median income shall be rounded up to the next higher number of units.

- I. Project Costs: shall mean the sum of the Eligible Project Costs and in addition, those costs of the Project described in Exhibit B attached hereto and made a part hereof.
- J. Property means that real property located in St. Louis County, Minnesota, described on Exhibit C attached hereto and made a part hereof and the Building located thereof.
- K. TIF Act means Minnesota Statutes, Sections 469.174 through 469.179, as the same may be amended from time to time.
- L. TIF District No. 35 means DEDA's Tax Increment Financing District No.35.
- M. TIF Note means a limited revenue tax increment-financing note ("pay-as-you-go" note) to be issued by DEDA to the Developer pursuant to Article IX of this Agreement in substantially the form of that attached hereto as Exhibit D.
- N. TIF Plan means the Tax Increment Financing Plan for TIF District No. 35 authorized in accordance with the TIF Act, which TIF Plan is on file in the office of the Director.

ARTICLE II

Application Fee and Reimbursement of Consultant Costs

In consideration of the financial assistance provided by DEDA to Developer

pursuant to the terms of this Agreement, Developer has paid to DEDA a non-refundable application fee of Three Thousand and No/100 Dollars (\$3,000.00). Additionally, Developer agrees to reimburse DEDA within thirty (30) days of transmission of an invoice by DEDA to Developer for services of Ehlers & Associates, Inc. to perform a “but for compliance test” for the Project and to draft and assemble a TIF Plan.

ARTICLE III

Preconditions to Project Construction

Prior to the commencement of construction of the Project and as a precondition to the commencement thereof, Developer shall provide to the Director the following items:

- A. Title. Proof reasonably satisfactory to the Director that Developer owns the Property in fee simple.
- B. Construction Costs. Developer’s certified estimate of the total cost of the construction of the Project.
- C. Construction Contract. A copy of the executed contract or contracts between Developer and one or more contractors necessary to complete the renovation and the construction of the Project in accordance with Plans approved pursuant to Article V. Such contract(s) shall provide that payments for the work thereunder are the sole obligation of Developer. Such contract(s) shall include the requirement that said contractor(s) agree to enter into a Project Labor Agreement conforming to the requirements of Article IV of Chapter 2 of the Duluth City Code, 1959, as amended and to conform to the Community Benefits Requirements as set forth in Exhibit E, attached hereto and made a part hereof and that the laborers, mechanics or apprentice-trainees employed in the construction of the Project to be paid at wage rates equal to or greater than those prevailing wage rate as defined in Section 2-25 of the Duluth City Code, 1959, as amended and regulations related thereto. All payrolls for the construction trades performing work on the Project must be submitted to the Director on a monthly basis. Said contract shall further require such contractor to comply with all applicable federal, state and local laws, ordinances and regulation including but

not limited to the federal Hazardous Waste Operations and Emergency Response Standards (29 CFR 1910.120 and 29 CFR 1926.65).

- D. Construction Financing. Copies of loan commitments and other financing commitments obtained by Developer for the Project, the total of said commitments and any equity contribution commitment by Developer totaling an amount not less than the total contract prices between Developer and the contractor(s) as described in Paragraph C above.
- E. Survey. A survey of the Property performed by a Registered Land Surveyor under the laws of the State of Minnesota.

ARTICLE IV

Project Plans

- A. Plans, Specifications and Elevations. No less than thirty (30) days prior to the commencement of construction of the Project, or such lesser time as approved by the Director, Developer shall submit the Plans for the Project to the Director for approval. Developer shall be solely responsible for the cost of developing and producing all plans and specifications for the Project and for any modifications thereto. All such Plans shall be in conformance with this Agreement, with the schematic design previously submitted to the Director which shall consist of drawings and other documents illustrating scale and relationship of various Project components, and with all applicable laws, ordinances, rules, regulations and requirements of DEDA, the City, the State of Minnesota and the United States of America. The Director shall review the Plans within fifteen (15) days of submission of the Plans by Developer. The Director's approval or rejection shall be provided to the Developer in writing. If the Director rejects the Plans in whole or in part as not being in compliance with the foregoing requirements, and upon notification to Developer of said rejection together with the reason or reasons therefor, Developer shall submit new or corrected Plans meeting said objections within fifteen (15) days of said notice. The provisions of this Paragraph relating to approval, rejection and resubmission of corrected Plans herein provided for with respect to the originally submitted Plans shall

continue to apply until said Plans have been approved in writing by the Director. The Director's approval of Developer's Plans shall not constitute a guaranty that the Plans conform to the requirements of applicable building, zoning or other codes or ordinances or constitute a waiver of building code or zoning ordinance or other applicable codes or ordinances imposed in the future upon Developer by law. Developer expressly agrees to be solely responsible for all costs, including architectural fees connected with the Plans and any revisions thereto.

- B. Changes after Initial Approval. Any material or substantial changes made to Plans by Developer after initial review of the Director shall be submitted to the Director for approval in the same manner provided for in Paragraph A above.

ARTICLE V

Construction

- A. Construction. Upon the fulfillment of the preconditions to construction provided for in Articles III and IV above, but in no event later than December 1, 2021, Developer shall commence construction of the Project in conformance with the plans approved pursuant to Article IV. Said construction work shall be completed not later than September 30, 2023. Notwithstanding the above, the construction period may be extended for up to ninety (90) days upon the prior written approval of the Director.
- B. Developer to Bear All Costs. Except for payments by DEDA provided for in Article VI, Developer specifically agrees to bear all costs related to the construction of the Project and any modifications thereto.
- C. Progress Reports. Until construction of the entire Project is complete, Developer shall make reports in such detail and at such times as may reasonably be requested by the Director as to the actual progress of Developer with respect to the Project and said remediation. Additionally, upon reasonable notice, the Developer also agrees that it will, subject to standard construction industry site safety protocols, permit DEDA access to the Property and will allow representatives of the Director to inspect the progress of the work.
- D. Project Costs/Certificate of Completion. Promptly upon completion by Developer

of the construction of the Project, Developer shall submit to the Director written evidence in a form satisfactory to the Director of Eligible Project Costs incurred and paid. Such evidence shall include, at a minimum, paid invoices, receipts, canceled checks, mechanic lien waivers or comparable evidence of payment of at least the amount of the Construction Contract and any other eligible Project costs claimed by Developer. DEDA and its representatives shall have the right at all reasonable times after reasonable notice to inspect, examine and copy all books and records of Developer relating to the Eligible Project Costs and the Project. Such records shall be kept and maintained by Developer for a period of six (6) years following the issuance of the Certificate of Completion. Upon furnishing by Developer of said written evidence satisfactory to the Director of such costs and of completion by Developer of the construction of the Project in accordance with this Agreement, and upon written request from Developer, the Director will furnish to Developer a Certificate of Completion in the form of that attached hereto as Exhibit G so certifying. A Certificate of Completion shall not be issued until all elements of the Project have been completed. The Certificate of Completion shall constitute a conclusive determination of satisfaction of the construction obligations of Developer undertaken pursuant to this Agreement and may be recorded against the Property.

ARTICLE VI

TIF Payment Obligations

- A. Issuance of TIF Note Upon DEDA's issuance of the Certificate of Completion pursuant to Paragraph D of Article V and the submission of the audit provided for in Paragraph B below, DEDA shall execute and deliver to Developer a Note in substantially the form of Exhibit D. The principal amount of the TIF Note shall be \$1,360,000 or the amount of documented Eligible Project Costs, whichever is less; provided that in the event that the Project Costs is less than Eight Million Two Hundred Fifty Thousand Dollars (\$8, 250,000) the amount of the TIF Note will be further reduced by an amount equal to one-half (1/2) of the difference between Eight Million Two Hundred Fifty Thousand Dollars (\$8,250,000) and the

amount of the Project Costs determined in the manner set forth in Paragraph B below.

