



**HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY
AGENDA**

**Thursday, May 25, 2023 at 5:00 PM Central
Council Chambers, City Hall - Hermantown Governmental Services Building
5105 Maple Grove Rd
Hermantown, MN 55811**

1. CALL TO ORDER

2. ROLL CALL

3. MINUTES

3.A. Approve April 27, 2023 HEDA Minutes **3**

4. PUBLIC HEARING **5**

Public Hearing On Business Subsidy And Property Conveyance Hermantown
Economic Development Authority St. Louis County State Of Minnesota

5. MOTIONS

6. RESOLUTIONS

Roll call will be taken only on items required by law and items requiring 4/5's votes, all others can be done by voice vote.

6.A. **2023-02H** Resolution Approving The Business Subsidy Agreement Between The
Hermantown Economic Development Authority And Brett Kolquist Trucking, LLC **6**

6.B. **2023-03H** Resolution Approving A Development Agreement Between
The Hermantown Economic Development Authority And Brett Kolquist
Trucking, LLC **24**

6.C. **2023-04H** Resolution Regarding The Creation Of A Redevelopment
Tax Increment Financing District In Support Of A Proposed 260-Unit
Apartment Complex At The 15-Acre Engwall's Greenhouse Site North Of
Hermantown Road **48**

7. **WORK SESSION (Project Updates)**

7.A. Update on Hermantown Marketplace

8. **RECESS**

**CITY OF HERMANTOWN
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY**

Thursday, April 27, 2023 at 5:00 PM Central

Council Chambers, City Hall - Hermantown Governmental Services Building

Mayor Wayne Boucher: Present
Councilor John Geissler: Present
Dwayne Haapanen: Present
Councilor Andy Hjelle: Present
Councilor Ellie Jones: Present
Councilor Brian LeBlanc: Present
Chad Ronchetti: Absent

CITY STAFF: Eric Johnson; Community Development Director; Joe Wicklund,
Communications & Community Engagement Director; Steve Overom, Attorney

VISITORS: 4

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **MINUTES**

A. Approve March 23, 2023 HEDA Minutes

Motion to approve minutes as presented. This motion, made by Dwayne Haapanen and seconded by Councilor Hjelle, Carried.

Chad Ronchetti: Absent

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Yea

Councilor Ellie Jones: Yea

Councilor John Geissler: Yea

Dwayne Haapanen: Yea

Mayor Wayne Boucher: Yea

Yea: 6, Nay: 0, Absent: 1

4. **MOTIONS**

5. **RESOLUTIONS**

Roll call will be taken only on items required by law and items requiring 4/5's votes, all others can be done by voice vote.

A. 2023-01H Resolution Calling For Public Hearing On Proposed Business Subsidy And Land Conveyance

Motion to approve Resolution 2023-01H Resolution Calling For Public Hearing On Proposed Business Subsidy And Land Conveyance as presented. This motion, made by Councilor Geissler and seconded by Councilor Jones, Carried.

Chad Ronchetti: Absent
Councilor Andy Hjelle: Yea
Councilor Brian LeBlanc: Yea
Councilor Ellie Jones: Yea
Councilor John Geissler: Yea
Dwayne Haapanen: Yea
Mayor Wayne Boucher: Yea
Yea: 6, Nay: 0, Absent: 1

6. **WORK SESSION (Project Updates)**

A. Update on Hwy 53 Business Park AUAR: Eric Johnson gave an update on the current steps regarding the Hwy 53 Business Park AUAR. The AUAR has been made available to stakeholders and commissioners for review at this point. In the Monday, May 1, Hermantown City Council meeting, the request will be to make this document available for public review.

B. Update on Hermantown Marketplace: Eric Johnson gave an update on the status of the Hermantown Marketplace, including that the focus for the upcoming construction season will be on the creation of housing. Mammoth, who developed some overall options for the site, has been asked to pause their work as this becomes a housing-first project for the time being.

7. **RECESS**

Motion to recess at 5:36 p.m. This motion, made by Councilor Hjelle and seconded by Councilor LeBlanc, Carried.

Chad Ronchetti: Absent
Councilor Andy Hjelle: Yea
Councilor Brian LeBlanc: Yea
Councilor Ellie Jones: Yea
Councilor John Geissler: Yea
Dwayne Haapanen: Yea
Mayor Wayne Boucher: Yea
Yea: 6, Nay: 0, Absent: 1

Recorded by:

Joe Wicklund, Communications Director

EXHIBIT A

**NOTICE OF PUBLIC HEARING
ON
BUSINESS SUBSIDY AND PROPERTY CONVEYANCE
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY
ST. LOUIS COUNTY
STATE OF MINNESOTA**


NOTICE OF HEREBY GIVEN that the Hermantown Economic Development Authority of the City of Hermantown, St. Louis County, State of Minnesota, will hold a public hearing on May 25, 2023 at approximately 5:00 p.m. at the City Council Chambers in City Hall, 5105 Maple Grove Road, Hermantown, Minnesota, relating to the conveyance of a 4.0 acre portion of Lot 3, EXCEPT Southerly 218 feet AND all of Lots 4 through 7 AND Lot 9, Block 2 MAPLE GROVE INDUSTRIAL CENTER, located in the Hermantown Industrial Park, in conjunction with the construction of a project proposed by Brett Kolquist Trucking, LLC. pursuant to Minnesota Statutes Sections 116J.993 to 116J.995, inclusive, as amended, and Minnesota Statutes Section 469.105. Copies of the information related to the terms of the conveyance are on file and available for public inspection at the office of the HEDA Administrator and the City Clerk at City Hall.

A person with residence in or the owner of taxable property in the granting jurisdiction may file a written complaint with the Hermantown Economic Development Authority if the Hermantown Economic Development Authority fails to comply with Minnesota Statute Sections 116J.993 to 116J.995, and no action may be filed against the Hermantown Economic Development Authority for the failure to comply unless a written complaint is filed.

All interested persons may appear at the hearing and present their views orally or prior to the meeting in writing.

BY ORDER OF THE HERMANTOWN
ECONOMIC DEVELOPMENT
AUTHORITY, MINNESOTA

Administrator

HEDA MEETING DATE:		May 25, 2023	
TO:	HEDA Members		
FROM:	Eric Johnson, Community Development Director		
SUBJECT:	Brett Kolquist – Development Agreement		

RESOLUTION: 2023-03H **WORK SESSION** **OTHER:** Add Name

REQUESTED ACTION

Execute a Development Agreement between HEDA and Brett Kolquist of Brett Kolquist Trucking, LLC in order to obtain a 4.0 acre property located south of Lighting Drive, east of 4992 Lightning Drive.

BACKGROUND

The City Attorney prepared a Development Agreement outlining the requirements associated with the transfer of 4.0 acres of land between HEDA and Brett Kolquist of Brett Kolquist Trucking, LLC. The property is located south of Lighting Drive, east of 4992 Lightning Drive. and was identified as a potential site for his business relocation.

This Development Agreement, outlines the financial requirements, site improvements, and construction requirements associated with the development of the subject property leading to the transfer of the property from HEDA to Mr. Kolquist. In addition, this Agreement will allow for Mr. Kolquist to conduct site investigations needed for the development of site and building plans for the project.

SOURCE OF FUNDS (if applicable)

Deposit from Mr. Kolquist

ATTACHMENTS

- Resolution
- Location Map
- Concept Site Plan

Hermantown Economic Development Authority

HEDA’s mission is to intentionally lead economic growth, creating a vibrant and prosperous community.

Location Map





1388

1380

Lightning Dr

1382

POTENTIAL UPLAND AREA

POWERLINE EASEMENT

1380

1378

1384

1382

4,400 SF BUILDING

PAVED LOT SURFACE

4992 LIGHTNING DR

POND

WETLAND

1382

HERMANTOWN

WETLAND

POTENTIAL PROPERTY LINE (TYPICAL)

4970 LIGHTNING DR

Thunderbolt Ln

Wooded Swamp

Hermantown Economic Development Authority

Resolution No. 2023-___

HEDA Member _____ introduced the following resolution and moved its adoption:

**RESOLUTION APPROVING THE BUSINESS SUBSIDY AGREEMENT BETWEEN
THE HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY
AND BRETT KOLQUIST TRUCKING, LLC**

WHEREAS, the Hermantown Economic Development Authority (“HEDA”) and Brett Kolquist Trucking, LLC (“Developer”) desire to enter into a Business Subsidy Agreement with respect to the construction of a 4,400 square foot commercial office and equipment space and related infrastructure improvements proposed to be constructed by Developer on property owned by HEDA (“Project”); and

WHEREAS, the Attorney for HEDA has prepared such Business Subsidy Agreement, a copy of which is attached hereto; and

WHEREAS, the HEDA Commissioners have duly considered the following:

1. Increase in Tax Base. The net increase in property taxes estimated to be generated by the Project.
2. Compliance with Comprehensive or Other Plans. Whether the Project is more compatible with the comprehensive plan than other permitted uses for the property.
3. Design and/or Other Amenities. Whether, as a result of the business subsidy, the Project will include design and/or amenity features not otherwise required by law.
4. Utilization of Existing Infrastructure Investment. Whether and to what extent (a) the Project will utilize existing public infrastructure capacity and (b) the Project will require additional infrastructure improvements.
5. Leveraged Funds. The ratio of every dollar of business subsidy to be provided for the Project to, the amount of private funds which will be applied towards the cost of the Project.
6. Spin Off Development. The dollar amount of non-subsidized development the Project is expected to generate in the surrounding area and the need for and likelihood of such spin off development.

7. Community Services. Whether the Project will provide services in the City that are needed.

8. Other Factors. Such other factors as HEDA deemed relevant in evaluating the Project and the business subsidy proposed for it; and

WHEREAS, Developer has advised the Community Development Director that the Business Subsidy Agreement is acceptable to Developer; and

WHEREAS, the HEDA Commissioners have duly considered the Business Subsidy Agreement and believe that it is in the best interest of HEDA that the Business Subsidy Agreement be approved.

NOW, THEREFORE, BE IT RESOLVED by commissioners of HEDA as follows:

1. The Business Subsidy Agreement substantially in the form attached hereto is hereby approved.

2. The President and Secretary of HEDA are hereby authorized and directed to execute and deliver such Business Subsidy Agreement on behalf of the Hermantown Economic Development Authority.

The motion for the adoption of the foregoing resolution was duly seconded by HEDA Member _____ and, after full discussion thereof and upon a vote being taken thereon, the following HEDA Members voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this ____ day of _____, 2023.

HEDA Administrator

BUSINESS SUBSIDY AGREEMENT

BY

HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

(“GRANTOR”)

AND

BRETT KOLQUIST TRUCKING, LLC

(“RECIPIENT”)

Approved: _____

This document was drafted by:

Steven C. Overom
Overom Law, PLLC
802 Garfield Avenue, Suite 101
Duluth, Minnesota 55802
(218) 625-8460

BUSINESS SUBSIDY AGREEMENT

THIS BUSINESS SUBSIDY AGREEMENT made effective this ____ day of _____, 2023 by and among **Hermantown Economic Development Authority**, an economic development authority created under Chapter 469 of the Minnesota Statutes (“HEDA”) hereinafter referred to as the “Grantor”, having its offices at 5105 Maple Grove Road, Hermantown, Minnesota 55811 and **Brett Kolquist Trucking, LLC**, a Minnesota limited liability company, having its principal offices at 1954 Middle Lane, Duluth, MN 55811 (“Recipient”) is in response to the following situation:

A. HEDA, as Grantor, has the authority pursuant to Minnesota Statutes, Sections 469.124 through 469.133, inclusive, as amended to carry out development projects that provide a public benefit to the City.

B. Grantor, when providing financial assistance to projects that provide a public benefit to the City and to the State, is subject to the requirements of Minnesota Statutes, Sections 116J.993 to 116J.995, inclusive, as amended and is defined therein as a Grantor.

C. Grantor has established criteria to guide it in providing Business Subsidy (“Grantor’s Business Subsidy Criteria”).

D. Grantor is required by Section 116J.994, subdivision 3 of the Business Subsidy Act, and Grantor’s Business Subsidy Criteria to enter into this subsidy agreement to set forth the terms and conditions of the Business Subsidy (the “Business Subsidy Agreement”).

E. The Commissioners of HEDA (“Commissioners”) held a public hearing on _____, 2023 to consider this Agreement.

F. The Commissioners approved this Agreement on _____, 2023.

G. Recipient proposes to construct a 4,400 square foot building consisting of commercial office space, storage, vehicle maintenance facility and other infrastructure improvements on property located in the Hermantown Industrial Park and owned by HEDA.

H. Recipient is required by the Business Subsidy Act to set forth in this Subsidy Agreement its goals that will result from receipt of the Business Subsidy.

I. Grantor finds the Project will (i) promote industrial development which will attract individuals and families from outside the County of St. Louis, (ii) provide additional employment opportunities within the City, County, and State, (iii) generate spin-off economic vitality to the region, (iv) provide an increase in the real estate tax base, (v) provide the base for future development in the vicinity of the Project; and (vi) provide an increase in the sales tax base for the City and County.

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

THE AGREEMENT

Section 1. Definitions.

“Agreement” or “Subsidy Agreement” means this Business Subsidy Agreement.

“Benefit Date” means the date the Recipient receives the Business Subsidy.

“Business Subsidy” means the conveyance of the Property to Recipient by HEDA. The value of the Business Subsidy is \$.

“Business Subsidy Act” means Minnesota Statutes, Sections 116J.993 to 116J.995, inclusive, as hereinafter amended.

“City”, referred to under the Business Subsidy Law means the City of Hermantown.

“County”, means the County of St. Louis, Minnesota.

“DEED” means the Minnesota Department of Employment and Economic Development.

“Development Agreement” means that certain Development Agreement between Recipient and Grantor with respect to the development of the Project.

“Grantor” means HEDA.

“HEDA” means the Hermantown Economic Development Authority.

“Project” means the construction of a 4,400 square foot commercial office space, storage, vehicle maintenance facility and related infrastructure improvements on the Property as described on Exhibit A attached hereto.

“Property” means property located in the Hermantown Industrial Park owned by HEDA and legally described on Exhibit A attached hereto.

“Recipient” means Brett Kolquist Trucking, LLC, a Minnesota limited liability company.

“State” means the State of Minnesota.

Section 2. Subsidy Agreement Requirements.

2.1 Grantor and Recipient recognize and agree that the financial benefit of the conveyance of the Property is defined as a Business Subsidy under the Business Subsidy Act and is subject to the provisions thereof.

2.2 The public purposes of the Business Subsidy with respect to the Project is to (i) promote industrial development which will attract individuals and families from outside the County, (ii) provide additional employment opportunities within the City, County, and State, (iii) generate spin-off economic vitality to the region, (iv) provide an increase in the real estate tax base, (v) provide the base for future development in the vicinity of the Project; and (vi) provide an increase in the sales tax base for the City and County.

2.4 The goal of the Business Subsidy is to cause the Project to be constructed.

2.5 If the goals described in Section 2.4 are not met, the Recipient must make the payment described in Section 3 hereof.

2.6 Recipient has demonstrated to the satisfaction of HEDA that it is adequately financed and the Project will be completed in a timely fashion.

2.7 The Recipient agrees that it will continue operations in the jurisdiction where the subsidy is used for at least five years after the Benefit Date as required by the Business Subsidy Act, Minnesota Statutes Sections 116J.994 subd3(a)(6).

2.8 The Recipient has not previously received a Business Subsidy from Grantor and it has not failed to meet the terms of any business subsidy agreement as defined in the Business Subsidy Act and Recipient is eligible to receive a Business Subsidy under the Business Subsidy Act, Section 116J.994 sub6(c).

2.9 This Agreement fully meets the statutory requirements of the Business Subsidy Act and in the event that any provision of this Agreement is inconsistent or in conflict with any provision of the Business Subsidy Act, and any provision of the Business Subsidy Act provides additional requirements, the provisions of the Business Subsidy Act shall apply and govern.

2.10 Recipient's eligibility to receive a Business Subsidy has been verified by Grantor with DEED.

Section 3. Remedies.