- B. Project Costs Audit Upon completion of the construction of the Project, Developer shall cause an audit of the Project Costs to be prepared by a certified public accountant and submitted to DEDA. The results of the audit shall be subject to review and approval of the Director for conformance to the requirements of this Agreement. The Developer may select the certified public accountant to perform the audit but that person or entity shall be subject to the prior approval of the Director in writing.
- C. First Payment of TIF Pursuant to the TIF Plan, DEDA's first receipt of Available Tax Increment will be in 2023. Interest payable on the TIF Note(s) in the amount of 4.25% per annum shall start to accrue on the date of execution of the TIF Note. There shall be no accrual of interest on unpaid interest. As required by statute, the amount of Available Tax Increment shall not exceed the amount of Eligible Project Costs incurred and paid by the Developer.
- D. TIF Note Payments Developer acknowledges and agrees, as provided in the TIF Note, that payments under the TIF Note shall be bi-annual payments in the amount of the Available Tax Increment attributed to Property received by DEDA in the six months preceding each Scheduled Payment Date as defined in the TIF Note. There shall be no interest on unpaid interest as it accrues. DEDA shall not be obligated to make any payments except as provided in the TIF Note.
- E. TIF Note Not "Security" The TIF Note will be issued without registration under the State or federal securities laws pursuant to an exemption for such issuance; and, accordingly, the TIF Note may not be assigned, transferred or pledged, in whole or in part, except as specifically set forth herein. Notwithstanding the foregoing, the Director shall at all times maintain a register setting forth the current holder of the Note which shall be determinative of the identity holder and to whom payments on the Note(s) are to be made.
- F. Revenue Only Obligation DEDA's financial commitment for payment of the TIF Note under this Agreement is a revenue obligation only and will be paid by DEDA only out of Available Tax Increment actually received by DEDA. Developer

acknowledges that DEDA makes no representations or warranties that the Available Tax Increment will be sufficient to pay Developer all amounts due and payable pursuant to TIF Note. Developer acknowledges that Available Tax Increment is subject to calculation by St. Louis County and changes in state statute and that some or all of the amount of the TIF Note may not be paid and in such event, the amount of payments otherwise due to Developer under Paragraph A above shall be deemed, upon termination of this Agreement, to have been paid in full and DEDA shall have no further obligations for payments of said amounts.

- G. Available TIF Estimate Developer acknowledges that the estimates of Available Tax Increment and tax projections, which may have been made by DEDA or its agents, officers or employees are estimates only, are made for the sole use and benefit of DEDA and are not intended for Developer's reliance. DEDA does not warrant that it will have throughout the term of this Agreement the continuing legal ability under State law to apply Available Tax Increment to the payment of the TIF Note.
- H. TIF Note Assignable Notwithstanding anything to the contrary in this Agreement, the TIF Note may be assigned, transferred or pledged without the approval of DEDA; provided that any assignment, transfer or pledge of the Note(s) shall be made in accordance with the requirements set forth in the Note(s) and with Paragraph E above.

ARTICLE VII

Operating Covenants

Developer agrees that in its operations and use of the Property and the Project, in accordance with industry standards, Developer shall:

- A. Maintenance. At all times cause the Project and the Property to be operated and maintained in a neat, orderly condition, to maintain and preserve and keep in good repair, working order and condition said Property and Project and to perform all needed and proper repairs, renewals and replacements necessary to be made thereto. The maintenance of the Project and the Property shall include

but not be limited to maintenance of all foundations, external walls, doors, windows, utility openings and all roofing systems as well as outside maintenance including snow removal, grass cutting and landscape maintenance, parking ramp and area cleaning if applicable, repair and striping and all other exterior maintenance to said Property and the Project.

- B. Rental Restriction; Reporting: Developer agrees and commits that, during the Term of this Agreement as set forth in Article XV below, the units in the Project that are to be rent restricted as described in the definition of the Project will be rented to persons having an income at or below 60% of the area median income at rental rates determined by the United States Department of Housing and Urban Development to be affordable to such persons. No later than January 30th of each year, the Developer shall provide such reports and documentation as the Director shall reasonably request demonstrating that said rent restricted units had been so rented to such persons during the entirety of the prior calendar year.
- C. Utilities. Unless currently and validly disputed, pay or cause to be paid any and all charges for utilities furnished to the Project and the Property including but not limited to hook-up charges and assessments related to all utilities, including but not limited to steam, water, sewer, gas, telephone, cable or satellite TV, and electrical power.
- D. Licenses and Permits. Preserve the existence and all of its licenses, permits and consents to the extent necessary and desirable to the operation of its business and affairs relating to the Project and the Property and to be qualified to do business in the State of Minnesota.
- E. Obey All Laws. Conduct its affairs and carry on its business and operations with respect to the Project and the Property in such a manner as to comply with any and all applicable laws of the United States and the State of Minnesota including all laws related to unlawful discrimination and duly observe and conform to all valid orders, regulations and requirements of any governmental authority related to the conduct of its business and the ownership of the Project and the Property; provided that nothing herein contained shall require it to comply with, observe and conform to any such law or regulation or requirement so long as the validity

thereof shall be contested in good faith through proper legal action provided that such protest shall in no way affect Developer's title to the Project and the Property.

- F. Payment of Taxes. Promptly pay or cause to be paid all lawful taxes and governmental charges, including real estate taxes and assessments at any time levied upon or against it or the Project or the Property, subject to the right to contest in good faith in accordance with Minnesota law.
- G. Assessment Fees and Charges. Pay or cause to be paid when due or payable all special assessments levied upon or with respect to the Project and the Property, or any part thereof, and to pay all fees, charges and rentals for utilities, service or extensions for the Project and the Property and all other charges lawfully made by any governmental body for public improvements.
- H. Obligations and Claims. Promptly to pay or otherwise satisfy and discharge all of the obligations and indebtedness and all demands and claims against the Project and the Property as and when the same become due and payable other than any thereof whose validity, amount or collect ability is being contested in good faith by appropriate proceedings.
- I. Living Wage. Abide by the requirements of Article XXVI of Chapter 2 of the Duluth City Code, 1959, as amended (the "Duluth Living Wage Ordinance") and to require those construction workers directly employed in the construction of the Project to be paid Prevailing Wage Rates as that term is defined in Section 2-25 of the Duluth City Code

ARTICLE VIII

Provision against Liens, Assignments and Transfers

- A. Provision against Liens. Except for encumbrances permitted pursuant to this Article, the Developer shall not create or permit any mortgage or encumbrance or allow any mechanic's or materialmen's liens to be filed or established or to remain against the Project and the Property or any part thereof which would materially or adversely affect DEDA's interest in this Agreement during the term of this Agreement, provided that if Developer shall first notify DEDA of its

intention to do so and post such security as DEDA reasonably deems necessary, Developer may, in good faith, contest any such mechanic's or other liens filed or established as long as DEDA does not deem its interest or rights in this Agreement to be subject to foreclosure by reason of such context.

- B. Transfers prior to Issuance of a Certificate of Completion. The parties hereto acknowledge that DEDA is relying upon the qualifications and identity of Developer to construct, the Project and the Property. Therefore, except for the purposes of obtaining financing as hereinafter described or as otherwise approved by this Agreement, prior to the issuance of a Certificate of Completion, Developer represents and agrees that it has not made or created, and will not make or create or suffer to be made or created, any total or partial sale, assignment, conveyance, trust, lien or power of attorney, nor has it nor will it allow any change in the identity of the principals or their respective percentages of ownership or voting rights, if such change would result in a change of control, and has not or will not otherwise transfer in any other way all or any portion of the Property, the Project, Developer, this Agreement or any other contract or agreement entered into in connection with carrying out its obligations hereunder. Prior to the issuance of a Certificate of Completion, Developer will not make or create or suffer to be made any such transfer of Developer's rights hereunder without the prior approval of DEDA.
- C. Permitted Encumbrances. Notwithstanding anything in this Article to the contrary, Developer is authorized, without the approval of DEDA, to obtain construction and permanent financing for the Project and to mortgage the Project and Property to provide security for the construction and permanent financing. In addition, Developer is authorized to lease the apartment units to tenants at all times without the approval of DEDA.
- D. Transfers after Issuance of a Certificate of Completion. Following the issuance of a Certificate of Completion, Developer may sell, convey or otherwise transfer the Property or any tract or parcel thereof with the prior written consent of DEDA, which consent shall not be unreasonably withheld, provided the following has been satisfied:

1. Thirty days' prior written notice of the transfer is provided to the Director.
2. The transferee shall agree by written commitment to DEDA to comply with all the terms and conditions of this Agreement not otherwise extinguished by the completion and Certification of Construction of the Project. The commitment shall comply with the terms of this Paragraph 2 and shall be approved to the Director.
3. Notwithstanding the above transfer, the payment of the tax increment pursuant to Article VIII shall be made to the registered owner of the Note(s) as provided for in Paragraph E of Article VII above.

Failure to comply with the requirement of subsection 1 and 2 above shall render such purported transfer null and void.

E. Modification; Subordination. In the event any portion of the Developer's funds is provided through mortgage financing, subject to the following, DEDA agrees to subordinate its rights under this Agreement to the holder of any mortgage securing construction or permanent financing, in accordance with the terms of a subordination agreement in a form reasonably acceptable to DEDA. Provided, however, that the form of any such subordination shall specifically require that in the event that the holder of any such mortgage and/or any successor in interest thereto becomes the owner of the Property, such holder or successor in interest shall continue to operate the Project in a manner required by Paragraph B of Article VIII above.

ARTICLE IX

Indemnification

A. Generally. Developer shall, to the fullest extent permitted by law, protect, indemnify and save DEDA and the City and their officers, agents, servants, employees and any person who controls DEDA within the meaning of Securities Act of 1933, harmless from and against all liabilities, losses, damages, costs, expenses, including attorneys' fees and expenses, causes of action, suits, claims demands and judgments of any nature arising from:

1. Any injury to or death of any person or damage to property in or upon the

Project or the Property, or growing out of or in connection with the use or non-use, condition or occupancy of the Project or the Property or any part thereof and also, without limitation, the construction or installation of the Project or any portion of the Project. The foregoing indemnification shall not be limited in any way by any limitation on the amount or type of damage, compensation or benefits payable by or for Developer, customers, suppliers or affiliated organizations under any Workers' Compensation Act, Disability Benefit Acts or any other Employee Benefit Acts.

2. Any violation by Developer of any provision of this Agreement.
3. Any violation of any contract, agreement or restriction related to the Project or the Property which shall have existed at the commencement of the term of this Agreement or shall have been approved by Developer; or
4. Any violation of any law, ordinance, court order or regulation affecting the Project or the Property, or the ownership, occupancy or use thereof.

B. Environmental Indemnification. In addition to the generality of the above, Developer hereby agrees that for itself, its successors and assigns that it will indemnify and save DEDA and the City and their officers, agents, servants and employees and any person who controls DEDA or the City within the meaning of the Securities Act of 1933 harmless from and against all liabilities, losses, damages, costs, expenses, including reasonable attorneys' fees and expenses, causes of action, suits, claims, demands and judgments arising out of any condition existing in the Project or on the Property, whether pre-existing or after-created, which constitutes a violation of any environmental law or laws with regard to pollutants or hazardous or dangerous substances promulgated by the government of the United States or of the State of Minnesota or of any such duly promulgated rules and regulations of the United States Environmental Protection Agency or the Minnesota Pollution Control Agency or the presence in the Project or on the Property, or the release or threatened release of any element, compound, pollutant, contaminant, or toxic or hazardous substance, material or waste, or any mixture thereof, which otherwise causes injury or death to persons

or damage to property, and that indemnification granted hereby shall include all costs of clean-up and remediation and response costs, together with the costs incurred in proceedings before a court of law or administrative agency including attorneys' fees, expenses, the fees and expenses of persons providing technical expertise addressing such problems including expert witnesses, the costs of preparing and securing approval of Response Action Plans as may be necessary to meet the requirements of the aforesaid agencies and any other costs and expenses of any kind whatsoever arising out of such conditions existing in the Project or on the Property.

- C. Indemnification Procedures. Promptly after receipt by DEDA of notice of the commencement of any action with respect to which Developer is required to indemnify DEDA or the City under this Article, DEDA shall notify Developer in writing of the commencement thereof, and, subject to the provisions as hereinafter stated, Developer shall assume the defense of such action, including the employment of legal counsel satisfactory to DEDA or the City and the payment of expenses. In so far as such action shall relate to any alleged liability of DEDA or the City with respect to which indemnity may be sought against Developer, DEDA and the City shall have the right to employ separate counsel in any such action and to participate in the defense thereof, and the fees and expenses of such separate counsel shall be at the expense of Developer.
- D. Exceptions to Indemnification. In no event shall Developer be required to indemnify DEDA or the City under this Article for liabilities, losses, damages, costs, expenses, including attorneys' fees and expenses, causes of action, suits, claims, demands and judgments of any nature arising solely from the negligent or intentional misconduct of DEDA or the City or their officers, agents, servants, employees.

ARTICLE X

Insurance

Developer shall provide for purchase and maintenance of such insurance as will protect Developer, DEDA and the City against risk of loss or damage to the Project and the Property and any other property permanently located or exclusively used at the

Project site and against claims which may arise or result from the maintenance and use of the Project, including operations conducted in connection with construction of improvements thereupon. Such coverages shall include but shall not necessarily be limited to the following:

- A. Insurance during Construction. Developer, prior to entering on the Property for construction work, shall procure or cause to be procured and maintain or require all contractors to procure and maintain the following insurance at not less than the limits of coverage or liability indicated during the period of construction as follows:
 1. Property Insurance. Developer shall provide "All Risk" builder's risk insurance under a completed value form on all work on the Project, including foundations, permanent fixtures and attachments, machinery and equipment included in or installed under the construction contract, debris removal, architects' and engineers' fees, temporary structures, materials, equipment and supplies of all kinds located on the Project and the Property, to the full replacement value thereof, except that such policy may provide for a deductible amount not to exceed Fifty Thousand and No/100 Dollars (\$50,000.00) per occurrence. Said insurance shall be endorsed to provide consent for occupancy of the Project and shall be maintained in effect until permanent property coverage as provided for hereinafter is in force.
 2. Public Liability Insurance. Public Liability Insurance written on an "occurrence" basis under a Commercial General Liability Insurance and Automobile Liability Insurance Form with "Broad Form" property damage liability coverage, with XCU exclusion removed, in limits of not less than \$2,000,000 aggregate per occurrence for personal injury, bodily injury and death, and limits of \$2,000,000 for property damage liability. If per person limits are specified, they shall be for not less than \$2,000,000 per person and be for the same coverages. DEDA and the City shall be named as additional insureds on the Commercial General Liability Insurance and Automobile Liability Insurance policies. Contractor shall also require such

liability coverage of its subcontractors unless they be insured under contractor's policies. Contractor's and subcontractors' liability coverages shall include:

- a. Contractors public liability--premises and operations;
- b. Independent contractors' protective contingent liability;
- c. Personal injury;
- d. Owned, non-owned, and hired vehicles;
- e. Contractual liability covering customary construction contract and subcontract indemnity provisions;
- f. Workers' Compensation coverage in required statutory limits. Policy shall carry an "all states" endorsement. In addition, employers' liability coverage shall be maintained in limits of \$100,000 per employee.