If Recipient fails to meet the goals described in Section 2.4, then upon written notice delivered by Grantor to Recipient, Recipient must pay Grantor: (a) its "pro rata share" of the value of the Business Subsidy; plus (b) interest on such principal amount of the Business Subsidy at the implicit price deflator rate for government consumption expenditures and gross investment for local and state governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending June 30 of the previous year, accrued

from the Benefit Date to the date of payment. The term “pro rata share” means percentages calculated as follows:

(i) if the failure relates to maintenance of the business in accordance with Section 2.7, sixty (60) less the number of months of operation (where any month in which the business is in operation for at least fourteen (14) days constitutes a month of operation), commencing on the benefit date and ending on the date the business ceases operation as determined by HEDA, divided by sixty (60); and

In addition to the remedies described in this Section and any other remedy available to the Grantor for failure to meet the goals stated in Section 2.4, Recipient agrees and understands that it may not receive a Business Subsidy from the Grantor or any other grantor for a period of five years from the date of the failure or until Recipient satisfies its repayment obligation under this Section, whichever occurs first.

Section 4. Reports.

Recipient must submit to HEDA and City a written report substantially in the form of the one attached hereto as Exhibit B with respect to the Business Subsidy goals and results on the form attached hereto, by June 1 of each year, commencing June 1, 2024 and continuing until the later of (i) the date the goals stated Section 2.4 are met; or (ii) June 1, 2026; or (iii) if the goals are not met, the date the Business Subsidy is repaid in accordance with Section 3. Each report must comply with Section 116J.994, subdivision 7 of the Business Subsidy Act, as it may be amended from time to time.

If Recipient fails to timely file any report required under this Section, HEDA will mail the Recipient a warning within one week after the required filing date. If, after fourteen (14) days of the postmarked date of the warning, the Recipient fails to provide a report, the Recipient must pay to the Grantor a penalty in the amount set forth in the Business Subsidy Act.

A failure by HEDA City to provide such reports or warnings hereunder shall not affect HEDA’s rights under this Business Subsidy Agreement, the Agreement or any applicable law, rule or regulation.

Section 5. Attorney Fees.

If Grantor employs attorneys or incurs other expenses for the collection of payments due or for the enforcement or observance of any obligation or agreement on the part of Recipient under this Agreement or the Agreement, the Recipient agrees that it will, within ten (10) days of written demand by the HEDA, pay the reasonable fees of such attorneys and any other expenses so incurred by Grantor.

Section 6. Project Compliance Information. Recipient shall provide to Grantor any information reasonably requested or needed by Grantor to monitor Project implementation for compliance with Minnesota law and its guidelines.

Section 7. Nondiscrimination. The provisions of Minnesota Statutes, Section 181.59, which relate to civil rights and discrimination, shall be considered a part of this Agreement as though wholly set forth herein and the Recipient shall comply with each such provision throughout the term of this Agreement.

Section 8. Miscellaneous.

8.1 Choice of Law and Venue. This Agreement is made and shall be governed in all respects by the laws of the State. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the state or federal courts of the State, venued in St. Louis County, Minnesota if in State Court and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

8.2 Severability. Wherever possible, each provision of this Agreement and each related document shall be interpreted so that it is valid under applicable law. If any provision of this Agreement or any related document is to any extent found invalid by a court or other governmental entity of competent jurisdiction, that provision shall be ineffective only to the extent of such invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or any other related document.

8.3 Notice. All notices required hereunder shall be given by depositing in the U.S. mail, postage prepaid, certified mail, return receipt requested, to the following addresses (or such other addresses as either party may notify the other):

To Recipient: Brett Kolquist Trucking, LLC
 1954 Middle Lane
 Duluth, MN 55811
 Attn: Brett Kolquist
 Email: *brettkolquist@gmail.com*

To HEDA: Hermantown Economic Development Authority
 5105 Maple Grove Rd.
 Hermantown, MN 55811
 Attn: HEDA Administrator
 Email: *jmulder@hermantownmn.com*

With a copy to: Steven C. Overom
 Overom Law, PLLC
 802 Garfield Avenue, Suite 101
 Duluth, MN 55802
 Email: *soverom@overomlaw.com*

Any notice delivered by email shall request a receipt thereof confirmed by email or in writing by the recipient and followed by personal or mail delivery of such correspondence and any attachments as may be requested by the recipient, and the effective date of such notice shall be the date of receipt, provided such receipt has been confirmed by the recipient.

8.4 Entire Agreement. This Agreement is made pursuant to and as part of the Agreement. The Agreement, this Agreement and all other documents and agreements executed pursuant to the Agreement constitute the complete and exclusive statement of all mutual understandings between the parties with respect to the Project, superseding all prior or contemporaneous proposals, communications, and understandings, whether oral or written, pertaining to the subject matter of this Agreement.

8.5 Headings. The headings appearing at the beginning of the several sections contained in this Agreement have been inserted for identification and reference purposes only and shall not be used in the construction and interpretation of this Agreement.

8.6 Conflict of Interests; Representatives Not Individually Liable. No officer, employee or contractor of Grantor may acquire any financial interest, direct or indirect, in this Agreement, or in any contract related to the Project. No officer, agent, or employee of the Grantor shall be personally liable to the Recipient or any successor in interest in the event of any default or breach by Grantor or for any amount that may become due to Recipient or on any obligation or term of this Agreement.

8.7 Effect on Other Agreements. Nothing in this Agreement shall be construed to modify any term of any other agreement to which Grantor and Recipient are parties.

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

8.9 Agreement. Grantor shall have no obligations to provide a Business Subsidy to Recipient unless and until the Agreement has been entered into by the parties.

8.10 No Waiver. No remedy conferred upon or reserved to Grantor is intended to be inclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Business Subsidy Agreement, the Agreement or now or hereafter existing at law or in equity or by statute. Further no decision by Grantor to exercise any remedy or give it hereunder, under the Agreement or by statute shall constitute a waiver of any rights afforded Grantor upon any subsequent or continuing default, action or non-action by Recipient.

8.11 No Parent Corporation. There is no parent corporation of the Recipient.

8.12 Job Goals. The creation of jobs was not determined to be a goal of the Business Subsidy so there are no job goals within this Agreement.

IN WITNESS WHEREOF, the Hermantown Economic Development Authority has caused this Agreement to be duly executed in its name and behalf on or as of the date first above written.

Hermantown Economic Development Authority

By _____
Its President

And By _____
Its Secretary

[SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, Recipient has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

Brett Kolquist Trucking, LLC

By _____
Brett Kolquist, Owner and Operator

[END OF SIGNATURES]

EXHIBIT A
LEGAL DESCRIPTION

Lot 3 Block 2 MAPLE GROVE INDUSTRIAL CENTER

Certificate of Title No. 349655.0

Parcel Identification No. 395-0092-00160

EXHIBIT B

**Hermantown Economic
Development Authority**

5105 Maple Grove Road
Hermantown, MN 55811
Phone: 218-729-3600
Fax: 218-729-3620

**HERMANTOWN ECONOMIC
DEVELOPMENT AUTHORITY
Business Assistance
Recipient Report**

Section 1: Recipient Information

1.1. Name of business or organization receiving subsidy or financial assistance: _____	1.2. Address where business subsidy or financial assistance will be used Street address: _____ City, State, Zip Code: _____
1.3. Does the recipient have a parent corporation? (<i>Mark one.</i>) <input type="checkbox"/> Yes (<i>Indicate name and address of parent corporation below. If more than one, indicate ultimate owner.</i>) <input type="checkbox"/> No Name of parent corporation: _____ Street address: _____ City, State, Zip Code: _____	
1.4. Industry of recipient's facility (<i>Mark one.</i>): <input type="checkbox"/> Manufacturing <input type="checkbox"/> Services <input type="checkbox"/> Finance, Insurance, Real Estate <input type="checkbox"/> Retail Trade <input type="checkbox"/> Wholesale Trade <input type="checkbox"/> Construction <input type="checkbox"/> Other (<i>please specify</i>):	
1.5. Did the recipient relocate as a result of signing this agreement? (<i>Mark one.</i>) <input type="checkbox"/> Yes (<i>Indicate city and state of previous address and reason recipient did not complete this project at that address.</i>) <ul style="list-style-type: none">• City/State of previous address:• Reason project not completed at previous address:• Indicate total number of employees who ceased to be employed by recipient when the recipient relocated to become eligible for the business subsidy. # <input type="checkbox"/> No (<i>Go to Question 1.6.</i>)	
1.6. What would recipient have done without business subsidy or financial assistance? (<i>Mark one</i>): <input type="checkbox"/> Remain at previous location, but not expand at the location <input type="checkbox"/> Remain at previous location but expand at the location <input type="checkbox"/> Relocate to different Minnesota location <input type="checkbox"/> Relocated outside Minnesota <input type="checkbox"/> Other:	
1.6.1. Was the project a result of eminent domain? <input type="checkbox"/> Yes <input type="checkbox"/> No	

Section 2: Goals and Public Purpose Identified in the Agreement

2.1. Minn. Stat. §116J.994 requires that business subsidy and financial assistance agreements state a public purpose. Which of the following public purposes were stated in the agreement? (<i>Mark all that apply.</i>)	
<input type="checkbox"/> Enhancing economic diversity <input type="checkbox"/> Creating high-quality job growth <input type="checkbox"/> Job retention <input type="checkbox"/> Stabilizing the community	<input type="checkbox"/> Increasing tax base (cannot be only purpose) <input type="checkbox"/> Other (<i>please specify</i>): _____

2.2. Indicate whether the agreement included the following types of goals, and whether the recipient had attained those goals at the time of this report. (Fill in the boxes and attainment date(s) for each goal.)			
	Goals established?	Target attainment dates (month & year)	All goals attained?
A) Specific wage and job goals to be attained within 2 years	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No
B) Other job-creation and/or retention goals	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No
C) Other wage goals	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No
D) Goals other than wage and job goals	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No
2.5. Has the recipient achieved all goals (see Question 2.1 and 2.2) and fulfilled all obligations stipulated in the agreement (Mark one.)			
<input type="checkbox"/> Yes <input type="checkbox"/> No			


Section 3: Agreement Information

3.1. Total dollar value of business subsidy or financial assistance Please separate value by type in Questions 3.5 and 3.6.): _____	3.2. Date agreement signed (In addition to the agreement date, indicate any dates the agreement was amended.): _____
3.3. Benefit date (Indicate the date the recipient receives the business subsidy. If the subsidy involves physical equipment, then the benefit date is the date the equipment is placed into service. If the business subsidy involves property improvements, the benefit date is when the improvements are finished or when the business occupies the property): _____	
3.4. Does the agreement provide a business subsidy or one of the four types of financial assistance (see Question 3.6) required to be reported? (Mark one.)	
<input type="checkbox"/> business subsidy <input type="checkbox"/> financial assistance	
3.5. If the agreement provided a business subsidy, please indicate the type(s) and total dollar value for each type.	3.6. If the assistance was one of the four types of financial assistance, please indicate the type(s).
<input type="checkbox"/> not applicable, agreement provided financial assistance <input type="checkbox"/> loan (only principal) \$ _____ <input type="checkbox"/> grant (i.e., forgivable loan) \$ _____ <input type="checkbox"/> tax abatement \$ _____ <input type="checkbox"/> TIF or other tax reduction or deferral* \$ _____ <input type="checkbox"/> guarantee or payment \$ _____ <input type="checkbox"/> contribution of property or infrastructure \$ _____ <input type="checkbox"/> preferential use of governmental facilities \$ _____ <input type="checkbox"/> land contribution \$ _____ <input type="checkbox"/> other (Specify subsidy type.): \$ _____	<input type="checkbox"/> not applicable, agreement provided a business subsidy <input type="checkbox"/> assistance for property by contaminants \$ _____ <input type="checkbox"/> assistance for renovating building stock or bringing it up to code, and assistance provided for designated historic preservation districts, when 50 percent or less of total cost \$ _____ <input type="checkbox"/> assistance for pollution control or abatement \$ _____ <input type="checkbox"/> assistance for a TIF soils condition district \$ _____

<p>3.7. If the assistance included tax increment financing, please indicate the type of TIF district. <i>(Mark one.)</i></p> <p><input type="checkbox"/> not applicable, assistance was not in the form of TIF</p> <p><input type="checkbox"/> redevelopment</p> <p><input type="checkbox"/> renewal and renovation</p> <p><input type="checkbox"/> soils condition</p> <p><input type="checkbox"/> economic development</p> <p><input type="checkbox"/> mined underground space</p> <p><input type="checkbox"/> hazardous substance subdistrict</p> <p>3.7A. If assistance included JOBZ benefits, please indicate type of assistance. <i>(Mark all that apply and please also submit the JOBZ MBAF form.)</i></p> <p><input type="checkbox"/> JOBZ <input type="checkbox"/> JOBZ AgZone <input type="checkbox"/> Biozone</p>	<p>3.8. Are any other grantors providing a business subsidy or financial assistance to the same project? <i>(Mark one.)</i></p> <p><input type="checkbox"/> Yes <i>(Specify each grantor and the value of their assistance below; attach an additional sheet if necessary.)</i></p> <p>Grantor: _____ Value (\$): _____</p> <p>Grantor: _____ Value (\$): _____</p> <p><input type="checkbox"/> No</p>

Recipient Name:

Authorized Officer

HEDA MEETING DATE:		May 25, 2023	
TO:	HEDA Members		
FROM:	Eric Johnson, Community Development Director		
SUBJECT:	Brett Kolquist – Development Agreement		

RESOLUTION: 2023-03H **WORK SESSION** **OTHER:** Add Name

REQUESTED ACTION

Execute a Development Agreement between HEDA and Brett Kolquist of Brett Kolquist Trucking, LLC in order to obtain a 4.0 acre property located south of Lightning Drive, east of 4992 Lightning Drive.

BACKGROUND

The City Attorney prepared a Development Agreement outlining the requirements associated with the transfer of 4.0 acres of land between HEDA and Brett Kolquist of Brett Kolquist Trucking, LLC. The property is located south of Lightning Drive, east of 4992 Lightning Drive. and was identified as a potential site for his business relocation.

This Development Agreement, outlines the financial requirements, site improvements, and construction requirements associated with the development of the subject property leading to the transfer of the property from HEDA to Mr. Kolquist. In addition, this Agreement will allow for Mr. Kolquist to conduct site investigations needed for the development of site and building plans for the project.

SOURCE OF FUNDS (if applicable)

Deposit from Mr. Kolquist

ATTACHMENTS

- Resolution
- Location Map
- Concept Site Plan

Hermantown Economic Development Authority
Resolution No. 2023-03H

HEDA Commissioner _____ introduced the following resolution and moved its adoption:

**RESOLUTION APPROVING A DEVELOPMENT AGREEMENT
BETWEEN THE HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY
AND BRETT KOLQUIST TRUCKING, LLC**

WHEREAS, The Hermantown Economic Development Authority (“HEDA”) is the owner of real estate located within the Hermantown Industrial Park (“Property”); and

WHEREAS, Developer desires to construct commercial office and equipment space and other improvements on the Property (“Project”); and

WHEREAS, Developer has requested that the Property be conveyed as a business subsidy for the Project; and

WHEREAS, HEDA desires that Developer construct the Project and is willing to convey the Property to Developer subject to certain terms and conditions; and

WHEREAS, the Attorney for HEDA has prepared a Development Agreement (“Development Agreement”) with respect to the matters set forth above; and

WHEREAS, the HEDA Commissioners have reviewed the Development Agreement and hereby believe that it is in the best interests of HEDA that the Development Agreement be approved.

NOW THEREFORE, BE IT RESOLVED by the Commissioners of HEDA as follows:

1. The Development Agreement substantially in the form of the one attached hereto as Exhibit A is hereby approved.

The motion for the adoption of the foregoing resolution was duly seconded by HEDA Commissioner _____ and, after full discussion thereof and upon a vote being taken thereon, the following HEDA Members voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this _____ day of _____, 2023.

HEDA Administrator

DEVELOPMENT AGREEMENT
BY AND BETWEEN
BRETT KOLQUIST TRUCKING, LLC
AND
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

Dated as of the _____ day of _____, 2023

This document was drafted by:

Steven C. Overom
Overom Law, PLLC
802 Garfield Avenue, Suite 101
Duluth, Minnesota 55802
(218) 625-8460

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT is made on or as of the _____ day of _____, 2023, by and between **Hermantown Economic Development Authority**, an economic development authority, under the laws of the State of Minnesota, (“HEDA”) and **Brett Kolquist Trucking, LLC**, a Minnesota limited liability company, (“Developer”) is in response to the following situation:

A. HEDA owns real estate located at 4970 Lightning Drive in Hermantown, Minnesota and legally described on Exhibit A (“Property”).

B. Developer desires to acquire the Property for the purpose of constructing a 4,400 square foot building for the operation of Developer’s business, to store and maintain equipment of Developer used in connection with its business and to construct additional space for other commercial tenants (“Project”).

C. HEDA has agreed to convey the Property to Developer has agreed to accept the conveyance of the Property subject to the terms and provisions set forth herein.

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

ARTICLE I REPRESENTATIONS AND WARRANTIES

The Developer represents and warrants that:

1.1 In the event the Property is conveyed to Developer, Developer will construct, operate and maintain the building and improvements described on Exhibit 1.1 attached hereto (collectively referred to as “Improvements”) 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).

1.2 The Improvements constitute a permitted use under the zoning code of the City of Hermantown (“City”).

1.3 The Developer has reviewed all applicable local, state and federal environmental laws and regulations, including the National Environmental Policy Act of 1969 and the Minnesota Environmental Policy Act. The Developer has received no notice or communication from any local, state or federal official that the activities of the Developer pursuant to this Agreement may be or will be in violation of any environmental law or regulation. The Developer is aware of no facts, the existence of which would cause it to be in violation of any local, state or federal environmental law, regulation or review procedure or which would give any person a valid claim under the Minnesota Environmental Rights Act.

1.4 The Developer will use its best efforts to construct the Improvements in accordance with all local, state or federal energy-conservation laws or regulations.

1.5 The Developer will use its best efforts to obtain in a timely manner 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 Improvements may be lawfully constructed.

1.6 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 or any corporate restriction or any evidences of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which they are bound, or constitutes a default under any of the foregoing.

ARTICLE II CONVEYANCE OF PROPERTY

2.1 **Fair Market Value.** The fair market value of the Property is estimated to be _____ and No/100 Dollars (\$ _____).

2.2 **Business Subsidy.** HEDA has agreed to convey the Property as a business subsidy for the Project subject to the terms of this Development Agreement and a Business Subsidy Agreement executed by Developer and HEDA in the form of the one attached hereto as Exhibit 2.2.

2.3 **Conveyance of Property.** HEDA shall convey title to the Property by a Quit Claim Deed (“Deed”) in the form of the one attached hereto as Exhibit 2.3. The conveyance of the Property and Developer’s use of the Property shall be subject to all of the conditions, covenants, restrictions and limitations imposed by this Agreement. The conveyance of title to the Property and Developer’s use of the Property shall also be subject to the City’s building and zoning laws and ordinances and all other applicable local, state and federal laws and regulations whether now existing or hereafter created. The Deed shall be promptly recorded. Developer shall pay all costs for recording the Deed including any applicable deed tax.

2.4 **Public Hearing.** The Property conveyance contemplated herein is subject to a public hearing pursuant to State law. The required public hearing was held on May 25, 2023.

2.5 **Conditions to Conveyance.** HEDA’s obligation to convey the Property shall be subject to the delivery to HEDA by Developer of the following:

2.5.1 A Business Subsidy Agreement with HEDA in form and substance acceptable to HEDA.

2.5.2 Developer has provided proof of legally binding commitments in form and substance acceptable to HEDA that Developer has the financial resources necessary to complete the Project.

2.5.3 Developer has obtained access to the Property acceptable to both Developer and HEDA and has obtained all necessary zoning approvals from the City.

2.5.4 Developer has delivered an appraisal of the Property in form and substance acceptable to HEDA.

2.5.5 The conveyance of the Property will be made contemporaneously with a closing on the permanent financing for the Project.

ARTICLE III CONSTRUCTION OF IMPROVEMENTS

3.1 **Construction of Improvements.** The Developer agrees to construct the Improvements on the Property in accordance with the description of such Improvements attached hereto as Exhibit 1.1, in accordance with all applicable codes, regulations, laws, and statutes, and at all times operate and maintain, preserve and keep the Improvements or cause the Improvements to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair and condition.

3.2 **Commencement and Completion of Construction.** The Developer will commence construction of the Improvements by _____, **2023**. The Developer shall complete the construction of the Improvements by _____, **2024**. The Developer agrees for itself, its successors and assigns, and every successor in interest to the Land, or any party thereof, that the Developer, and such successors and assigns, shall diligently prosecute to completion the construction of the Improvements thereon, and that such construction shall, in any event, be completed within the period specified in this Section 3.2 of this Agreement. It is intended and agreed that such agreements and covenants shall be covenants running with the Land and that they shall, in any event, and without regard to technical classification or designation, legal or otherwise, and except only as otherwise specifically provided in the Agreement itself, be, to the fullest extent permitted by law and equity, binding for the benefit of HEDA and enforceable by HEDA against the Developer and successors and assigns. The obligations of Developer hereunder are subject to unavoidable delays, defined as delays which are the direct result of strikes, other labor troubles, natural disasters, adverse weather conditions, fire or other casualty, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, state or local governmental unit (other than the HEDA) which directly results in delays.

ARTICLE IV TAXES

HEDA makes no representation whatsoever with respect to the amount of real estate taxes payable by Developer from and after the date hereof or with respect to the classification of the Property and Improvements for real estate tax purposes.

**ARTICLE V
ASSIGNMENT AND TRANSFER**

5.1 **Representation as to Development.** The Developer represents and agrees that its undertakings pursuant to the Agreement, are, and will be, for the purpose of Development of the Property and not for speculation in land holding. The Developer further recognizes that, in view of (a) the importance of the development of the Property to the general welfare of the community; (b) the fact that any act or transaction involving or resulting in a change in the identity of the parties in control of the Developer is of particular concern to the community and HEDA. The Developer further recognizes that HEDA is entering into the Agreement with the Developer, and, in so doing, is willing to accept and rely on the obligations of the Developer for the faithful performance of all undertakings and covenants hereby by them to be performed.

5.2 **Prohibition Against Transfer of Property and Assignment of Agreement.** For the foregoing reasons, the Developer represents and agrees that, prior to the completion of the construction of the Improvements:

5.2.1 Except only by way of security for, and only for, the purpose of obtaining financing necessary to enable the Developer or any successor in interest to the Property or any part thereof, to perform their obligations with respect to making the Improvements under the Agreement, any other purpose authorized by the Agreement, the Developer (except as so authorized) has not made or created, and that they will not make or create, or suffer to be made or created, any total or partial sale, assignment, conveyance or lease, or any trust or power, or transfer in any other mode or form of, or with respect to, the Agreement or the Property or any part thereof or any interest therein, or any contract or agreement to do any of the same without the prior written approval of the HEDA.

5.2.2 HEDA shall be entitled to require, except as otherwise provided in the Agreement, as conditions to any such approval that:

5.2.2.1 Any proposed transferee shall have the qualifications and financial responsibility, as determined by HEDA, necessary and adequate to fulfill the obligations undertaken in the Agreement by the Developer (or, in the event the transfer is of or relates to part of the Property, such obligations to the extent that they relate to such part).

5.2.2.2 Any proposed transferee, by instrument in writing satisfactory to HEDA and in form recordable among the land records, shall, for itself and its successors and assigns, and expressly for the benefit of HEDA, has expressly assumed all of the obligations of the Developer under the Agreement and agreed to be subject to all the conditions and restrictions to which the Developer is subject (or, in the event the transfer is of or relates to part of the Property, such obligations, conditions and restrictions to the extent that they relate to such part).

5.2.2.3 The original Developer remains obligated to perform the obligations hereunder unless HEDA agrees otherwise in writing.

5.3 **Transfers without Substantive Change of Control.** HEDA may, in its sole discretion, waive the requirements of Section 5.2 hereof with respect to a specified transfer, assignment or lease, if it determines, in its sole discretion, that the specified transfer, assignment or lease does not, as a practical matter, result in or involve a significant change in the identity of the parties in control of Developer or the parties responsible for the performance of the obligations of Developer under this Agreement.

**ARTICLE VI
ADDITIONAL COVENANTS BY DEVELOPER**

Developer hereby covenants and agrees as follows:

6.1 To pay all of the cost of the Improvements and Project and indemnify and hold harmless HEDA from paying for any such costs.

6.2 To pay all costs and expenses incurred by HEDA in connection with this Agreement and the transactions contemplated hereby, including registered property certificate costs, deed tax, recording fees and professional fees for HEDA consultants Developer shall pay these costs at the closing.

6.3 To pay all required sewer connection fees, water connection fees, and permit fees prior to connection to City of Hermantown sewer and water service.

**ARTICLE VII
NO CLAIMS**

Developer represents and warrants to HEDA that neither Developer nor any agent, subcontractor or any other party affiliated with Developer has any existing claims or causes of action against HEDA in connection with the Development Agreement or the construction of the Project. Developer agrees to indemnify and hold harmless HEDA against any and all claims that may be brought at any time by any party whatsoever arising out of the construction of the Project, or the Development Agreement.

**ARTICLE VIII
PROFESSIONAL FEES**

At closing, Developer shall pay to HEDA all reasonable fees and expenses incurred by the HEDA in connection with the preparation of this Agreement and the administration and enforcement thereof, including, without limitation, reasonable attorney's fees and costs within thirty (30) days of the date HEDA mails an invoice to Developer for any reasonable amount required to be paid to HEDA by Developer pursuant to the Development Agreement. The City of Hermantown will not issue a Certificate of Occupancy for the Improvements unless all amounts billed to Developer by HEDA have been paid to HEDA by Developer.

**ARTICLE IX
NO APPROVAL OR ISSUANCE OF PERMITS**

Nothing herein shall be construed as a permit or approval by HEDA or the City of Hermantown or an agreement by HEDA or the City of Hermantown to issue or provide any permit or approval to Developer with respect to the construction of the Improvements or otherwise. Without limiting the generality of the foregoing, Developer acknowledges and agrees that even if it satisfies all of the requirements imposed on it under this Agreement that the Project may not be opened unless and until all other required permits are obtained by Developer from all relevant governmental agencies, including, without limitation, the Minnesota Department of Transportation, the State Plumbing Inspector, the U.S. Soil Conservation Service, Hermantown Planning and Zoning Commission, and the City of Hermantown Building Official.

**ARTICLE X
COMPLIANCE WITH ROAD REQUIREMENTS**

Developer agrees to comply at its sole cost and expense with all requirements imposed on the Project by any government entity for signage, dust control and/or cleaning of any adjacent public roadways.

**ARTICLE XI
LIMITATION OF PUBLIC UNDERTAKING**

It is hereby understood and agreed that the public undertakings and the public expenditures are limited to those undertakings and expressly set forth in this Agreement.

**ARTICLE XII
NOTICES**

All notices, certificates or other communications hereunder or under the Development Agreement shall be sufficiently given and shall be deemed given when mailed sent by U.S. Certified Mail to the following name and address:

If to Developer: Brett Kolquist Trucking, LLC
 1954 Middle Lane
 Duluth, MN 55811
 Attn: Brett Kolquist
 Email: *brettkolquist@gmail.com*

HEDA Hermantown Economic Development Authority
 5105 Maple Grove Rd.
 Hermantown, MN 55811
 Attn: HEDA Administrator
 Email: *jmulder@hermantownmn.com*

With a copy to: Steven C. Overom
Overom Law, PLLC
802 Garfield Avenue, Suite 101
Duluth, MN 55802
Email: *soverom@overomlaw.com*

Any notice delivered by email shall request a receipt thereof confirmed by email or in writing by the recipient and followed by personal or mail delivery of such correspondence and any attachments as may be requested by the recipient, and the effective date of such notice shall be the date of receipt, provided such receipt has been confirmed by the recipient.

ARTICLE XIII BINDING EFFECT

This Development Agreement shall inure to the benefit of and shall be binding upon the HEDA and Developer and their respective successors and assigns. This Development Agreement shall “run with the land” and either party hereto may record this Development Agreement with the appropriate land title recording office.

ARTICLE XIV AMENDMENTS, CHANGES, MODIFICATIONS

Neither this Development Agreement nor any other document to which Developer is a party, or which is made for the benefit of HEDA, relating to the transactions contemplated hereunder may be effectively amend, changed, modified, altered or terminated, nor may any provision be waived hereunder, except upon the written approval of HEDA or except as otherwise expressly set forth herein.

ARTICLE XV SEVERABILITY

In the event any provisions of this Development Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

ARTICLE XVI LIMITATION ON LIABILITY

No agreements or provisions contained in this Development Agreement nor any agreement, covenant or undertaking by the HEDA contained in any document executed by HEDA in connection with this Development Agreement and the transactions contemplated herein or therein, shall give rise to any pecuniary liability of HEDA or a charge against its general credit or taxing powers, or shall obligate HEDA financially in any way. No failure of HEDA to comply with any term, condition, covenant or agreement herein or under this Development Agreement shall subject HEDA to liability or claim for damages, costs or other financial or pecuniary charge. Nothing in this section shall

prevent Developer from seeking to enforce the specific performance of this Agreement by HEDA, however.

**ARTICLE XVII
LAWS GOVERNING**

This Development Agreement shall be interpreted in accordance with and governed by the laws of the State of Minnesota.

**ARTICLE XVIII
HEADINGS**

The titles of articles and sections herein are for convenience only and are not a part of this Development Agreement.

**ARTICLE XIX
DEFAULT**

If Developer fails to perform its obligations hereunder and such failure continues after ten (10) days notice of such default is given to Developer by HEDA, then, in that event, HEDA may take any one or more of the following actions:

19.1 Suspend its performance under this Development Agreement until it receives adequate assurances from Developer that Developer will cure the default and continue its performance under this Development Agreement.

19.2 Take whatever action, at law or in equity, which may appear necessary or desirable to HEDA to collect any payments due it hereunder including reasonable attorneys fees incurred in connection with such actions or under this Development Agreement, or to enforce performance and observance of any obligation, agreement or covenant of Developer under this Development Agreement.

No remedy herein conferred upon or reserved to HEDA is intended to be inclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Development Agreement now or hereafter existing at law or in equity or by statute.

**ARTICLE XX
REVESTING TITLE IN HEDA**

20.1 In the event that subsequent to the conveyance of the Property or any part thereof to Developer:

20.1.1 Developer (or successor in interest) shall fail to begin construction of the Improvements in conformity with this Agreement, and such failure to begin construction shall not be cured within thirty (30) days after written notice to do so; or

20.1.2 Developer (or successor in interest) shall, after commencement of the construction of the Improvements, default in or violate its obligations with respect to the construction of the Improvements (including the nature and the date for the completion thereof), or shall abandon or substantially suspend construction work, and any such default, violation, abandonment or suspension shall not be cured, ended or remedied within thirty (30) days after written demand by HEDA so to do or Developer shall not complete construction of all of the Improvements on or before _____, 2024, then HEDA shall have the option to re-enter and take possession of the Property and to terminate (and revert in HEDA) the estate conveyed by the Deed to Developer, it being the intent of this provision, together with other provisions of the Agreement, that the conveyance of the Property to Developer shall be made upon a condition subsequent to the effect that, in the event of any default on the part of Developer and failure on the part of Developer to remedy, end or abrogate such defaults within the period and in the manner stated in this Article XX, HEDA at its option, may declare a termination in favor of HEDA of the title, and of all the rights and interest in and to the Property conveyed to Developer and that such title and all rights and interests of Developer, and any assigns or successors in interest to and in the Property, shall revert to HEDA, but only if the events stated in this Article XX have not been cured within the time periods provided above, or if the events cannot be cured within such time periods, Developer does not provide assurances to HEDA, reasonably satisfactory to HEDA, that the events will be cured and will be cured as soon as reasonably possible.

20.2 **Mortgage Financing.** The option to revert title reserved to HEDA under Article XX of this Agreement shall be subordinate to any mortgagee of Developer.

20.3 **Payment of Purchase Price; Other Payments.** Upon HEDA becoming revested, pursuant to Section 20.1 hereof, with good and marketable title to the Property free and clear of all liens and encumbrances arising from any actions of Developer, Developer shall be relieved of any further obligations to HEDA under this Agreement. For purposes of this Section 20.3 the determination that HEDA has become revested with good and marketable title to the Property free and clear of all liens and encumbrances arising from any actions of Developer shall be made by the Attorney for HEDA.