B. Permanent Insurance. Developer shall procure and continuously maintain, except as otherwise provided below, insurance covering all risks of injury to or death of persons or damage to property arising in any way out of or as a result of Developer's ownership of, occupancy of or use of the Project and the Property, carried in the name of Developer as follows:

1. Property Insurance. Prior to expiration of the buildings' risk coverage specified above, the Project and the Property, including all fixtures, equipment and machinery, shall be insured to the full replacement value thereof against all risk of Direct Physical Loss, except that such insurance may provide for a deductible amount not to exceed \$50,000 per occurrence. For the purposes hereof, "all risk" means insurance equivalent in scope to protect against all risks of direct physical loss ordinarily insured against in the region. Developer and DEDA hereby mutually waive any and all claims or causes of action against the other party for damages caused by an insured peril hereunder, except such rights hereinafter set forth to an interest in the insurance proceeds payable in the event of such loss.
2. Liability Insurance. During the construction period (unless covered under

the policies required previously) and permanently thereafter for the balance of the term of this Agreement, Developer shall procure and maintain continuously in force Public Liability Insurance written on an "occurrence" basis under a Commercial General Liability Insurance and Automobile Liability Insurance Form in limits of not less than \$2,000,000 per occurrence for personal bodily injury and death, and limits of \$2,000,000 for property damage liability. If person limits are specified, they shall be for not less than \$2,000,000 per person and be for the same coverages. DEDA and the City shall be named as additional insureds therein. Insurance shall cover:

- a. Public liability, including premises and operations coverage;
- b. Independent contractors--protective contingent liability;
- c. Personal injury;
- d. Owned, non-owned and hired vehicles;
- e. Contractual liability covering the indemnity obligations set forth herein;
- f. Products--completed operations.

3. Workers' Compensation. Workers' Compensation Coverage in statutory amounts with "all states" endorsement unless qualified as a self-insurer under Minnesota Law, and evidence of such qualification is furnished to DEDA. Employees' liability insurance shall be carried in limits of \$100,000 per employee.

C. Modification of Insurance Requirements. It is agreed between the parties that DEDA shall have the right to modify the forms of the insurance provided for in Paragraphs A and B above and the limits set forth with regard thereto provided that any such modification and policy forms or limits shall be of such a character and in such amounts as are reasonably necessary to provide DEDA with the types and amounts of protection provided for in this Agreement at the time of its execution. In the event that DEDA shall desire to so modify said insurance requirements, DEDA shall notify Developer of the proposed modifications not less than sixty (60) days prior to the date set by DEDA for said modifications to

go into effect.

- D. Requirements for All Insurance. All insurance required in this Article shall be taken out and maintained in responsible insurance companies organized under the laws of the states of the United States and licensed to do business in Minnesota.
- E. Certifications. Developer shall be required to supply to DEDA written certifications of insurance requiring the insurer to give DEDA thirty (30) days' written notice prior to cancellation or modification of said insurance for any reason other than non-payment of premium and ten (10) days' written notice prior to cancellation for non-payment of premium of said insurance.
- F. Reconstruction Obligation and Uninsured Loss. In the event the Project or any portion thereof is destroyed by fire or other casualty, Developer shall forthwith repair, reconstruct, and restore the improvements to substantially the same scale and condition, quality, and value as existed prior to the event causing such damage or destruction, or construct improvements in a manner which is approved by DEDA, such approval which shall not be unreasonably withheld, and to the extent necessary to accomplish such repair, reconstruction, restoration, or construction, Developer shall apply the proceeds of any insurance received by Developer to the payment or reimbursement of the costs thereof. Developer shall, however, complete the repair, reconstruction and restoration of the improvements whether or not the proceeds of any insurance received by Developer are sufficient to pay for such repair, restoration, and reconstruction.
- G. Reconstruction Obligation Contingency Nothing to the contrary in Paragraph F above, in the event that the Project is substantially or totally destroyed and the parties agree in good faith that under present economic or social conditions the Project is no longer economically viable or does not constitute the highest and best use of the Property, the parties hereby commit to meet and confer in good faith to determine the use of the Property which will be of greatest economic, social and practical use to the Developer, to the City, and to DEDA and use their best efforts to negotiate an amendment of this Agreement to implement that use

and to apply the proceeds of any insurance to implementation of that use.

ARTICLE XI

Defaults and Remedies Therefor

- A. Developer's Default. The following shall be deemed to be events of default by Developer under the terms and conditions of this Agreement to which the remedies set forth in Section B below shall be applicable.
1. Developer shall fail to pay real estate taxes as and when due and payable.
 2. Developer shall fail to observe or perform any of the terms, conditions, covenants or agreements required to be observed or performed by it pursuant to this Agreement and such failure shall continue for a period of 30 calendar days after DEDA has, pursuant to the provisions of this Agreement, given written notice to Developer of such default or, in the event that such default shall be incapable of cure with reasonable diligence during said 30 day period, shall have failed to commence to cure said default within 30 days of the date of said notice and to diligently pursue the same to completion.
 3. Developer shall permit valid liens, not cured or contested within thirty 30 days, to be placed on the Project or the Property or Developer loses title to the Project or the Property or both.
 4. Developer makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts as they become due; or an adjudication of bankruptcy or insolvency is made as to Developer or its business; or Developer files a petition of bankruptcy or files a petition seeking any reorganization, dissolution, liquidation, or rearrangement, composition, readjustment or similar action under any present or future bankruptcy or insolvency, statute, law or regulation; or Developer files an answer admitting to or not contesting to the material allegations of a petition filed against it in such proceeding or fails to have dismissed or vacated within sixty (60) days after its filing such a petition or seeks or consents or acquiesces in the appointment of any trustee, receiver or liquidator of a

material part of Developer's properties or fails to have dismissed or vacated within sixty (60) days after the appointment without the consent or acquiescence of Developer of any trustee, receiver or liquidator of any material part of Developer's properties.

B. DEDA's Remedies for Developer's Defaults. DEDA shall have the following remedies in the event of a default:

1. Terminate this Agreement or the TIF Note or both.
2. Withhold the performance of any obligation owed by DEDA under this Agreement or the TIF Note or both.
3. Seek and be entitled to monetary damages for any damages incurred by DEDA as a result of a default.
4. Cease or suspend making payments under this Agreement and the TIF Note of Available Tax Increment as defined in the TIF Note.
5. Seek and be entitled to injunctive or declaratory relief as is necessary to prevent violation of the terms and conditions of this Agreement or to compel Developer's performance of its obligations hereunder.
6. Seek such other legal or equitable relief as a court of competent jurisdiction may determine is available to DEDA.

C. Non-Waiver. The waiver by DEDA of any default on the part of Developer or the failure of DEDA to declare default on the part of Developer of any of its obligations pursuant to this Agreement shall not be deemed to be a waiver of any subsequent event of default on the part of Developer of the same or of any other obligation of Developer under this Agreement. To be effective, any waiver of any default by Developer hereunder must be in writing by the Director.

D. Default by DEDA. The failure of DEDA to observe or perform any covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement, and the continuation of such failure for a period of thirty (30) days after written notice of such failure from any party hereto shall be an event of default by DEDA. Whenever an event of default occurs by DEDA, Developer shall be entitled to all remedies available at law or equity, and Developer may take whatever action, including legal, equitable, or administrative action, which may

appear necessary or desirable to collect any payments due under this Agreement, or to enforce performance and observance of any obligation, agreement, or covenant under this Agreement.

- E. Remedies Cumulative. The remedies provided under this Agreement shall be deemed to be cumulative and non-exclusive and the election of one remedy shall not be deemed to be the waiver of any other remedy with regard to any occasion of default hereunder.
- F. Attorneys' Fees. In the event that either party is in default of any of the terms and conditions of this Agreement and the non-defaulting party shall successfully take legal action to enforce said rights herein, in addition to the foregoing, the non-defaulting party shall be entitled to reimbursement for its reasonable attorneys' fees and costs and disbursements occasioned in enforcing its rights hereunder.

ARTICLE XII

Representations by DEDA

DEDA makes the following representations as the basis for the undertaking on its part herein contained:

- A. It is a lawfully constituted economic development authority under the laws of the State of Minnesota, it is not in material violation of any provisions of State law and it has full power and authority to enter into this Agreement and perform its obligations hereunder.
- B. There are not actions, suits or proceedings pending, or to the knowledge of DEDA, threatened against DEDA or any property of DEDA in any court or before any federal, state, municipal or governmental agency which, if decided adversely to DEDA, would have a material adverse effect upon DEDA or any business or property of DEDA and DEDA is not in default with respect to any order of any court or government agency.
- C. DEDA will perform all of its obligations under this Agreement.
- D. Based on reasonable knowledge and belief, DEDA believes that the Project contemplated by this Agreement is in conformance with the development

objectives set forth in the TIF Plan.

- E. As of the execution of this Agreement, the City and DEDA have approved the TIF Plan in accordance with the requirements of the TIF Act.

ARTICLE XIII

Developer's Representations and Warranties

Developer represents and warrants that:

- A. The Developer is a Minnesota limited liability company duly organized and authorized to transact business in the State, it is fully competent to acquire the Property and to construct the Project thereon, it is not in violation of any provisions of its articles of organization, member control agreement, or the laws of the State, it has the power to enter into this Agreement, and has duly authorized the execution, delivery and performance of this Agreement by proper action of its members.
- B. Developer will perform all of its obligations under this Agreement. Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of the terms, conditions, or provisions of any agreement or instrument of whatever nature to which the Developer is now a party or by which Developer is bound, or constitutes a default under the foregoing.
- C. As of the date hereof, no actions, suits, or proceedings are pending or, to the knowledge of Developer, threatened against Developer or any property of Developer in any court or before any federal, state, or municipal or other governmental agency that, if decided adversely to Developer, would have a material adverse effect upon Developer, the Property, or the Project, and Developer is not in default of any order of any court or governmental agency which, if decided adversely to Developer, would have a material adverse effect upon the Property or the Project.
- D. Developer shall be responsible for constructing the Project in accordance with the terms of this Agreement and all local, state and federal laws and regulations

(including, but not limited to, environmental, zoning, building code and public health laws and regulations, and payment of prevailing wages). The Developer will obtain, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state and federal laws and regulations which must be obtained or met before the Project may be lawfully constructed.

- E. As of the date hereof, Developer is not in default of the payment of principal of or interest on any indebtedness for borrowed money or in default under any instrument or agreement pursuant to which the indebtedness has been incurred.
- F. Developer shall do such things as are necessary to cause any information, document, certificate, statement in writing, or report required under this Agreement delivered to DEDA or any third party under this Agreement to be true, correct, and complete in all material respects.
- I. That without the assistance to be provided by DEDA hereunder, Developer's cost of constructing the Project would be more than can be supported by the amounts that are reasonable to be charged for the rental and the available resources would be inadequate and not economically feasible to construct the Project and that, therefore, but for the DEDA assistance to be provided for hereunder, the Project would not be economically feasible for Developer; and Developer would not have developed the Project and operated the same in the reasonably foreseeable future.

ARTICLE XIV

Term

The term of this Agreement shall commence on the date first shown above and shall continue for a period of 26 years from the date of receipt by DEDA from the St. Louis County Auditor's Office of the first payment of Captured Tax Increment or when the TIF Note has been paid off unless this Agreement is otherwise terminated as provided for herein. Termination shall not terminate any indemnification provisions or any other provisions which by their nature survive termination and shall not terminate any other rights or remedies arising under this Agreement due to any event of default

which occurred prior to such termination.

ARTICLE XV

Agreement Personal to Parties

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties to the extent assignment is permitted hereunder. This Agreement shall run with the land.

ARTICLE XVI

Notices

Any notice, demand or other communication under this Agreement by either party to the other shall be deemed to be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid to:

In the case of DEDA: DEDA
 Room 402 City Hall
 411 West First Street
 Duluth, MN 55802
 Attn: Executive Director

In the case of Developer: Donjek, Inc.
 501 W Lynnhurst Ave Suite 200
 St. Paul, MN 55104
 Attn: Jon Commers

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

ARTICLE XVII

Recordation

Immediately upon their execution, Developer agrees to record this Agreement in the office of the St. Louis County Recorder and/or Registrar of Title and to pay all costs associated therewith. Upon recordation, Developer shall immediately submit to DEDA executed original copies of the Agreement showing the date and document numbers of record, or certified copies of the filed original documents. Upon termination of this

Agreement at decertification of TIF District No. 35, DEDA agrees to record such termination in the office of the St. Louis County Recorder and/or Registrar of Tiles and to pay all costs associated therewith

ARTICLE XVIII

Disclaimer of Relationships

Developer acknowledges that nothing contained in this Agreement nor any act by the City, DEDA or the Developer shall be deemed or construed by Developer or by any third person to create any relationship of third-party beneficiary, principal and agent, limited or general partner, or joint venture between DEDA, Developer and/or any third party.

ARTICLE XIX

Applicable Law

This Agreement together with all of its Articles, paragraphs, terms and provisions is made in the State of Minnesota and shall be construed and interpreted in accordance with the laws of the State of Minnesota. All proceedings related to this Agreement shall be venued in Duluth, Minnesota.

ARTICLE XX

Judicial Interpretation

Should any provision of this Agreement require judicial interpretation, the court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the party who itself or through its agent or attorney prepared the same, it being agreed that the agents and attorneys of both parties have participated in the preparation hereof.

ARTICLE XXI

Authorization to Execute Agreement

Developer represents to DEDA that the execution of this Agreement has been duly and fully authorized by its governing body or board, that the officers of Developer who executed this Agreement on its behalf are fully authorized to do so, and that this Agreement when thus executed by said officers on its behalf will constitute and be the binding obligation and agreement of Developer in accordance with the terms and conditions thereof.

ARTICLE XXII

Title of Articles

Any title, Articles and Sections in this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

ARTICLE XXIII

Severability

In the event any provision herein shall be deemed invalid or unenforceable, the remaining provision shall continue in full force and effect and shall be binding upon the parties to this Agreement.

ARTICLE XXIV

Unavoidable Delays

Neither party shall be held responsible for, and neither party shall be in default of this Agreement as a result of, delay or default caused by fire, riot, acts of God, war, government actions, judicial actions by third parties, labor disputes, pandemics or adverse weather conditions, except for delays caused by government and judicial actions which could have been avoided by compliance with publicly available laws, rules and regulations of which either party had knowledge or should have reasonably had knowledge.

ARTICLE XXV
Estoppel Certificate

Each party, respectively, agrees that at any time and from time to time within 10 business days after receipt of a written request by the other party, to execute, acknowledge and deliver to such party a statement in writing and in such form as will enable it to be recorded in the proper office for the recordation of deeds and other instruments certifying that, to the best of its knowledge: (a) this Agreement is unmodified and in full force and effect or, if there have been modifications, that the same are in full force and effect as modified and identifying the modifications; (b) no party is in default under any provisions of this Agreement or, if there has been a default, the nature of such default; (c) all work to be performed, under this Agreement or any related agreement has been performed or, if not so performed, specifying the work to be performed; and (d) as to any other matter that the requesting party, a prospective purchaser or assignee or a prospective mortgagee or other lender shall reasonably request. It is intended that any such statement may be relied upon by any person, prospective mortgagee of, or assignee of any mortgage, upon such interest. Any such statement on behalf of DEDA may be executed by the Director without DEDA Board approval. Provided that the party from whom the aforesaid certification is requested shall be obligated to make said certification only if all of the representations required to be made therein are, to the best of the knowledge of requested party true and correct.

ARTICLE XXVI
Minimum Assessment Agreement

The parties agree to enter into an Assessment Agreement in the form of that attached hereto as Exhibit F and to use their best efforts to cause the St. Louis County Assessor to execute the same. Promptly upon execution of the Assessment Agreement, Developer agrees to record the Assessment Agreement in the office of the St. Louis County Recorder and/or Registrar of Title and to pay all costs associated therewith. Upon recordation, Developer shall promptly submit to DEDA an executed original of the Assessment Agreement showing the date and document numbers of record, or a certified copy of the filed original.