20.4 **Certificate with Respect to Completion of Improvements.** HEDA shall execute and deliver to Developer an appropriate certificate in recordable form upon the completion of the construction of the Improvements by Developer in accordance with this Agreement. Such certificate shall be in form of the one attached hereto as Exhibit 20.4.

**ARTICLE XXI
COUNTERPARTS**

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

**ARTICLE XXII
CONFLICTS OF INTEREST**

No member, official or employee of HEDA shall have any personal interest, direct or indirect, in the Agreement, nor shall any such members, official or employee participate in any decision relating to the Agreement which affects his personal interests or the interest of any corporation, partnership or association in which he is, directly or indirectly, interested. No member, official or employee of HEDA shall be personally liable to the Developer or any successor in interest, in the event of any default or breach by HEDA for any amount which may become due to the Developer or successor or on any obligations under the terms of the Agreement.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, HEDA has caused this Agreement to be duly executed in its name and behalf on or as of the date first above written.

HEDA:

Hermantown Economic Development Authority

By _____
Its President

And By _____
Its Secretary

STATE OF MINNESOTA)
) ss.
COUNTY OF ST. ST. LOUIS)

This instrument was acknowledged before me on ____ day of _____, 2023, by _____ and _____, the President and Secretary, respectively, of Hermantown Economic Development Authority on behalf of the Hermantown Economic Development Authority, an economic development authority, under the laws of the State of Minnesota.

(Stamp)

(signature of notarial officer)

Title (and Rank): _____

My commission expires: _____
(month/day/year)

[SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, Developer has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

DEVELOPER:

Brett Kolquist Trucking, LLC

By _____
Brett Kolquist, Its Owner

STATE OF MINNESOTA)
) ss.
COUNTY OF ST. LOUIS)

This instrument was acknowledged before me on _____ day of _____, 2023, by Brett Kolquist, owner and operator of Brett Kolquist Trucking, LLC, and on behalf of Brett Kolquist Trucking, LLC, a Minnesota limited liability company.

(Stamp)

(signature of notarial officer)

Title (and Rank): _____

My commission expires: _____
(month/day/year)

[END OF SIGNATURES

**LIST OF EXHIBITS
TO DEVELOPMENT AGREEMENT
BETWEEN THE HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY
AND BRETT KOLQUIST TRUCKING, LLC**

<u>Exhibit A</u>	Property
<u>Exhibit 1.1</u>	Improvements
<u>Exhibit 2.3</u>	Quit Claim Deed
<u>Exhibit 20.4</u>	Certificate of Completion

EXHIBIT A
PROPERTY

Lot 3 Block 2 MAPLE GROVE INDUSTRIAL CENTER

Certificate of Title No. 349655.0

Parcel Identification No. 395-0092-00160

EXHIBIT 1.1
IMPROVEMENTS

Improvements Developer will be making to the Property will be as follows.

- Construct a 4,400 square foot building, to be used for commercial purposes in connection with Developer's contracting business.
- Facility will have approximately _____ square feet of office space.
- Facility with have approximately _____ square feet of equipment maintenance and repair ("workshop") space.
- Facility with have approximately _____ square feet of storage space.
- Facility with have approximately _____ square feet of rental space for commercial tenants.
- Property surrounding the building will consist of a paved driveway and parking lot with curbs and walkway in front of the building, with impervious surface and freight loading area at the rear of the building.
- Remaining grounds will consist of landscaping that ties in with the Stormwater Management Plan that has been filed with the City of Hermantown.
- No other site improvements are planned at this time.

EXHIBIT 2.3
QUIT CLAIM DEED

(Top 3 inches reserved for recording data)

QUIT CLAIM DEED

Business Entity to Business Entity

eCRV number: _____

DEED TAX DUE: \$ _____

DATE: _____, 2023

FOR VALUABLE CONSIDERATION, **Hermantown Economic Development Authority**, an economic development authority, under the laws of the State of Minnesota, ("Grantor") hereby conveys and quitclaims to **Brett Kolquist Trucking, LLC**, a Minnesota limited liability company, ("Grantee") real property in St. Louis County, Minnesota, legally described on Exhibit A attached hereto.

Check here if all or part of the described real property is Registered (Torrens)

together with all hereditaments and appurtenances belonging thereto.

The property herein and the interest conveyed by Grantor to Grantee hereunder is subject to a right of reverter granted to and retained by the Grantor under Article XX of that certain Development Agreement between Grantor and Grantee dated _____, 2023 and recorded on _____, 2023 as Document No. _____ with the St. Louis County Register of Titles Office of St. Louis County, Minnesota. The foregoing described right of reverter shall be deemed released, discharged and of no further force and effect upon the filing of a certificate from Grantor that such right of reverter has been terminated and released.

Check applicable box:

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

GRANTOR:

Hermantown Economic Development Authority

By: _____
Its President

By: _____
Its Secretary

State of Minnesota, County of St. Louis

This instrument was acknowledged before me on ____ day of _____, 2023, by _____ and _____, the President and Secretary, respectively, of Hermantown Economic Development Authority on behalf of the Hermantown Economic Development Authority, an economic development authority, under the laws of the State of Minnesota.

(Stamp)

(signature of notarial officer)

Title (and Rank): _____

My commission expires: _____
(month/day/year)

THIS INSTRUMENT WAS DRAFTED BY:
Steven C. Overom
Overom Law, PLLC
802 Garfield Avenue
Suite 101
Duluth, MN 55802

TAX STATEMENTS FOR THE REAL PROPERTY DESCRIBED IN THIS INSTRUMENT SHOULD BE SENT TO:
Brett Kolquist Trucking, LLC
4970 Lightning Drive
Hermantown, MN 55811
Attn: Brett Kolquist

EXHIBIT A
Legal Description

Lot 3 Block 2 MAPLE GROVE INDUSTRIAL CENTER

Certificate of Title No. 349655.0

Parcel Identification No. 395-0092-00160

EXHIBIT 20.4
CERTIFICATE OF COMPLETION

(Top 3 inches reserved for recording data)

CERTIFICATE OF COMPLETION

DATE: _____, 2023

The **Hermantown Economic Development Authority** ("HEDA") hereby certifies and declares that the right of reverter granted to and retained by HEDA under Article XX of that certain Development Agreement between HEDA and **Brett Kolquist Trucking, LLC** ("Developer"), dated _____, 2023, is hereby terminated and released with respect to the property located in St. Louis County Minnesota and legally described as follows:

Lot 3 Block 2 MAPLE GROVE INDUSTRIAL CENTER

The purpose of this Certificate is to release, discharge and make of no further force and effect the right of reverter described in the preceding paragraph and as such right of reverter is set forth in that certain Quit Claim Deed made by HEDA, as Grantor, to Developer, as Grantee, dated _____, 2023, and filed for record on _____, 2023 as Document No. _____ with respect to the property described herein with the St. Louis County Register of Titles Office of St. Louis County, Minnesota.

Check here if all or part of the described real property is Registered (Torrens)

[SIGNATURES APPEAR ON NEXT PAGE]

GRANTOR:

Hermantown Economic Development Authority

By: _____
Its President

By: _____
Its Secretary

State of Minnesota, County of St. Louis

This instrument was acknowledged before me on ____ day of _____, 2023, by _____ and _____, the President and Secretary, respectively, of Hermantown Economic Development Authority on behalf of the Hermantown Economic Development Authority, an economic development authority, under the laws of the State of Minnesota.


(Stamp)

(signature of notarial officer)

Title (and Rank): _____

My commission expires: _____
(month/day/year)

THIS INSTRUMENT WAS DRAFTED BY:
Steven C. Overom
Overom Law, PLLC
802 Garfield Avenue
Suite 101
Duluth, MN 55802

HEDA MEETING DATE:		May 25, 2023	
TO:	HEDA Members		
FROM:	John Mulder, City Administrator		
SUBJECT:	P & R Properties Business Subsidy Application		

RESOLUTION: 2023-04H WORK SESSION **OTHER:** Add Name

REQUESTED ACTION

Approve a preliminary development agreement with P & R Properties for the development at the former Engwall’s site at 4747 Hermantown Road.

BACKGROUND

In October 2022, HEDA approved several contracts in order to determine if the proposed P & R Properties “Greenhouse Developments” meets all of the requirements and is economically possible to provide a business subsidy. The City has engaged those consultants and worked with P & R Properties to review the proposal. At this point, we are confident that we can proceed with a business subsidy, pending an development application and all of the necessary regulatory reviews have been completed.

Included in the packet is a letter dated 5/17/2023 with all of the attachments which document the our due diligence in reviewing the project and the possibility of providing a business subsidy.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Letter dated 5/17/2023 with all attachments
 Resolution
 Preliminary Development Agreement

Hermantown Economic Development Authority

HEDA’s mission is to intentionally lead economic growth, creating a vibrant and prosperous community.

Hermantown Economic Development Authority
Resolution No. 2023-04H

HEDA Commissioner _____ introduced the following resolution and moved its adoption:

RESOLUTION REGARDING THE CREATION OF A REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT IN SUPPORT OF A PROPOSED 260-UNIT APARTMENT COMPLEX AT THE 15-ACRE ENGWALL'S GREENHOUSE SITE NORTH OF HERMANTOWN ROAD

BE IT RESOLVED by the Hermantown Economic Development Authority, Minnesota (the "HEDA"), as follows:

WHEREAS, the City of Hermantown (the "City") is a municipal corporation and a political subdivision duly organized and existing under the Constitution and laws of the State of Minnesota; and

WHEREAS, pursuant to the Constitution and laws of the State of Minnesota, particularly Minnesota Statutes, Sections 469.174 through 469.1799, as amended, the City is authorized to use tax increment financing to carry out the public purposes described therein and contemplated thereby; and

WHEREAS, a proposal has been made by P&R Development, LLC (the "Developer") to construct an approximately 260-unit two-phase/two-building apartment complex with parking and amenity spaces at 4747 Hermantown Road in the City, which project is to be known as The Greenhouse Development (the "Project"); and

WHEREAS, it is estimated that the tax increment generated from the proposed project could support approximately \$5,828,027 of eligible project costs plus interest at 4.50% for a total assistance of \$8,707,683 over 15 years; and

WHEREAS, the Project would be located on land that is currently owned by Saline Properties; and

WHEREAS, the Developer has submitted its development proposal to the City and HEDA is supportive of continuing further consideration of the Project; and

WHEREAS, HEDA wishes to support the Project and directs staff to work with the Developer to take the steps necessary to create a tax increment financing district for the Project.

WHEREAS, HEDA has caused the June 2023 Preliminary Development Agreement (“2023 PDA”) attached hereto as Exhibit A to be prepared by legal counsel and reviewed by the City Administrator and City staff and recommended that it be approved by HEDA.

NOW THEREFORE, BE IT RESOLVED, by the Commissioners of HEDA as follows:

1. HEDA supports the Project, and pending final determination of project eligibility, required reviews, public input, notices and hearings, and without surrendering its legislative discretion, hereby authorizes staff to proceed with the steps required to establish a tax increment financing district for the Project and approves the 2023 PDA.

2. That the HEDA Executive Director is authorized and directed to execute the 2023 PDA on behalf of HEDA.

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this ____ day of _____, 2023.

HEDA Administrator

EXHIBIT A
2023 PDA

JUNE 2023

PRELIMINARY DEVELOPMENT AGREEMENT

THIS PRELIMINARY DEVELOPMENT AGREEMENT dated as of ____ day of _____, 2023, by and between the **Hermantown Economic Development Authority**, an economic development authority created under Chapter 469 of the Minnesota Statutes, (“HEDA”) and **P & R Properties Twin Ports, LLC**, a Minnesota limited liability company (“Developer”) in response to the following situation:

A. Developer submitted to HEDA on September 22, 2022 an incomplete Application for Business Subsidy (“Application”) and a seven (7) page document entitled “The Greenhouse Development Proposal” for a project (“Greenhouse Project”) on certain real estate located at 4747 Hermantown Road within the City of Hermantown (“City”).

B. Developer has informed HEDA and the City that without financial assistance in the form of tax increment financing, as permitted under Minnesota law, the construction and operation of the Greenhouse Project set forth in the Proposal would not be economically feasible.

C. HEDA and the City desire to work with the Developer in an effort to refine the nature and scope of the Greenhouse Project and to determine the level of tax increment financing assistance, if any, that might be provided to the Developer in connection with the Greenhouse Project.

D. HEDA and the City have determined that in order to provide tax increment financing assistance in connection with the Greenhouse Project, it will be necessary for the City to create a tax increment district under Minnesota Statutes, §§ 469.170-469.178

E. Developer provided City and HEDA with a signed Inducement Agreement dated August 11, 2022 (“Inducement Agreement”) and provided City with a Five Thousand and No/100 Dollars (\$5,000.00) deposit pursuant to the Inducement Agreement.

F. HEDA, by Resolution No. 2022-10H, approved a Preliminary Development Agreement (“October 2022 PDA”) for the Greenhouse Project.

G. The October 2022 PDA was never signed.

H. City and HEDA took necessary actions and spent considerable amounts to review and analyze the Greenhouse Project.

I. Developer has requested that City and/or HEDA provide a preliminary approval of the Greenhouse Project.

J. Developer, HEDA and the City desire to set forth their understandings concerning the basis upon which each will proceed to formalize their participation in the Greenhouse Project, which participation is contingent upon further study and approval.

NOW, THEREFORE, Developer and the City do hereby agree as follows:

1. The terms and provisions of the Inducement Agreement continue and are incorporated into the terms of this Agreement.

2. HEDA shall proceed to review and analyze the Greenhouse Project to determine if tax increment financing is necessary and appropriate for the Greenhouse Project.

3. After review HEDA staff shall submit its recommendation to and City and request preliminary approval or disapproval of the Greenhouse Project.

4. If preliminary approval is recommended by HEDA and the City, HEDA and City will enter into negotiations with Developer to produce a definitive development agreement. Such development agreement will be submitted to HEDA and the City for final approval and shall contain the respective rights and duties of the parties subsequent to such approval. If a definitive development agreement is not agreed to between the parties by _____, 2023, neither Developer, HEDA nor the City shall have any further obligations under this Agreement, except as provided in Section 5.

5. Simultaneously with the execution of this Agreement, Developer agrees to pay the costs incurred by HEDA and City to review the Greenhouse Project to-date is as shown on Exhibit A attached hereto. The Five Thousand and No/100 Dollars (\$5,000.00) that was deposited with the City pursuant to the Inducement Agreement is included with the amount shown on Exhibit A attached hereto. Simultaneously with execution of this Preliminary Agreement, Developer has submitted an application fee of Seventeen Thousand Five Hundred and No/100 Dollars (\$17,500.00). The deposit will cover the following expected costs:

5.1. Five Thousand and No/100 Dollars (\$5,000.00) to compensate HEDA and City for staff time spent and to be spent reviewing the Greenhouse Project. This amount is non-refundable.

5.2. Two Thousand Five Hundred and No/100 Dollars (\$2,500.00) for bond counsel services from Fryberger, Buchanan, Smith & Frederick, P.A.

5.3. Five Thousand and No/100 Dollars (\$5,000.00) for fiscal consultant services from Ehlers and Associates, Inc.

5.4. City and HEDA will also incur attorneys' fees in connection with the consideration of the Greenhouse Project and document drafting by Overom Law, PLLC in an estimated amount of Five Thousand and No/100 Dollars (\$5,000.00).

The items described in section 5.1 through 5.4 are hereby referred to as “Consultant Costs”. The Consultant Costs specified in this Section are estimates only. Developer agrees that the actual amounts of the Consultant Costs incurred by HEDA and City in connection with the consideration of this Greenhouse Project will be paid from the amount deposited by the Developer, or if the amount of the deposit is not sufficient to pay the Consultant Costs in full by the Developer within fifteen (15) days of receiving an invoice for unpaid Consultant Costs from HEDA. If the amounts invoiced are not paid when due, then City and HEDA may discontinue further consideration of the Greenhouse Project.

In the event that the Developer or HEDA or the City determines that the Greenhouse Project is not feasible, the City shall refund any deposit remaining. No refund shall be made until all unpaid Consultant Costs are paid in full from the deposit. Any Consultant Costs not paid from the deposit will be required to be paid by Developer in accordance with Section 2 of the Inducement Agreement.