XXVII

Entire Agreement

It is understood and agreed that the entire agreement of the parties is contained herein and that this Agreement supersedes all oral agreements and negotiations between the parties relating to the subject matter hereof. Any amendment to this Agreement shall be in writing and shall be executed by the same parties who executed the original agreement or their successors in office.

ARTICLE XXVIII

Counterparts

This Agreement may be executed, acknowledged and delivered in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and date first above shown.

DULUTH ECONOMIC DEVELOPMENT
AUTHORITY

By: _____

Its President

By: _____

Its Secretary

RESOLUTION 21D-24

RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 17, ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 35: REDEVELOPMENT DISTRICT THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR

WHEREAS, it has been proposed by the Board of Commissioners (the "Board") of the Duluth Economic Development Authority ("DEDA") and the City of Duluth (the "City") that DEDA adopt a Modification to the Redevelopment Project / Municipal Development District adopted pursuant to Resolution 89D-03 (the "Development Program Modification") for the Redevelopment District (the "Project Area") and establish Tax Increment Financing District No. 35 (the "TIF District 35") and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Development Program Modification and the TIF Plan are referred to collectively herein as the "Program and Plan"), all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.090 to 469.1082, and Sections 469.174 to 469.1794, inclusive, as amended (the "Act"), all as reflected in the Program and Plan and presented for the Board's consideration; and

WHEREAS, DEDA has investigated the facts relating to the Program and Plan and has caused the Program and Plan to be prepared; and

WHEREAS, DEDA has performed all actions required by law to be performed prior to the adoption of the Program and Plan.

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

1. DEDA hereby finds that the establishment of TIF District 35 is in the public interest and is a "Redevelopment District" under M.S., Section 469.174, Subd. 10 and M.S., Section 469.1794, and finds that the adoption of the proposed Program and Plan conform in all respects to the requirements of the Act and will help fulfill a need to redevelop an area of the State of Minnesota, and constructing additional affordable and high-quality housing.
2. DEDA further finds that the Program and Plan will afford maximum opportunity, consistent with the sound needs for the City as a whole, for the development of the Project Area by private enterprise in that the intent is to provide only that public assistance necessary to make the private developments financially feasible.
3. The boundaries of the Project Area are not being expanded.
4. The reasons and facts supporting the findings in this resolution as set forth in the Program and Plan are hereby affirmed.

5. Conditioned upon the approval thereof by the City Council following its public hearing thereon, the Program and Plan, as presented to DEDA on this date, are hereby approved, established and adopted and shall be placed on file in the office of the Executive Director of DEDA.
6. Upon approval of the Program and Plan by the City Council, the staff, DEDA's advisors and legal counsel are authorized and directed to proceed with the implementation of the Program and Plan and for this purpose to negotiate, draft, prepare and present to this Board for its consideration all further plans, resolutions, documents and contracts necessary for this purpose. Approval of the Program and Plan does not constitute approval of any project or a Development Agreement with any developer.
7. Upon approval of the Program and Plan by the City Council, the Executive Director of DEDA is authorized and directed to forward a copy of the Program and Plan to the Minnesota Department of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes 469.175, Subd. 4a.
8. The Executive Director of DEDA is authorized and directed to forward a copy of the Program and Plan to the St. Louis County Auditor and request that the Auditor certify the original tax capacity of TIF District 34 as described in the Program and Plan, all in accordance with Minnesota Statutes 469.177.

Approved by the Duluth Economic Development Authority on this 23rd day of June 2021.

ATTEST:

Executive Director

STATEMENT OF PURPOSE: The purpose of this Resolution is to adopt a modification to the Development Program for the Development District, establish TIF District No. 35 and adopt a Tax Increment Financing Plan for TIF District No. 35 related to the Burnham Apartments (former St. Louis County Jail) residential facility located at 521 West 2nd Street in Duluth.

Adoption Date: July 6, 2021

Duluth Economic Development Authority

City of Duluth, St. Louis County, Minnesota

MODIFICATION TO THE DEVELOPMENT PROGRAM

Development District No. 17

&

Tax Increment Financing (TIF) Plan

Establishment of Tax Increment Financing District No. 35:
St. Louis County Jail
(a redevelopment district)



Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, Minnesota 55113

BUILDING COMMUNITIES. IT'S WHAT WE DO.

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Modification to the Development Program for Development District No. 17

FOREWORD

The following text represents a Modification to the Development Program for Development District No. 17. This modification represents a continuation of the goals and objectives set forth in the Development Program for Development District No. 17. Generally, the substantive changes include the establishment of Tax Increment Financing District No. 35: St. Louis County Jail.

For further information, a review of the Development Program for Development District No. 17, is recommended. It is available from the Senior Housing Developer at the City of Duluth. Other relevant information is contained in the Tax Increment Financing Plans for the Tax Increment Financing Districts located within Development District No. 17.

Tax Increment Financing Plan for Tax Increment Financing District No. 35: St. Louis County Jail

FOREWORD

The Duluth Economic Development Authority ("DEDA"), the City of Duluth (the "City"), staff and consultants have prepared the following information to expedite the Establishment of Tax Increment Financing District No. 35: St. Louis County Jail (the "District"), a redevelopment tax increment financing district, located in Development District No. 17.

STATUTORY AUTHORITY

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, DEDA and City have certain statutory powers pursuant to *Minnesota Statutes ("M.S.")*, Sections 469.124 - 469.133, 469.090 - 469.1082, inclusive, as amended, and *M.S.*, Sections 469.174 to 469.1794, inclusive, as amended (the "Tax Increment Financing Act" or "TIF Act"), to assist in financing public costs related to this project.

This section contains the Tax Increment Financing Plan (the "TIF Plan") for the District. Other relevant information is contained in the Modification to the Development Program for Development District No. 17.

STATEMENT OF OBJECTIVES

The District currently consists of one parcel of land and adjacent roads and internal rights-of-way. The District is being created to facilitate the renovation of the former St. Louis County Jail into a 32-unit residential housing apartment building in the City. DEDA intends to enter into an agreement with New Burnham LLC as the developer. Development is anticipated to begin in 2022. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 17.

The activities contemplated in the Modification to the Development Program and the TIF Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of Development District No. 17 and the District.

DEVELOPMENT PROGRAM OVERVIEW

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

1. Property to be Acquired - Selected property located within the District may be acquired by DEDA or the City and is further described in this TIF Plan.
2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.
3. Upon approval of a developer’s plan relating to the project and completion of the necessary legal requirements, DEDA or City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. DEDA or City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.

DESCRIPTION OF PROPERTY IN THE DISTRICT AND PROPERTY TO BE ACQUIRED

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

Parcel number	Address	Owner
010-1250-00330	521 W 2nd St	Jail Holdings LLC

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

DEDA or City may acquire any parcel within the District including interior and adjacent street rights of way. Any properties identified for acquisition will be acquired by DEDA or City only in order to accomplish one or more of the following: storm sewer improvements; provide land for needed public streets, utilities and facilities; carry out land acquisition, site improvements, clearance and/or development to accomplish the uses and objectives set forth in this plan. DEDA or City may acquire property by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs.

DISTRICT CLASSIFICATION

DEDA and City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, find that the District, to be established, is a redevelopment district pursuant to *M.S., Section 469.174, Subd. 10(a)(1)*.

- The District is a redevelopment district consisting of one parcel.
- An inventory shows that parcels consisting of more than 70 percent of the area in the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures.
- An inspection of the buildings located within the District finds that more than 50 percent of the buildings are structurally substandard as defined in the TIF Act. (See Appendix D).

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

DURATION & FIRST YEAR OF DISTRICT'S TAX INCREMENT

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 25 years after receipt of the first increment by DEDA or City (a total of 26 years of tax increment). DEDA or City elects to receive the first tax increment in 2024, which is no later than four years following the year of approval of the District.

Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2049, or when the TIF Plan is satisfied. DEDA or City reserves the right to decertify the District prior to the legally required date.

ORIGINAL TAX CAPACITY, TAX RATE & ESTIMATED CAPTURED NET TAX CAPACITY VALUE/INCREMENT & NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2021 for taxes payable 2022.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2024) the amount by which the original value has increased or decreased as a result of:

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

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

The original local tax rate for the District will be the local tax rate for taxes payable in 2022, assuming the request for certification is made before June 30, 2022. The ONTC and the Original Local Tax Rate for the District in the table below are for taxes payable in 2021 since the local tax rate for taxes payable in 2022 was not available at time of the TIF Plan preparation.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 17, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. DEDA and City request 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2024. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Tax Capacity	
Project estimated Tax Capacity upon completion	106,722
Original estimated Net Tax Capacity	1,035
Fiscal Disparities	<u>0</u>
Estimated Captured Tax Capacity	105,687
Original Local Tax Rate	<u>141.9420% Pay 2021</u>
Estimated Annual Tax Increment	\$150,014
Percent Retained by the City	100%

Note: Tax capacity includes a 3% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in year 25. The tax capacity of the District in year one is estimated to be \$26,250.

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

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

SOURCES OF REVENUE/BONDS TO BE ISSUED

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

SOURCES	
Tax Increment	\$2,706,214
Interest	270,621
TOTAL	\$2,976,835

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

DEDA or City may issue bonds (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of \$1,910,562. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

USES OF FUNDS

Currently under consideration for the District is a proposal to facilitate the renovation of the former St. Louis County Jail into a 32-unit apartment. DEDA and City have determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described.

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

USES	
Land/Building Acquisition	\$ 500,000
Site Improvements/Preparation	200,000
Utilities	50,000
Other Qualifying Improvements	889,941
Administrative Costs (up to 10%)	270,621
PROJECT COSTS TOTAL	\$ 1,910,562
Interest	1,066,273
PROJECT AND INTEREST COSTS TOTAL	\$ 2,976,835

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

Estimated costs associated with the District are subject to change among categories without a modification to this TIF Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory requirements. Pursuant to *M.S., Section 469.1763, Subd. 2*, no more than 25 percent of the tax increment paid by property within the District will be spent on activities related to development or redevelopment outside of the District but within the boundaries of Development District No. 17, (including administrative costs, which are considered to be spent outside of the District) subject to the limitations as described in this TIF Plan.

ESTIMATED IMPACT ON OTHER TAXING JURISDICTIONS

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

Impact on Tax Base			
Entity	2020/Pay 2021 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
St. Louis County	205,797,844	105,687	0.0514%
City of Duluth	83,567,551	105,687	0.1265%
ISD 709 (Duluth)	93,009,780	105,687	0.1136%

Impact on Tax Rates				
Entity	Pay 2021 Extension Rate	Percent of Total	CTC	Potential Taxes
St. Louis County	66.2640%	46.68%	105,687	\$ 70,032
City of Duluth	41.6960%	29.38%	105,687	44,067
ISD 709 (Duluth)	28.0170%	19.74%	105,687	29,610
Other	5.9650%	4.20%	105,687	6,304
	141.9420%	100.00%		\$150,014

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Pay 2021 rate. The total net capacity for the entities listed above are based on Pay 2022 figures. The District will be certified under the Pay 2022 rates, which were unavailable at the time this TIF Plan was prepared.

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

- (1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is \$2,706,214;

- (2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is expected. With any addition of new residents or businesses, police calls for service will be increased. The police department forecasts approximately 150-165 calls for service may be generated annually. In addition, the project may require future intervention by other entities of the police department relating to repeat calls for service and excessive police services. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities. In addition, the police department determines it can manage the financial and non-financial impacts that may arise from the project under current operations and budget.

The probable impact of the District on fire protection is not expected to be significant. With any new residential development there is a possibility of medical or assist calls from the fire department. With additional rental residential developments being added to the City, there may be a need for an additional rental inspector in the future. At that time, a small vehicle would be needed but is not required at this time. The project will include building upgrades, including to the sprinkler system, which increases the safety of the building, the people using the building and the fire fighters responding to any structure fires. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

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

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

- (3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is \$534,162;
-

- (4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is \$1,263,365;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S. Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

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

SUPPORTING DOCUMENTATION

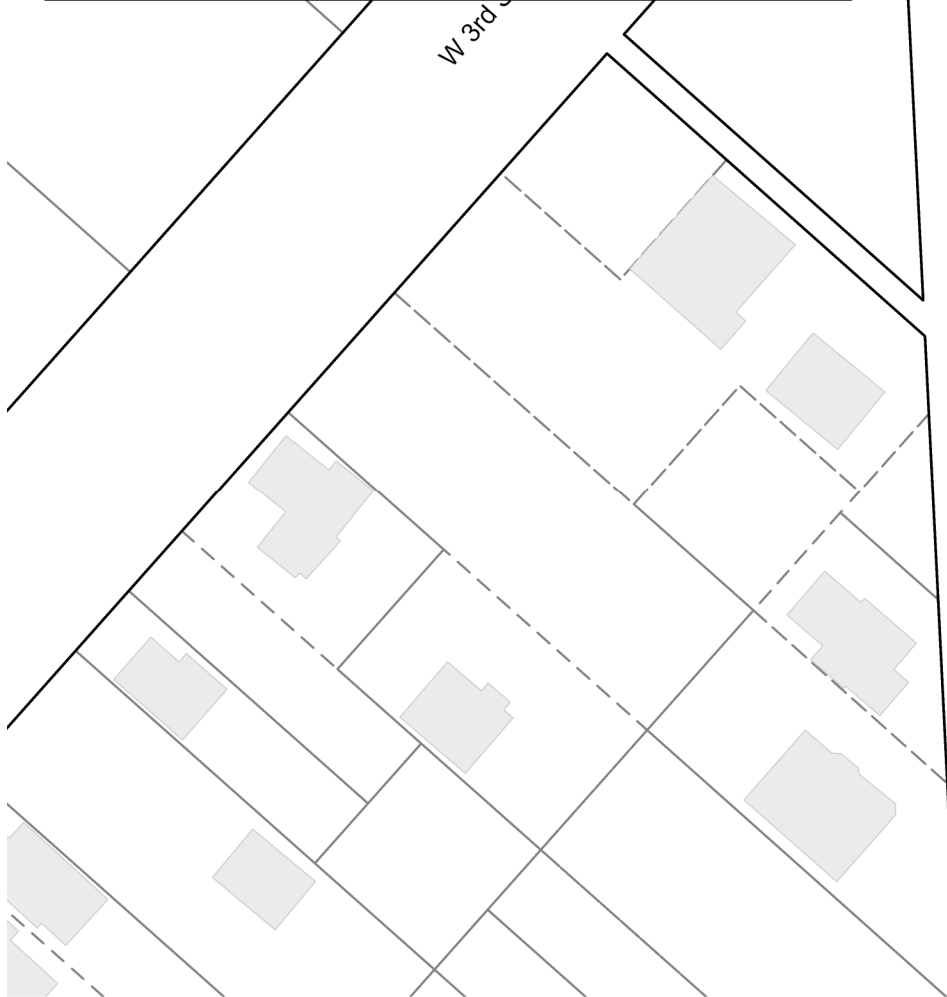
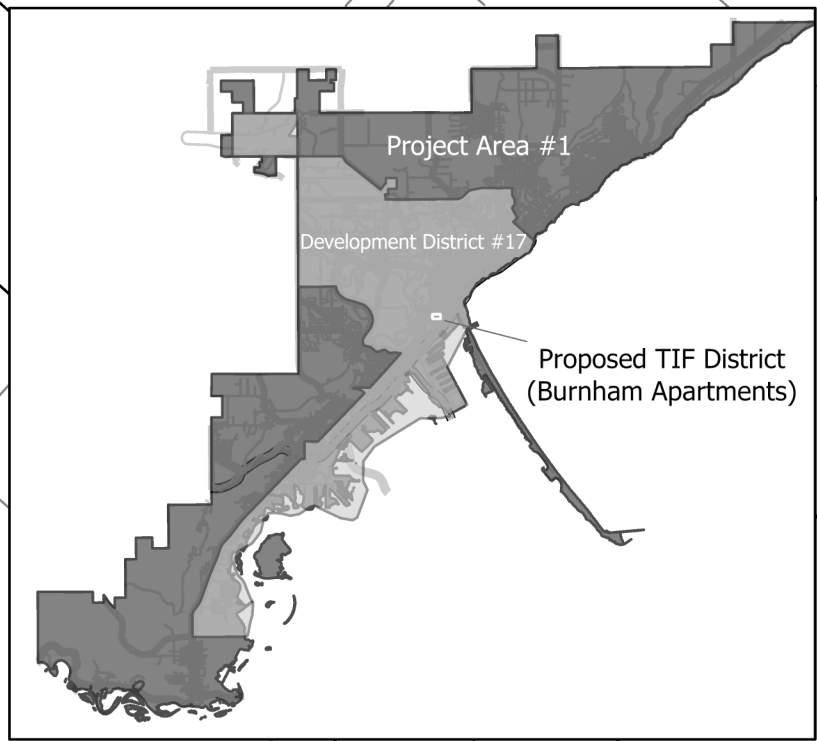
Pursuant to *M.S. Section 469.175, Subd. 1 (a), clause 7* the TIF Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S. Section 469.175, Subd. 3, clause (b)(2)* and the findings are required in the resolution approving the District.