If the tax increment financing district is approved, and it is permitted by law, and there are sufficient TIF revenues to pay such costs in addition to Greenhouse Project development costs and costs to perform the items set forth in Section 6.1 below, HEDA and City shall allow the Developer to consider amounts paid to HEDA and City to review the application as eligible expenses that could be reimbursed by increment generated in the Greenhouse Project.

6. HEDA, City and Developer agree that the subsequent execution and implementation of a development agreement shall be subject to the following:

6.1. HEDA’s and City’s determination, in its sole discretion, that its undertakings under the Development Agreement are feasible based upon estimated tax increment revenues from the Greenhouse Project, are consistent with the purposes and objectives of HEDA and City and are in the best interests of HEDA and City. Developer’s undertaking under the Development Agreement will provide a trailhead building, trailhead parking, access drive through the property to Anderson Road, payment for costs of the sewer and water main extensions to Anderson Road, contributions needed for road improvements to Hermantown Road and future developments and amounts to cover City’s and HEDA’s ongoing costs to administer any TIF plan created for the Greenhouse Project.

6.2. The Developer’s determination, in its sole discretion, that the undertaking of the Greenhouse Project is economically feasible, and is in its best interest.

7. Nothing in this Agreement constitutes a commitment or agreement that the City or HEDA will enter into a development agreement to provide financial assistance to the Greenhouse Project. Neither City nor HEDA is legally permitted to incur any such obligations without the contractual arrangements being approved by the affirmative action of the City Council of the City of Hermantown and the affirmative vote of the Board of Commissioners of the Hermantown Economic Development Authority.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the Hermantown Economic Development Authority has caused this Agreement to be duly executed in its name and behalf on or as of the date first above written.

Hermantown Economic Development Authority

By _____
Its President

And By _____
Its Secretary

[SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, Developer has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

P & R Properties Twin Ports, LLC

By _____
Its _____

[END OF SIGNATURES]



May 17, 2023

*Transmitted Via Email
dante@prcompanies.net*

Dante Tomassoni
P&R Companies
PO Box 16958
Duluth, MN, 55816

RE: The Greenhouse Development
Property Address: 4747 Hermantown Road

Dear Dante:

It was good to catch up with you on Friday, May 5, 2023, to discuss your Greenhouse Project.

After our call, I reviewed the HEDA file and found that the enclosed Preliminary Development Agreement ("2022 PDA") that was approved by HEDA on October 27, 2022 had not been signed by P&R.

Even though P&R did not sign the 2022 PDA, the City/HEDA has spent considerable time and money in analyzing your Greenhouse Project. The work that the City/HEDA has done has resulted in the Site Plan and Sources and Uses of Funds for the Greenhouse Project, both of which are enclosed.

The Sources and Uses of Funds was previously shared with your consultant, Troon Davids of Colliers Mortgage, by Todd Hagen.

The City has expended the amounts identified on the invoice that is also enclosed in connection with its analysis and consideration of the Greenhouse Project ("Greenhouse Project Bill"). Please review and let me know if you have any questions with respect to it.

Your request for a Development Agreement is premature. We looked at other Development Agreements and a common element in all of these agreements is that the development project is defined. There has been no application for the Greenhouse Project so there is no defined project to use as the basis for a Development Agreement.

I am not unmindful of your need for a further show of support for the Greenhouse Project beyond what was provided by HEDA Resolution No. 2022-10H whereby HEDA approved the 2022 PDA.

In connection with this, I am proposing that I present the enclosed the HEDA Resolution Regarding the Creation of a Redevelopment Tax Increment District Financing District in Support of a Proposed 260-Unit Apartment Complex at the 15-Acre Engwall's Greenhouse Site North of Hermantown Road and June 2023 Preliminary Development Agreement ("2023 PDA") to the Hermantown Economic Development Authority at its meeting on May 25, 2023. Please review this and let me know if you have any questions.

Hermantown Economic Development Authority

HEDA's mission is to intentionally lead economic growth, creating a vibrant and prosperous community.

Dante, I will not, however, present the 2023 PDA to HEDA unless and until the Greenhouse Project Bill has been paid in full.

If HEDA approves the 2023 PDA it is expected that you will proceed with the development of the Greenhouse Project, including:

1. Acquire the land needed for the development of the Greenhouse Project.
2. Applying for a Commercial Industrial Development Permit.
3. Commencing the process to cause the preparation of an Environmental Assessment Worksheet.
4. Develop a Site Plan for the Greenhouse Project.
5. Develop plans and specifications for the Greenhouse Project.

As these matters move forward, you need to keep us advised so that when enough detail with regard to the Greenhouse Project is developed, we can begin the process of negotiating the terms of the definitive Contract for Private Re-Development with regard to the Greenhouse Project. In connection with this, I am providing you with a copy of the Contract for Private Re-Development that was entered into by HEDA, the City and Express Investors of Duluth, LLC with respect to the Holiday Inn development so you can see the types of provisions that are included in an agreement that I am of the mind we will have to do.

Dante, as you know, neither I nor any staff member or consultant can bind the City or HEDA to any action. The City or HEDA can only be bound by actions approved by them at their respective meetings.

Again, please review this letter and the information enclosed with this letter and let me know if you have any questions or wish to discuss further.

Sincerely,



John Mulder

Enclosure

cc: Todd Hagen
Eric Johnson
Joe Wicklund
Steven C. Overom

Hermantown Economic Development Authority

HEDA's mission is to intentionally lead economic growth, creating a vibrant and prosperous community.

Hermantown Economic Development Authority
Resolution No. 2022-10H

HEDA Commissioner Ronchetti introduced the following resolution and moved its adoption:

**RESOLUTION APPROVING A PRELIMINARY DEVELOPMENT AGREEMENT
BETWEEN P&R PROPERTIES TWIN PORTS, LLC AND THE HERMANTOWN
ECONOMIC DEVELOPMENT AUTHORITY**

WHEREAS, P & R Properties Twin Ports, LLC, the “Developer” submitted to HEDA on September 22, 2022 an incomplete Application for Business Subsidy (“Application”) and a seven (7) page document entitled “The Greenhouse Development Proposal” (“Proposal”) for a project on certain real estate located at 4747 Hermantown Road within the City of Hermantown (“City”).

WHEREAS, the Developer has informed HEDA and the City that without financial assistance in the form of tax increment financing, as permitted under Minnesota law, the construction and operation of the Project set forth in the Proposal would not be economically feasible.

WHEREAS, HEDA and the City desire to work with the Developer in an effort to refine the nature and scope of the Project and to determine the level of tax increment financing assistance, if any, that might be provided to the Developer in connection with the Project.

WHEREAS, HEDA and the City have determined that in order to provide tax increment financing assistance in connection with the Project, it will be necessary for the City to create a tax increment district under Minnesota Statutes, §§ 469.170-469.178

WHEREAS, the Developer provided City and HEDA with a signed Inducement Agreement dated August 11, 2022 (“Inducement Agreement”) and provided City with a Five Thousand and No/100 Dollars (\$5,000.00) deposit pursuant to the Inducement Agreement.

WHEREAS, the Developer, HEDA and the City desire to set forth their understandings concerning the basis upon which each will proceed to formalize their participation in the Project, which participation is contingent upon further study and approval.

NOW THEREFORE, BE IT RESOLVED by the Commissioners of HEDA as follows:

1. The Preliminary Development Agreement substantially in the form of the one attached hereto as Exhibit A is hereby approved.

The motion for the adoption of the foregoing resolution was duly seconded by HEDA Commissioner Haapanen after full discussion thereof and upon a vote being taken thereon, the following HEDA Members voted in favor thereof:

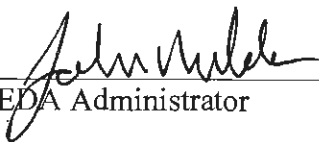
Hauschild, Ronchetti, Haapanen, and Chair Boucher

and the following voted against the same:

None (Commissioner Geissler abstained and Commissioner Nelson was absent.)

Whereupon said resolution was declared duly passed and adopted.

Dated this 27th day of October, 2022.



HEDA Administrator

EXHIBIT A

OCTOBER 2022 PDA

PRELIMINARY DEVELOPMENT AGREEMENT

THIS PRELIMINARY DEVELOPMENT AGREEMENT dated as of ____ day of _____, 2022, by and between the **Hermantown Economic Development Authority**, an economic development authority created under Chapter 469 of the Minnesota Statutes, (“HEDA”) and **P & R Properties Twin Ports, LLC**, a Minnesota limited liability company (“Developer”) in response to the following situation:

A. Developer submitted to HEDA on September 22, 2022 an incomplete Application for Business Subsidy (“Application”) and a seven (7) page document entitled “The Greenhouse Development Proposal” (“Proposal”) for a project on certain real estate located at 4747 Hermantown Road within the City of Hermantown (“City”).

B. Developer has informed HEDA and the City that without financial assistance in the form of tax increment financing, as permitted under Minnesota law, the construction and operation of the Project set forth in the Proposal would not be economically feasible.

C. HEDA and the City desire to work with the Developer in an effort to refine the nature and scope of the Project and to determine the level of tax increment financing assistance, if any, that might be provided to the Developer in connection with the Project.

D. HEDA and the City have determined that in order to provide tax increment financing assistance in connection with the Project, it will be necessary for the City to create a tax increment district under Minnesota Statutes, §§ 469.170-469.178

E. Developer provided City and HEDA with a signed Inducement Agreement dated August 11, 2022 (“Inducement Agreement”) and provided City with a Five Thousand and No/100 Dollars (\$5,000.00) deposit pursuant to the Inducement Agreement.

F. Developer, HEDA and the City desire to set forth their understandings concerning the basis upon which each will proceed to formalize their participation in the Project, which participation is contingent upon further study and approval.

NOW, THEREFORE, Developer and the City do hereby agree as follows:

1. The terms and provisions of the Inducement Agreement continue and are incorporated into the terms of this Agreement.

2. HEDA shall proceed to review and analyze the Proposal to determine if tax increment financing is necessary and appropriate for the Project.

3. After review HEDA staff shall submit its recommendation to and City and request preliminary approval or disapproval of the Project.

4. If preliminary approval is recommended by HEDA and the City, HEDA and City will enter into negotiations with Developer to produce a development agreement. Such development agreement will be submitted to HEDA and the City for final approval and shall contain the respective rights and duties of the parties subsequent to such approval. If a development agreement is not agreed to between the parties by March 31, 2023, neither Developer, HEDA nor the City shall have any further obligations under this Agreement, except as provided in Section 5.

5. The Developer agrees to pay the costs incurred by HEDA and City to review the Project. Simultaneously with execution of this Preliminary Agreement, Developer has submitted an application fee of Thirty-Five Thousand and No/100 Dollars (\$35,000.00). This amount includes the Five Thousand and No/100 Dollars (\$5,000.00) deposited with City pursuant to the Inducement Agreement. The deposit will cover the following costs:

5.1. Five Thousand and No/100 Dollars (\$5,000.00) to compensate HEDA and City for staff time spent and to be spent in reviewing the Project. This amount is non-refundable

5.2. HEDA will contract with LHB Engineers & Architects Inc. (“LHB”) for an analysis of the Project to determine if it meets the requirements for a Redevelopment TIF District. The LHB contract amount is Twelve Thousand Five Hundred and No/100 Dollars (\$12,500.00).

5.3. HEDA and City have received estimates of costs for bond counsel services from Fryberger, Buchanan, Smith & Frederick, P.A. in the estimated amount of Two Thousand Five Hundred and No/100 Dollars (\$2,500.00) and fiscal consultant services from Ehlers and Associates, Inc. in the estimated amount of Ten Thousand Five Hundred and No/100 Dollars (\$10,500.00).

5.4. City and HEDA will also incur attorneys’ fees in connection with the consideration of the Project and document drafting by Overom Law, PLLC in an estimated amount of Four Thousand Five Hundred and No/100 Dollars (\$4,500.00).

The items described in section 5.2 through 5.4 are hereby referred to as “Consultant Costs”. The Consultant Costs specified in this Section are estimates only. Developer agrees that the actual amounts of the Consultant Costs incurred by HEDA and City in connection with the consideration of this Project will be paid from the amount deposited by the Developer, or if the amount of the deposit is not sufficient to pay the Consultant Costs in full by the Developer within fifteen (15) days of receiving an invoice for unpaid Consultant Costs from HEDA.

In the event that the Developer or HEDA or the City determines that the Project is not feasible, the City shall refund any deposit remaining. No refund shall be made until all unpaid Consultant Costs are paid in full from the deposit. Any Consultant Costs not paid from the deposit will be required to be paid by Developer in accordance with Section 2 of the Inducement Agreement.

If the tax increment financing district is approved, and it is permitted by law, and there are sufficient TIF revenues to pay such costs in addition to project development costs and costs to perform the items set forth in Section 6.1 below, HEDA and City shall allow the Developer to consider amounts paid to HEDA and City to review the application as eligible expenses that could be reimbursed by increment generated in the Project.

6. HEDA, City and Developer agree that the subsequent execution and implementation of a development agreement shall be subject to the following:

6.1. HEDA's and City's determination, in its sole discretion, that its undertakings under the Development Agreement are feasible based upon estimated tax increment revenues from the Project, are consistent with the purposes and objectives of HEDA and City and are in the best interests of HEDA and City. Developer's undertaking under the Development Agreement will provide a trailhead building, trailhead parking, access drive through the property to Anderson Road, payment for costs of the sewer and water main extensions to Anderson Road, contributions needed for road improvements to Hermantown Road and Anderson Road and future developments and amounts to cover City's and HEDA's ongoing costs to administer any TIF plan created for the Project.

6.2. The Developer's determination, in its sole discretion, that the undertaking of the Project is economically feasible, and is in its best interest.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the Hermantown Economic Development Authority has caused this Agreement to be duly executed in its name and behalf on or as of the date first above written.

Hermantown Economic Development Authority

By _____
Its President

And By _____
Its Secretary

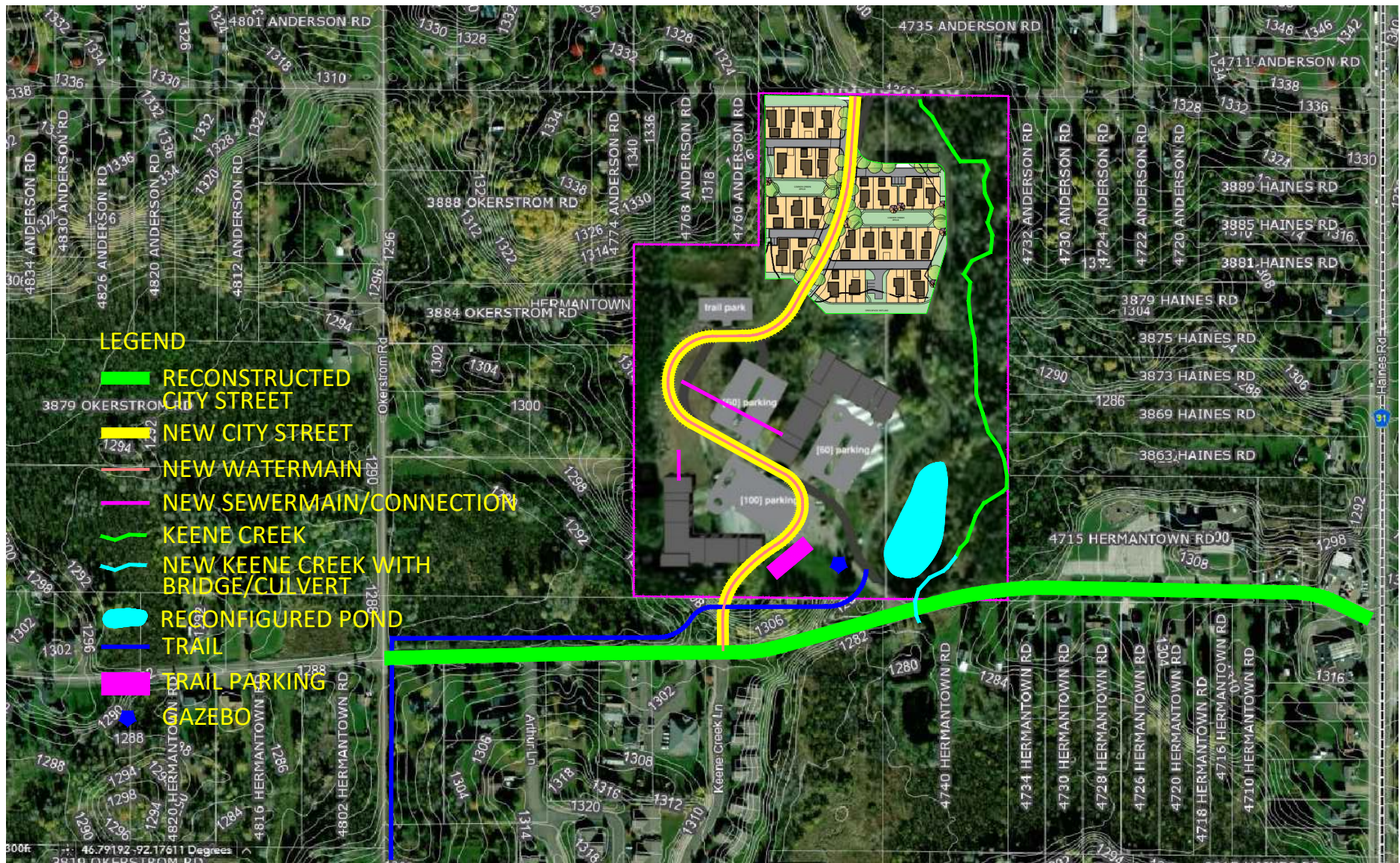
[SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, Developer has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

P & R Properties Twin Ports, LLC

By _____
Its _____

[END OF SIGNATURES]



LEGEND

- █ RECONSTRUCTED CITY STREET
- █ NEW CITY STREET
- █ NEW WATERMAIN
- █ NEW SEWERMAIN/CONNECTION
- ~ KEENE CREEK
- ~ NEW KEENE CREEK WITH BRIDGE/CULVERT
- RECONFIGURED POND
- █ TRAIL
- █ TRAIL PARKING
- GAZEBO

300F
 46.79192 -92.17611 Degrees
 3819 OKERSTROM RD

**P&R HOUSING DEVELOPMENT
A/K/A THE GREENHOUSE**

SOURCES AND USES

Sources of Funds				
	P&R Present Value	P&R Cash Flow	Total Present Value	Total Future Cash Flow
Phase I TIF	\$3,417,626.00	\$5,106,202.00	\$4,485,303.00	\$6,875,200.00
Phase II TIF	\$2,410,401.00	\$3,601,481.00	\$3,415,370.00	\$5,266,701.00
Phase III TIF			\$1,085,427.00	\$1,850,660.00
Total TIF Present Value			\$8,986,100.00	
Grant	\$1,000,000.00			
Sales Tax	\$718,750.00			
Total Sources			\$10,704,850.00	

Total Present Value = P&R present value for fifteen years plus City present value for twenty years

Total Cash Flow = P&R cash flow for fifteen years plus City cash flow for twenty years

Phase III = Present value and cash flow for twenty years

Uses of Funds	
Hermantown Road	
Grant:	\$1,000,000.00
Phase I TIF:	\$1,067,677.00
Phase II TIF:	<u>\$251,073.00</u>
Total:	\$2,318,750.00
New City Street	
Phase III TIF:	\$937,500.00
Waterline	
Sales Tax:	\$281,250.00
Sanitary Sewer	
Phase II TIF:	\$75,000.00
Stormwater	
Phase II TIF:	\$312,500.00
Trail	
Sales Tax:	\$312,500.00
Trail Parking Lot	
Sales Tax:	\$62,500.00
Gazebo	
Sales Tax:	\$62,500.00
Contingency	
	\$514,323.00
Total City Costs:	\$4,876,823.00
P&R	
TIF Eligible Expense Reimbursement*:	\$5,828,027.00
Total Project Costs:	\$10,704,850.00

**Present value of TIF Payment Stream of \$8,707,683.00*

Summary	
Phase I TIF	
P&R Reimbursement	\$3,417,626.00
Hermantown Road	<u>\$1,067,677.00</u>
Total:	\$4,485,303.00
Phase II TIF	
Hermantown Road	\$251,073.00
Sanitary Sewer	\$75,000.00
Stormwater	\$312,500.00
P&R Reimbursement	\$2,410,401.00
Contingency:	<u>\$366,391.00</u>
Total:	\$3,415,365.00
Phase III TIF	
City Street	\$937,500.00
Contingency	<u>\$147,927.00</u>
Total	\$1,085,427.00
Federal Grant	
Hermantown Road	\$1,000,000.00
Sales Tax	
Waterline	\$281,250.00
Trail	\$312,500.00
Trail Parking Lot	\$62,500.00
Gazebo	<u>\$62,500.00</u>
Total:	\$718,750.00



P&R Housing Development a/k/a The Greenhouse - New TIF District w/Inflation

City of Hermantown, Minnesota

Redevelopment of Engwall's floral site into approximately 148 units of market-rate apartments (Phase 1 ONLY)

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.38%	City Admin. at 1%	City Bonds at 20%	P&R at 79%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
																02/01/25
																08/01/25
																02/01/26
100%	282,325	(4,642)	-	277,683	144.951%	402,532	201,266	(725)	(2,005)	(40,108)	(158,428)	-	-	0.5	2025	08/01/26
							201,266	(725)	(2,005)	(40,108)	(158,428)	-	-	1	2026	02/01/27
100%	285,148	(4,642)	-	280,506	144.961%	406,825	203,312	(732)	(2,026)	(40,516)	(160,039)	-	-	1.5	2027	08/01/27
							203,312	(732)	(2,026)	(40,516)	(160,039)	-	-	2	2027	02/01/28
100%	288,000	(4,642)	-	283,358	144.961%	410,758	205,379	(739)	(2,046)	(40,928)	(161,665)	-	-	2.5	2028	08/01/28
							205,379	(739)	(2,046)	(40,928)	(161,665)	-	-	3	2028	02/01/29
100%	290,880	(4,642)	-	286,238	144.981%	414,833	207,467	(747)	(2,067)	(41,344)	(163,308)	-	-	3.5	2029	08/01/29
							207,467	(747)	(2,067)	(41,344)	(163,308)	-	-	4	2029	02/01/30
100%	293,789	(4,642)	-	289,147	144.961%	419,150	209,575	(754)	(2,088)	(41,764)	(164,968)	-	-	4.5	2030	08/01/30
							209,575	(754)	(2,088)	(41,764)	(164,968)	-	-	5	2030	02/01/31
100%	296,726	(4,642)	-	292,085	144.961%	423,409	211,704	(762)	(2,109)	(42,188)	(166,644)	-	-	5.5	2031	08/01/31
							211,704	(762)	(2,109)	(42,188)	(166,644)	-	-	6	2031	02/01/32
100%	299,694	(4,642)	-	295,052	144.961%	427,710	213,855	(770)	(2,131)	(42,617)	(168,337)	-	-	6.5	2032	08/01/32
							213,855	(770)	(2,131)	(42,617)	(168,337)	-	-	7	2032	02/01/33
100%	302,691	(4,642)	-	298,049	144.961%	432,054	216,027	(778)	(2,152)	(43,050)	(170,047)	-	-	7.5	2033	08/01/33
							216,027	(778)	(2,152)	(43,050)	(170,047)	-	-	8	2033	02/01/34
100%	305,718	(4,642)	-	301,076	144.961%	436,442	218,221	(786)	(2,174)	(43,487)	(171,774)	-	-	8.5	2034	08/01/34
							218,221	(786)	(2,174)	(43,487)	(171,774)	-	-	9	2034	02/01/35
100%	308,775	(4,642)	-	304,133	144.961%	440,874	220,437	(794)	(2,196)	(43,928)	(173,518)	-	-	9.5	2035	08/01/35
							220,437	(794)	(2,196)	(43,928)	(173,518)	-	-	10	2035	02/01/36
100%	311,862	(4,642)	-	307,221	144.961%	445,350	222,675	(802)	(2,219)	(44,375)	(175,280)	-	-	10.5	2036	08/01/36
							222,675	(802)	(2,219)	(44,375)	(175,280)	-	-	11	2036	02/01/37
100%	314,981	(4,642)	-	310,339	144.961%	449,871	224,935	(810)	(2,241)	(44,825)	(177,059)	-	-	11.5	2037	08/01/37
							224,935	(810)	(2,241)	(44,825)	(177,059)	-	-	12	2037	02/01/38
100%	318,131	(4,642)	-	313,489	144.961%	454,437	227,218	(818)	(2,264)	(45,280)	(178,856)	-	-	12.5	2038	08/01/38
							227,218	(818)	(2,264)	(45,280)	(178,856)	-	-	13	2038	02/01/39
100%	321,312	(4,642)	-	316,670	144.961%	459,048	229,524	(826)	(2,287)	(45,740)	(180,671)	-	-	13.5	2039	08/01/39
							229,524	(826)	(2,287)	(45,740)	(180,671)	-	-	14	2039	02/01/40
100%	324,525	(4,642)	-	319,883	144.961%	463,706	231,853	(835)	(2,310)	(46,204)	(182,505)	-	-	14.5	2040	08/01/40
							231,853	(835)	(2,310)	(46,204)	(182,505)	-	-	15	2040	02/01/41
100%	327,771	(4,642)	-	323,129	144.961%	468,411	234,205	(843)	(2,334)	(46,672)	-	-	-	15.5	2041	08/01/41
							234,205	(843)	(2,334)	(46,672)	-	-	-	16	2041	02/01/42
100%	331,048	(4,642)	-	326,406	144.951%	473,162	236,581	(852)	(2,357)	(47,146)	-	-	-	16.5	2042	08/01/42
							236,581	(852)	(2,357)	(47,146)	-	-	-	17	2042	02/01/43
100%	334,369	(4,642)	-	329,717	144.961%	477,961	238,980	(860)	(2,381)	(47,624)	-	-	-	17.5	2043	08/01/43
							238,980	(860)	(2,381)	(47,624)	-	-	-	18	2043	02/01/44
100%	337,702	(4,642)	-	333,060	144.961%	482,808	241,404	(869)	(2,405)	(48,107)	-	-	-	18.5	2044	08/01/44
							241,404	(869)	(2,405)	(48,107)	-	-	-	19	2044	02/01/45
100%	341,079	(4,642)	-	336,437	144.961%	487,703	243,852	(878)	(2,430)	(48,595)	-	-	-	19.5	2045	08/01/45
							243,852	(878)	(2,430)	(48,595)	-	-	-	20	2045	02/01/46
Total							3,878,945	(31,967)	(88,480)	(1,768,958)	(5,106,202)					
				Present Value From 08/01/2024	Present Value Rate 4.50%		5,357,872	(19,288)	(53,384)	(1,067,677)	(3,417,626)					



P&R Housing Development a/k/a The Greenhouse - New TIF District w/Inflation

City of Hermantown, Minnesota

Redevelopment of Engwall's floral site into approximately 148 units of market-rate apartments (Phase 1 ONLY)

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	City Admin. at 1%	City Bonds at 20%	P&R at 79%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
							-	-	-	-	-	-	-			02/01/25
							-	-	-	-	-	-	-			08/01/25
							-	-	-	-	-	-	-			02/01/26
100%	282,325	(4,642)	-	277,683	144.961%	402,532	201,266	(725)	(2,005)	(40,108)	(158,428)	-	-	0.5	2026	08/01/26
							201,266	(725)	(2,005)	(40,108)	(158,428)	-	-	1	2026	02/01/27
100%	285,148	(4,642)	-	280,506	144.961%	406,625	203,312	(732)	(2,026)	(40,516)	(160,039)	-	-	1.5	2027	08/01/27
							203,312	(732)	(2,026)	(40,516)	(160,039)	-	-	2	2027	02/01/28
100%	288,000	(4,642)	-	283,358	144.961%	410,758	205,379	(739)	(2,046)	(40,928)	(161,665)	-	-	2.5	2028	08/01/28
							205,379	(739)	(2,046)	(40,928)	(161,665)	-	-	3	2028	02/01/29
100%	290,880	(4,642)	-	286,238	144.961%	414,933	207,467	(747)	(2,067)	(41,344)	(163,309)	-	-	3.5	2029	08/01/29
							207,467	(747)	(2,067)	(41,344)	(163,309)	-	-	4	2029	02/01/30
100%	293,789	(4,642)	-	289,147	144.961%	419,150	209,575	(754)	(2,088)	(41,764)	(164,968)	-	-	4.5	2030	08/01/30
							209,575	(754)	(2,088)	(41,764)	(164,968)	-	-	5	2030	02/01/31
100%	296,726	(4,642)	-	292,085	144.961%	423,409	211,704	(762)	(2,109)	(42,188)	(166,644)	-	-	5.5	2031	08/01/31
							211,704	(762)	(2,109)	(42,188)	(166,644)	-	-	6	2031	02/01/32
100%	299,694	(4,642)	-	295,052	144.961%	427,710	213,855	(770)	(2,131)	(42,617)	(168,337)	-	-	6.5	2032	08/01/32
							213,855	(770)	(2,131)	(42,617)	(168,337)	-	-	7	2032	02/01/33
100%	302,691	(4,642)	-	298,049	144.961%	432,054	216,027	(778)	(2,152)	(43,050)	(170,047)	-	-	7.5	2033	08/01/33
							216,027	(778)	(2,152)	(43,050)	(170,047)	-	-	8	2033	02/01/34
100%	305,718	(4,642)	-	301,076	144.961%	436,442	218,221	(786)	(2,174)	(43,487)	(171,774)	-	-	8.5	2034	08/01/34
							218,221	(786)	(2,174)	(43,487)	(171,774)	-	-	9	2034	02/01/35
100%	308,775	(4,642)	-	304,133	144.961%	440,874	220,437	(794)	(2,196)	(43,929)	(173,518)	-	-	9.5	2035	08/01/35
							220,437	(794)	(2,196)	(43,929)	(173,518)	-	-	10	2035	02/01/36
100%	311,862	(4,642)	-	307,221	144.961%	445,350	222,675	(802)	(2,219)	(44,375)	(175,280)	-	-	10.5	2036	08/01/36
							222,675	(802)	(2,219)	(44,375)	(175,280)	-	-	11	2036	02/01/37
100%	314,981	(4,642)	-	310,339	144.961%	449,871	224,935	(810)	(2,241)	(44,825)	(177,059)	-	-	11.5	2037	08/01/37
							224,935	(810)	(2,241)	(44,825)	(177,059)	-	-	12	2037	02/01/38
100%	318,131	(4,642)	-	313,489	144.961%	454,437	227,218	(818)	(2,264)	(45,280)	(178,856)	-	-	12.5	2038	08/01/38
							227,218	(818)	(2,264)	(45,280)	(178,856)	-	-	13	2038	02/01/39
100%	321,312	(4,642)	-	316,670	144.961%	459,048	229,524	(826)	(2,287)	(45,740)	(180,671)	-	-	13.5	2039	08/01/39
							229,524	(826)	(2,287)	(45,740)	(180,671)	-	-	14	2039	02/01/40
100%	324,525	(4,642)	-	319,883	144.961%	463,706	231,853	(835)	(2,310)	(46,204)	(182,505)	-	-	14.5	2040	08/01/40
							231,853	(835)	(2,310)	(46,204)	(182,505)	-	-	15	2040	02/01/41
100%	327,771	(4,642)	-	323,129	144.961%	468,411	234,205	(843)	(2,334)	(46,672)	-	-	-	15.5	2041	08/01/41
							234,205	(843)	(2,334)	(46,672)	-	-	-	16	2041	02/01/42
100%	331,048	(4,642)	-	326,406	144.961%	473,162	236,581	(852)	(2,357)	(47,146)	-	-	-	16.5	2042	08/01/42
							236,581	(852)	(2,357)	(47,146)	-	-	-	17	2042	02/01/43
100%	334,359	(4,642)	-	329,717	144.961%	477,961	238,980	(860)	(2,381)	(47,624)	-	-	-	17.5	2043	08/01/43
							238,980	(860)	(2,381)	(47,624)	-	-	-	18	2043	02/01/44
100%	337,702	(4,642)	-	333,060	144.961%	482,808	241,404	(869)	(2,405)	(48,107)	-	-	-	18.5	2044	08/01/44
							241,404	(869)	(2,405)	(48,107)	-	-	-	19	2044	02/01/45
100%	341,079	(4,642)	-	336,437	144.961%	487,703	243,852	(878)	(2,430)	(48,595)	-	-	-	19.5	2045	08/01/45
							243,852	(878)	(2,430)	(48,595)	-	-	-	20	2045	02/01/46
Total							8,876,945	(31,957)	(88,450)	(1,768,998)	(5,106,202)	-	-			
				Present Value From 08/01/2024	Present Value Rate	4.50%	5,357,672	(19,288)	(53,384)	(1,067,677)	(3,417,626)	-	-			