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

DISTRICT ADMINISTRATION

Administration of the District will be handled by the Senior Housing Developer.




Appendix A: Map of Development District No. 17 and the District



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-  TIF District No. 35 (St. Louis County Jail)
-  Parcel Boundary
-  Road Rights of Way

010-1250-00330

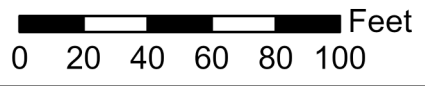
W 2nd St

N 6th Ave W

W 3rd Alley

Priley Dr

W 1st St



TIF District No. 35: St. Louis County Jail

The City of Duluth has tried to ensure that the information contained in this map or electronic document is accurate. The City of Duluth makes no warranty or guarantee concerning the accuracy or reliability. This drawing/data is neither a legally recorded map nor a survey and is not intended to be used as one. The drawing/data is a compilation of records, information and data located in various City, County and State offices and other sources affecting the area shown and is to be used for reference purposes only. The City of Duluth shall not be liable for errors contained within this data provided or for any damages in connection with the use of this information contained within.



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Appendix B: Estimated Cash Flow for the District

St. Louis County Jail Redevelopment - 3% Inflation

City of Duluth, MN

32-Unit Apartment



ASSUMPTIONS AND RATES

DistrictType:	Redevelopment
District Name/Number:	
County District #:	
First Year Construction or Inflation on Value	2022
Existing District - Specify No. Years Remaining	
Inflation Rate - Every Year:	3.00%
Interest Rate:	4.00%
Present Value Date:	1-Aug-23
First Period Ending	1-Feb-24
Tax Year District was Certified:	Pay 2022
Cashflow Assumes First Tax Increment For Development:	2024
Years of Tax Increment	26
Assumes Last Year of Tax Increment	2049
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	NA
Incremental or Total Fiscal Disparities	NA
Fiscal Disparities Contribution Ratio	NA Pay 2021
Fiscal Disparities Metro-Wide Tax Rate	NA Pay 2021
Maximum/Frozen Local Tax Rate:	141.942% Pay 2021
Current Local Tax Rate: (Use lesser of Current or Max.)	141.942% Pay 2021
State-wide Tax Rate (Comm./Ind. only used for total taxes)	35.9780% Pay 2021
Market Value Tax Rate (Used for total taxes)	0.18832% Pay 2021

Tax Rates		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First \$150,000		1.50%
Over \$150,000		2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		
First \$174,000		0.75%
Over \$174,000		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		
First \$500,000		1.00%
Over \$500,000		1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First \$500,000		1.00%
Over \$500,000		1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	010-1250-00330	Jail Holdings LLC	521 W 2nd St	82,700	100	82,800	100%	82,800	Pay 2022	C/I Pref.	1,242	Rental	1,035	1
				82,700	100	82,800		82,800			1,242		1,035	

Note:

1. Base values are for pay 2021 based upon information provided by the City of Duluth on 1-14-21
2. Located in SD # 709

St. Louis County Jail Redevelopment - 3% Inflation
 City of Duluth, MN
 32-Unit Apartment



PROJECT INFORMATION (Project Tax Capacity)														
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2022	Percentage Completed 2023	Percentage Completed 2024	Percentage Completed 2025	First Year Full Taxes Payable	
1	Apartments	131,250	131,250	32	4,200,000	Rental	52,500	1,641	50%	100%	100%	100%	2025	
TOTAL							52,500							
Subtotal Residential				32	4,200,000		52,500							
Subtotal Commercial/Ind.				0	0		0							

Note:

1. Market values are based upon estimates received from the City of Duluth.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Apartments	52,500	0	52,500	74,520	0	0	7,909	82,429	2,575.91
TOTAL	52,500	0	52,500	74,520	0	0	7,909	82,429	

Note:

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

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	82,429
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(7,909)
less Base Value Taxes	(1,469)
Annual Gross TIF	73,050

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	82,800
New Market Value - Est.	4,200,000
Difference	4,117,200
Present Value of Tax Increment	1,526,983
Difference	2,590,237
Value likely to occur without Tax Increment is less than:	2,590,237

Appendix C: Findings Including But/For Qualifications

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan (TIF Plan) for Tax Increment Financing District No. 35: St. Louis County Jail (the “District”), as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 35: St. Louis County Jail is a redevelopment district as defined in M.S., Section 469.174, Subd. 10.*

The District consists of one parcel and vacant right-of-way, with plans to redevelop the area for the renovation of the former St. Louis County Jail into a 32-unit residential housing apartment building. Parcels consisting of 70 percent of the area of the District are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures and more than 50 percent of the buildings in the District, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance. (See Appendix D of the TIF Plan.)

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 35: St. Louis County Jail permitted by the TIF Plan.*

The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future: This finding is supported by the fact that the redevelopment proposed in the TIF Plan meets the City’s objectives for redevelopment. Due to the high cost associated to rehabilitation of the former St. Louis County Jail, this project is only feasible through public assistance, in part, from tax increment financing. The developer was asked for and provided a letter and a pro forma as justification that the developer would not have gone forward without tax increment assistance.

The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the TIF Plan: This finding is justified on the grounds that the cost of building acquisition and rehabilitation for housing substantially adds to the total redevelopment costs. Historically, the costs of construction, specifically renovation costs in the City have made redevelopment infeasible without tax increment assistance. The City reasonably determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

Therefore, the City concludes as follows:

- a. The City's estimate of the amount by which the market value of the entire District will increase without the use of tax increment financing is \$0.
 - b. If the proposed development occurs, the total increase in market value will be \$4,117,200.
 - c. The present value of tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be \$1,526,963.
 - d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$2,590,237 (the amount in clause b less the amount in clause c) without tax increment assistance.
3. *Finding that the TIF Plan for the District conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The Planning Commission reviewed the TIF Plan on June 8, 2021 and found that the TIF Plan conforms to the general development plan of the City.

4. *Finding that the TIF Plan for Tax Increment Financing District No. 35: St. Louis County Jail will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 17 by private enterprise.*

Through the implementation of the TIF Plan, DEDA and the City will facilitate preservation of a historical building, increase housing opportunities for residents, and expand the availability of safe and decent life-cycle housing within the City.

Appendix D: Redevelopment Qualifications for the District

To be added to prior to the public hearing