P&R Housing Development a/k/a The Greenhouse - New TIF District w/Inflation

City of Hermantown, Minnesota

Redevelopment of Engwall's floral site into approximately 112 units of market-rate apartments (Phase 2 ONLY)

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	City Admin. at 1%	City Bonds at 25%	P&R at 74%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
							-	-	-	-	-	-	-			02/01/26
							-	-	-	-	-	-	-			08/01/26
							-	-	-	-	-	-	-			02/01/27
100%	213,651	(4,642)	-	209,009	144.961%	302,982	151,491	(545)	(1,509)	(37,736)	(111,700)	-	-	0.5	2027	08/01/27
							151,491	(545)	(1,509)	(37,736)	(111,700)	-	-	1	2027	02/01/28
100%	215,788	(4,642)	-	211,146	144.961%	306,079	153,040	(551)	(1,525)	(38,122)	(112,842)	-	-	1.5	2028	08/01/28
							153,040	(551)	(1,525)	(38,122)	(112,842)	-	-	2	2028	02/01/29
100%	217,946	(4,642)	-	213,304	144.961%	309,207	154,604	(557)	(1,540)	(38,512)	(113,995)	-	-	2.5	2029	08/01/29
							154,604	(557)	(1,540)	(38,512)	(113,995)	-	-	3	2029	02/01/30
100%	220,125	(4,642)	-	215,483	144.961%	312,367	156,183	(562)	(1,556)	(38,905)	(115,160)	-	-	3.5	2030	08/01/30
							156,183	(562)	(1,556)	(38,905)	(115,160)	-	-	4	2030	02/01/31
100%	222,326	(4,642)	-	217,684	144.961%	315,558	157,779	(568)	(1,572)	(39,303)	(116,336)	-	-	4.5	2031	08/01/31
							157,779	(568)	(1,572)	(39,303)	(116,336)	-	-	5	2031	02/01/32
100%	224,550	(4,642)	-	219,908	144.961%	318,780	159,390	(574)	(1,588)	(39,704)	(117,524)	-	-	5.5	2032	08/01/32
							159,390	(574)	(1,588)	(39,704)	(117,524)	-	-	6	2032	02/01/33
100%	226,795	(4,642)	-	222,153	144.961%	322,035	161,018	(580)	(1,604)	(40,110)	(118,724)	-	-	6.5	2033	08/01/33
							161,018	(580)	(1,604)	(40,110)	(118,724)	-	-	7	2033	02/01/34
100%	229,063	(4,642)	-	224,421	144.961%	325,323	162,662	(586)	(1,621)	(40,519)	(119,936)	-	-	7.5	2034	08/01/34
							162,662	(586)	(1,621)	(40,519)	(119,936)	-	-	8	2034	02/01/35
100%	231,354	(4,642)	-	226,712	144.961%	328,644	164,322	(592)	(1,637)	(40,933)	(121,160)	-	-	8.5	2035	08/01/35
							164,322	(592)	(1,637)	(40,933)	(121,160)	-	-	9	2035	02/01/36
100%	233,667	(4,642)	-	229,025	144.961%	331,997	165,999	(598)	(1,654)	(41,350)	(122,397)	-	-	9.5	2036	08/01/36
							165,999	(598)	(1,654)	(41,350)	(122,397)	-	-	10	2036	02/01/37
100%	236,004	(4,642)	-	231,362	144.961%	335,385	167,692	(604)	(1,671)	(41,772)	(123,646)	-	-	10.5	2037	08/01/37
							167,692	(604)	(1,671)	(41,772)	(123,646)	-	-	11	2037	02/01/38
100%	238,364	(4,642)	-	233,722	144.961%	338,806	169,403	(610)	(1,688)	(42,198)	(124,907)	-	-	11.5	2038	08/01/38
							169,403	(610)	(1,688)	(42,198)	(124,907)	-	-	12	2038	02/01/39
100%	240,748	(4,642)	-	236,106	144.961%	342,261	171,131	(616)	(1,705)	(42,629)	(126,181)	-	-	12.5	2039	08/01/39
							171,131	(616)	(1,705)	(42,629)	(126,181)	-	-	13	2039	02/01/40
100%	243,155	(4,642)	-	238,513	144.961%	345,751	172,876	(622)	(1,723)	(43,063)	(127,467)	-	-	13.5	2040	08/01/40
							172,876	(622)	(1,723)	(43,063)	(127,467)	-	-	14	2040	02/01/41
100%	245,587	(4,642)	-	240,945	144.961%	349,276	174,638	(629)	(1,740)	(43,502)	(128,767)	-	-	14.5	2041	08/01/41
							174,638	(629)	(1,740)	(43,502)	(128,767)	-	-	15	2041	02/01/42
100%	248,042	(4,642)	-	243,401	144.961%	352,836	176,418	(635)	(1,758)	(43,946)	-	-	-	15.5	2042	08/01/42
							176,418	(635)	(1,758)	(43,946)	-	-	-	16	2042	02/01/43
100%	250,523	(4,642)	-	245,881	144.961%	356,431	178,216	(642)	(1,776)	(44,394)	-	-	-	16.5	2043	08/01/43
							178,216	(642)	(1,776)	(44,394)	-	-	-	17	2043	02/01/44
100%	253,028	(4,642)	-	248,386	144.961%	360,063	180,032	(648)	(1,794)	(44,846)	-	-	-	17.5	2044	08/01/44
							180,032	(648)	(1,794)	(44,846)	-	-	-	18	2044	02/01/45
100%	255,558	(4,642)	-	250,916	144.961%	363,731	181,866	(655)	(1,812)	(45,303)	-	-	-	18.5	2045	08/01/45
							181,866	(655)	(1,812)	(45,303)	-	-	-	19	2045	02/01/46
100%	258,114	(4,642)	-	253,472	144.961%	367,436	183,718	(661)	(1,831)	(45,764)	-	-	-	19.5	2046	08/01/46
							183,718	(661)	(1,831)	(45,764)	-	-	-	20	2046	02/01/47
Total							6,684,948	(24,066)	(66,609)	(1,665,220)	(3,601,481)	-	-			
Present Value From 08/01/2025				Present Value Rate	4.50%	4,034,399	(14,524)	(40,199)	(1,004,969)	(2,410,401)	-	-				



P&R Housing Development a/k/a The Greenhouse - New TIF District w/Inflation

City of Hermantown, Minnesota

Redevelopment of Engwall's floral site into approximately 22 single-family homes (Phase 3 ONLY)

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	City Admin. at 1%	City Bonds at 99%	P&R at 0%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
																02/01/26
																08/01/26
																02/01/27
100%	15,937	(199)	-	15,738	144.961%	22,814	11,407	(41)	(114)	(11,252)	-	-	-	0.5	2027	08/01/27
							11,407	(41)	(114)	(11,252)	-	-	-	1	2027	02/01/28
100%	31,874	(199)	-	31,675	144.961%	45,916	22,958	(83)	(229)	(22,647)	-	-	-	1.5	2028	08/01/28
							22,958	(83)	(229)	(22,647)	-	-	-	2	2028	02/01/29
100%	63,747	(199)	-	63,548	144.961%	92,120	46,060	(166)	(459)	(45,435)	-	-	-	2.5	2029	08/01/29
							46,060	(166)	(459)	(45,435)	-	-	-	3	2029	02/01/30
100%	64,385	(199)	-	64,186	144.961%	93,044	46,522	(167)	(464)	(45,891)	-	-	-	3.5	2030	08/01/30
							46,522	(167)	(464)	(45,891)	-	-	-	4	2030	02/01/31
100%	65,029	(199)	-	64,830	144.961%	93,978	46,989	(169)	(468)	(46,351)	-	-	-	4.5	2031	08/01/31
							46,989	(169)	(468)	(46,351)	-	-	-	5	2031	02/01/32
100%	65,679	(199)	-	65,480	144.961%	94,920	47,460	(171)	(473)	(46,816)	-	-	-	5.5	2032	08/01/32
							47,460	(171)	(473)	(46,816)	-	-	-	6	2032	02/01/33
100%	66,336	(199)	-	66,137	144.961%	95,872	47,936	(173)	(478)	(47,286)	-	-	-	6.5	2033	08/01/33
							47,936	(173)	(478)	(47,286)	-	-	-	7	2033	02/01/34
100%	66,999	(199)	-	66,800	144.961%	96,834	48,417	(174)	(482)	(47,760)	-	-	-	7.5	2034	08/01/34
							48,417	(174)	(482)	(47,760)	-	-	-	8	2034	02/01/35
100%	67,669	(199)	-	67,470	144.961%	97,805	48,903	(176)	(487)	(48,239)	-	-	-	8.5	2035	08/01/35
							48,903	(176)	(487)	(48,239)	-	-	-	9	2035	02/01/36
100%	68,346	(199)	-	68,147	144.961%	98,786	49,393	(178)	(492)	(48,723)	-	-	-	9.5	2036	08/01/36
							49,393	(178)	(492)	(48,723)	-	-	-	10	2036	02/01/37
100%	69,029	(199)	-	68,830	144.961%	99,777	49,888	(180)	(497)	(49,212)	-	-	-	10.5	2037	08/01/37
							49,888	(180)	(497)	(49,212)	-	-	-	11	2037	02/01/38
100%	69,719	(199)	-	69,520	144.961%	100,777	50,389	(181)	(502)	(49,705)	-	-	-	11.5	2038	08/01/38
							50,389	(181)	(502)	(49,705)	-	-	-	12	2038	02/01/39
100%	70,417	(199)	-	70,218	144.961%	101,788	50,894	(183)	(507)	(50,204)	-	-	-	12.5	2039	08/01/39
							50,894	(183)	(507)	(50,204)	-	-	-	13	2039	02/01/40
100%	71,121	(199)	-	70,922	144.961%	102,809	51,404	(185)	(512)	(50,707)	-	-	-	13.5	2040	08/01/40
							51,404	(185)	(512)	(50,707)	-	-	-	14	2040	02/01/41
100%	71,832	(199)	-	71,633	144.961%	103,840	51,920	(187)	(517)	(51,216)	-	-	-	14.5	2041	08/01/41
							51,920	(187)	(517)	(51,216)	-	-	-	15	2041	02/01/42
100%	72,550	(199)	-	72,351	144.961%	104,881	52,441	(189)	(523)	(51,729)	-	-	-	15.5	2042	08/01/42
							52,441	(189)	(523)	(51,729)	-	-	-	16	2042	02/01/43
100%	73,276	(199)	-	73,077	144.961%	105,933	52,966	(191)	(528)	(52,248)	-	-	-	16.5	2043	08/01/43
							52,966	(191)	(528)	(52,248)	-	-	-	17	2043	02/01/44
100%	74,009	(199)	-	73,810	144.961%	106,995	53,498	(193)	(533)	(52,772)	-	-	-	17.5	2044	08/01/44
							53,498	(193)	(533)	(52,772)	-	-	-	18	2044	02/01/45
100%	74,749	(199)	-	74,550	144.961%	108,068	54,034	(195)	(538)	(53,301)	-	-	-	18.5	2045	08/01/45
							54,034	(195)	(538)	(53,301)	-	-	-	19	2045	02/01/46
100%	75,496	(199)	-	75,297	144.961%	109,151	54,576	(196)	(544)	(53,835)	-	-	-	19.5	2046	08/01/46
							54,576	(196)	(544)	(53,835)	-	-	-	20	2046	02/01/47
Total							1,876,108	(6,754)	(18,694)	(1,850,660)	-	-	-			
Present Value From 08/01/2025				Present Value Rate	4.50%	1,100,352	(3,961)	(10,964)	(1,085,427)	-	-	-				

Remit to: **City of Hermantown**
5105 Maple Grove Road
Hermantown, MN 55811-3605
Phone 218-729-3600 Fax 218-729-3620

DETAILS: Legal, Engineering, Municipal Advisory Services costs incurred
to be reimbursed

CHARGES

PRODUCTS AND SERVICES:

26-HEDA-HEDA INCURRED FEES TO BE REIMBURSED - 05/09/2023	28,448.75
Legal, Engineering, Municipal Advisory Services costs incurred	
02-LEG-LEGAL FEES - 05/09/2023	3,651.00
Legal Fees	

Page: 1

CITY OF HERMANTOWN, MN

INVOICE NUMBER: 1143
INVOICE DATE: May 09, 2023
Total 32,099.75

P&R PROPERTIES TWIN PORTS LLC
2306 WEST SUPERIOR STREET
DULUTH MN 55806

Customer # 155

Hermantown Economic Development Authority
Resolution No. 2023-___

HEDA Commissioner Ronchetti introduced the following resolution and moved its adoption:

**RESOLUTION REGARDING THE CREATION OF A REDEVELOPMENT TAX
INCREMENT FINANCING DISTRICT IN SUPPORT OF A PROPOSED
260-UNIT APARTMENT COMPLEX AT THE 15-ACRE
ENGWALL'S GREENHOUSE SITE NORTH OF HERMANTOWN ROAD**

BE IT RESOLVED by the Hermantown Economic Development Authority, Minnesota (the "HEDA"), as follows:

WHEREAS, the City of Hermantown (the "City") is a municipal corporation and a political subdivision duly organized and existing under the Constitution and laws of the State of Minnesota; and

WHEREAS, pursuant to the Constitution and laws of the State of Minnesota, particularly Minnesota Statutes, Sections 469.174 through 469.1799, as amended, the City is authorized to use tax increment financing to carry out the public purposes described therein and contemplated thereby; and

WHEREAS, a proposal has been made by P&R Development, LLC (the "Developer") to construct an approximately 260-unit two-phase/two-building apartment complex with parking and amenity spaces at 4747 Hermantown Road in the City, which project is to be known as The Greenhouse Development (the "Project"); and

WHEREAS, it is estimated that the tax increment generated from the proposed project could support approximately \$5,828,027 of eligible project costs plus interest at 4.50% for a total assistance of \$8,707,683 over 15 years; and

WHEREAS, the Project would be located on land that is currently owned by Saline Properties; and

WHEREAS, the Developer has submitted its development proposal to the City and HEDA is supportive of continuing further consideration of the Project; and

WHEREAS, HEDA wishes to support the Project and directs staff to work with the Developer to take the steps necessary to create a tax increment financing district for the Project.

WHEREAS, HEDA has caused the June 2023 Preliminary Development Agreement (“2023 PDA”) attached hereto as Exhibit A to be prepared by legal counsel and reviewed by the City Administrator and City staff and recommended that it be approved by HEDA.

NOW THEREFORE, BE IT RESOLVED, by the Commissioners of HEDA as follows:

1. HEDA supports the Project, and pending final determination of project eligibility, required reviews, public input, notices and hearings, and without surrendering its legislative discretion, hereby authorizes staff to proceed with the steps required to establish a tax increment financing district for the Project and approves the 2023 PDA.

2. That the HEDA Executive Director is authorized and directed to execute the 2023 PDA on behalf of HEDA.

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this ____ day of _____, 2023.

HEDA Administrator

EXHIBIT A
2023 PDA

JUNE 2023

PRELIMINARY DEVELOPMENT AGREEMENT

THIS PRELIMINARY DEVELOPMENT AGREEMENT dated as of ____ day of _____, 2023, by and between the **Hermantown Economic Development Authority**, an economic development authority created under Chapter 469 of the Minnesota Statutes, (“HEDA”) and **P & R Properties Twin Ports, LLC**, a Minnesota limited liability company (“Developer) in response to the following situation:

A. Developer submitted to HEDA on September 22, 2022 an incomplete Application for Business Subsidy (“Application”) and a seven (7) page document entitled “The Greenhouse Development Proposal” for a project (“Greenhouse Project”) on certain real estate located at 4747 Hermantown Road within the City of Hermantown (“City”).

B. Developer has informed HEDA and the City that without financial assistance in the form of tax increment financing, as permitted under Minnesota law, the construction and operation of the Greenhouse Project set forth in the Proposal would not be economically feasible.

C. HEDA and the City desire to work with the Developer in an effort to refine the nature and scope of the Greenhouse Project and to determine the level of tax increment financing assistance, if any, that might be provided to the Developer in connection with the Greenhouse Project.

D. HEDA and the City have determined that in order to provide tax increment financing assistance in connection with the Greenhouse Project, it will be necessary for the City to create a tax increment district under Minnesota Statutes, §§ 469.170-469.178

E. Developer provided City and HEDA with a signed Inducement Agreement dated August 11, 2022 (“Inducement Agreement”) and provided City with a Five Thousand and No/100 Dollars (\$5,000.00) deposit pursuant to the Inducement Agreement.

F. HEDA, by Resolution No. 2022-10H, approved a Preliminary Development Agreement (“October 2022 PDA”) for the Greenhouse Project.

G. The October 2022 PDA was never signed.

H. City and HEDA took necessary actions and spent considerable amounts to review and analyze the Greenhouse Project.

I. Developer has requested that City and/or HEDA provide a preliminary approval of the Greenhouse Project.

J. Developer, HEDA and the City desire to set forth their understandings concerning the basis upon which each will proceed to formalize their participation in the Greenhouse Project, which participation is contingent upon further study and approval.

NOW, THEREFORE, Developer and the City do hereby agree as follows:

1. The terms and provisions of the Inducement Agreement continue and are incorporated into the terms of this Agreement.

2. HEDA shall proceed to review and analyze the Greenhouse Project to determine if tax increment financing is necessary and appropriate for the Greenhouse Project.

3. After review HEDA staff shall submit its recommendation to and City and request preliminary approval or disapproval of the Greenhouse Project.

4. If preliminary approval is recommended by HEDA and the City, HEDA and City will enter into negotiations with Developer to produce a definitive development agreement. Such development agreement will be submitted to HEDA and the City for final approval and shall contain the respective rights and duties of the parties subsequent to such approval. If a definitive development agreement is not agreed to between the parties by _____, 2023, neither Developer, HEDA nor the City shall have any further obligations under this Agreement, except as provided in Section 5.

5. Simultaneously with the execution of this Agreement, Developer agrees to pay the costs incurred by HEDA and City to review the Greenhouse Project to-date is as shown on Exhibit A attached hereto. The Five Thousand and No/100 Dollars (\$5,000.00) that was deposited with the City pursuant to the Inducement Agreement is included with the amount shown on Exhibit A attached hereto. Simultaneously with execution of this Preliminary Agreement, Developer has submitted an application fee of Seventeen Thousand Five Hundred and No/100 Dollars (\$17,500.00). The deposit will cover the following expected costs:

5.1. Five Thousand and No/100 Dollars (\$5,000.00) to compensate HEDA and City for staff time spent and to be spent reviewing the Greenhouse Project. This amount is non-refundable.

5.2. Two Thousand Five Hundred and No/100 Dollars (\$2,500.00) for bond counsel services from Fryberger, Buchanan, Smith & Frederick, P.A.

5.3. Five Thousand and No/100 Dollars (\$5,000.00) for fiscal consultant services from Ehlers and Associates, Inc.

5.4. City and HEDA will also incur attorneys' fees in connection with the consideration of the Greenhouse Project and document drafting by Overom Law, PLLC in an estimated amount of Five Thousand and No/100 Dollars (\$5,000.00).

The items described in section 5.1 through 5.4 are hereby referred to as “Consultant Costs”. The Consultant Costs specified in this Section are estimates only. Developer agrees that the actual amounts of the Consultant Costs incurred by HEDA and City in connection with the consideration of this Greenhouse Project will be paid from the amount deposited by the Developer, or if the amount of the deposit is not sufficient to pay the Consultant Costs in full by the Developer within fifteen (15) days of receiving an invoice for unpaid Consultant Costs from HEDA. If the amounts invoiced are not paid when due, then City and HEDA may discontinue further consideration of the Greenhouse Project.

In the event that the Developer or HEDA or the City determines that the Greenhouse Project is not feasible, the City shall refund any deposit remaining. No refund shall be made until all unpaid Consultant Costs are paid in full from the deposit. Any Consultant Costs not paid from the deposit will be required to be paid by Developer in accordance with Section 2 of the Inducement Agreement.

If the tax increment financing district is approved, and it is permitted by law, and there are sufficient TIF revenues to pay such costs in addition to Greenhouse Project development costs and costs to perform the items set forth in Section 6.1 below, HEDA and City shall allow the Developer to consider amounts paid to HEDA and City to review the application as eligible expenses that could be reimbursed by increment generated in the Greenhouse Project.

6. HEDA, City and Developer agree that the subsequent execution and implementation of a development agreement shall be subject to the following:

6.1. HEDA’s and City’s determination, in its sole discretion, that its undertakings under the Development Agreement are feasible based upon estimated tax increment revenues from the Greenhouse Project, are consistent with the purposes and objectives of HEDA and City and are in the best interests of HEDA and City. Developer’s undertaking under the Development Agreement will provide a trailhead building, trailhead parking, access drive through the property to Anderson Road, payment for costs of the sewer and water main extensions to Anderson Road, contributions needed for road improvements to Hermantown Road and future developments and amounts to cover City’s and HEDA’s ongoing costs to administer any TIF plan created for the Greenhouse Project.

6.2. The Developer’s determination, in its sole discretion, that the undertaking of the Greenhouse Project is economically feasible, and is in its best interest.

7. Nothing in this Agreement constitutes a commitment or agreement that the City or HEDA will enter into a development agreement to provide financial assistance to the Greenhouse Project. Neither City nor HEDA is legally permitted to incur any such obligations without the contractual arrangements being approved by the affirmative action of the City Council of the City of Hermantown and the affirmative vote of the Board of Commissioners of the Hermantown Economic Development Authority.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the Hermantown Economic Development Authority has caused this Agreement to be duly executed in its name and behalf on or as of the date first above written.

Hermantown Economic Development Authority

By _____
Its President

And By _____
Its Secretary

[SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, Developer has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

P & R Properties Twin Ports, LLC

By _____
Its _____

[END OF SIGNATURES]

ST LOUIS COUNTY RECORDER
Mark A. Monacelli
P.O. BOX 157, DULUTH, MN 55801 - 0157
Telephone 218-726-2677

F I L I N G R E C E I P T

Print Date: 04/17/2014

AFR# 310200

Client File# 23689.27

Deposit/Billing Acct# 810

Received From :

HANFT FRIDE
 1000 US BANK PLACE
 130 W SUPERIOR ST
 DULUTH, MN 55802

	<u>Doc. #</u>	<u>Paid</u>	<u>Filing Fees</u> <u>Charged</u>	<u>Mtg Tax</u> <u>Charged</u>	<u>Amt</u> <u>Returned</u>	<u>Chk #</u>
1 AGREEMENT	01236084	\$0.00	\$48.00	\$0.00	\$0.00	0
	Total Fees:	\$0.00	\$48.00	\$0.00		

Excess Fee Type: _____

Total Amount Returned: _____

By J Waters

Deputy

1236084

Office of the County Recorder
St. Louis County, Minnesota

Recorded on 04/15/2014
at 11:39AM

Document No. 01236084

Mark A. Monacelli
County Recorder

By Brenda Goodreau, Deputy
AFR 310200



DO NOT REMOVE

Not Entered for Taxation
This 15 day of April, 2014
Donald Dickich, County Auditor

By J. Dahl Deputy

CONTRACT
FOR
PRIVATE RE-DEVELOPMENT
BY AND BETWEEN
EXPRESS INVESTORS OF DULUTH, LLC
AND
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY
AND
CITY OF HERMANTOWN

Dated as of the 15th day of April, 2014

This document was drafted by:

Steven C. Overom
MAKI & OVEROM, LTD.
31 West Superior St., Suite 402
Duluth, Minnesota 55802
(218) 726-0805

Handwritten notes in red ink:
Harti Fride
310200
4/8
ew

CONTRACT FOR PRIVATE RE-DEVELOPMENT

THIS CONTRACT FOR PRIVATE RE-DEVELOPMENT ("Agreement"), made on or as of the 17 day of April, 2014, by and between **Hermantown Economic Development Authority** (hereinafter referred to as the "HEDA"), **City of Hermantown** (hereinafter referred to as "City") and **Express Investors of Duluth, LLC**, a Minnesota Limited liability company (hereinafter referred to as the "Redeveloper"), is in response to the following situation:

A. Redeveloper desires to construct a Hotel and Improvements (hereinafter defined) on the Land (hereinafter defined).

B. Redeveloper has requested assistance from HEDA with respect to the construction of the Hotel and Improvements.

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

ARTICLE I
DEFINITIONS

Unless the context requires otherwise, when used in this Agreement the terms and phrases listed in this Article shall have the following meanings:

1.1 "Approval or Endorsed" shall, if by HEDA or City, mean the appropriate approval at the appropriate level of government which shall not be unreasonably withheld or, if by Redeveloper, the approval by Redeveloper, which shall not be unreasonably withheld.

1.2 "Approved Drawings" means the drawings Redeveloper submitted to HEDA for the construction of the Hotel and Improvements that are approved by HEDA pursuant to the terms of this Agreement.

1.3 "Available Captured Tax Increment" means the Captured Tax Increment less the State Auditor's fees and less the ten percent (10%) of the Captured Tax Increment which will be remitted by City to HEDA for payment of the administrative and other expenses.

1.4 "Business Subsidy Agreement" means that certain Business Subsidy Agreement between City and Redeveloper attached hereto as **Exhibit 1.4**.

1.5 "Captured Tax Increment" means all real estate taxes in excess of those currently paid on the Land per the 2013 real estate tax statement, which excess real estate taxes will be paid by Redeveloper and which will be remitted to City by St. Louis County.

1.6 "City" shall mean the City of Hermantown with its administrative offices being located at 5105 Maple Grove Road, Hermantown, Minnesota 55811.

1.7 “City Attorney” shall mean the person or firm from time to time designated by the City as its City Attorney. At this time the City attorney is Steven C. Overom of Maki & Overom, Ltd.

1.8 “Engineer” shall mean David Bolf, P.E. of Northland Consulting Engineers, LLP.

1.9 “Community Development Director” shall mean the Community Development Director of the City of Hermantown, who at this time is Adam Fulton.

1.10 “Development Land” or “Land” means the real property described in Exhibit A and Exhibit B.

1.11 “Eggebrecht Building” shall mean the building partially located on the Square Off Parcel which is slated for demolition.

1.12 “General Contractor” shall mean the general contractor that is selected by Redeveloper.

1.13 “HEDA Payment Amount” means the portion of the Available Captured Tax Increment resulting from the value added by the Project which is to be paid to Redeveloper as set forth in Article XIII of this Agreement.

1.14 “Hotel” shall mean a 72 to 78 room Holiday Inn Express Suites Hotel.

1.15 “Improvements” shall mean the improvements being constructed in connection with the development of the Hotel generally depicted on Exhibit 1.15.

1.16 “Project” means the acquisition of the Square Off Parcel, demolition of the Eggebrecht Building and construction of the Hotel and Improvements.

1.17 “Project Administrator” means the City Administrator of City of Hermantown.

1.18 “Project Area” shall mean the area of City that has been designated as Development District No. 1 under and pursuant to a Development Program for Development District No. 1 that will be amended by an amendment that will be considered for adoption by the City pursuant to Section 12.2.4.

1.19 “Redeveloper’s Architect” means DLW Architects.

1.20 “Square Off Parcel” means the parcel of real estate Redeveloper will acquire prior to commencement of construction and as legally described on Exhibit B

1.21 “Term” means the duration of this Agreement as provided in Section 28.3.

1.22 “TIF District No. 1” or “Hermantown Marketplace TIF District No. 1” means the Hermantown Marketplace Tax Increment Financing District No. 1, a Redevelopment District, which includes the Development Land.

1.23 “TIF Qualified Costs” shall mean the cost of performing TIF Qualified Work and acquiring land that are costs that are legally permissible to be reimbursed with tax increment, under Minnesota law which at this time are anticipated to include the items set forth on Exhibit 1.24

1.24 “TIF Qualified Work” shall mean items of work that are eligible for reimbursement from tax increment under Minnesota law and legally authorized costs of acquisition of land which at this time are anticipated to include the items set forth on Exhibit 1.24 attached hereto.

ARTICLE II REPRESENTATIONS AND WARRANTIES AND COVENANTS

Redeveloper represents and warrants, covenants and agrees that:

2.1 Redeveloper will fully develop and complete all elements of the Project, construct, operate and maintain the Hotel and Improvements 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 including the terms and provisions of any commercial industrial development permit (“CIDP”) or other permits issued by the City for the Project.

2.2 Redeveloper has received no notice or communication from any local, state or federal official that the activities of Redeveloper pursuant to this Agreement may be or will be in violation of any environmental law or regulation. Redeveloper is aware of no facts, the existence of which would cause it to be in violation of any local, state or federal environmental law, regulation or review procedure.

2.3 Redeveloper will use its best efforts to fully develop and complete all elements of the Project and construct the Hotel and Improvements in accordance with all local, state or federal energy-conservation laws or regulations.

2.4 Redeveloper will use its best efforts to obtain in a timely manner 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 or developed.

2.5 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 or any restriction or any evidences of indebtedness, agreement or instrument of whatever nature to which Redeveloper is now a party or by which it is bound, or constitutes a default under any of the foregoing.

2.6 Redeveloper will pay all of the costs of developing and completing all elements of the Project, including the construction of the Hotel and Improvements, the acquisition of the Square Off Parcel and demolition of the Eggebrecht Building in its entirety, and indemnify and hold harmless City and HEDA from such costs.

2.7 Redeveloper will pay all required sewer connection fees and permit fees and water connection fees prior to connection to the City sewer and water service.

2.8 Redeveloper represents and warrants that:

2.8.1 Redeveloper is a limited liability company, duly organized and in good standing under the laws of the State of Minnesota, is not in violation of any provisions of its articles of organization or operating agreement, is duly qualified as a domestic limited liability company and authorized to transact business within the State, has power to enter into this Agreement and has duly authorized the execution, delivery, and performance of this Agreement by any required proper action of its members.

2.8.2 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 corporate restriction or any evidences of indebtedness, agreement or instrument of whatever nature to which Redeveloper is now a party or by which it is bound, or constitutes a default under any of the foregoing.

2.8.3 The proposed development by Redeveloper hereunder would not occur but for the tax increment financing assistance being provided by HEDA hereunder.

2.8.4 Until the end of the Term, HEDA and the City, through any authorized representatives, shall have the right at all reasonable times after reasonable notice to inspect, audit, examine and copy any pertinent books and records of Redeveloper relating to the Project and compliance with the specific requirements of this Agreement, the Business Subsidy Agreement or applicable State law. Information provided shall be only with respect to the TIF Qualified Costs, TIF Qualified Work, information required under the Business Subsidy Agreement and information otherwise by State law from a recipient of public financing assistance and inspection, audit and other rights will be available only after review of certifications by Redeveloper.

2.8.5 Redeveloper also agrees to submit to HEDA written reports so as to allow HEDA to remain in compliance with reporting requirements under State statutes. HEDA will provide information to Redeveloper regarding the required forms.

2.8.6 Redeveloper is fully competent to complete all elements of the Project under all laws, rulings, regulations and ordinances of any governmental authority having jurisdiction. Redeveloper at its own expense agrees to comply with all applicable State and Federal acquisition and relocation laws, wage and hour laws, with respect to work performed to

complete the TIF Qualified Work, to the extent that Redeveloper determines, prior to commencement of construction, that Redeveloper will seek reimbursement from tax increment for such items.

2.8.7 Redeveloper is or will be the fee owner of the Land without condition, qualification or encumbrance except easements, covenants and restrictions of record that have been approved by HEDA, and Redeveloper will hold City harmless from claims of prior owners, claims of tenants, pollution or environmental claims.

2.8.8 The General Contractor for the Project will be selected by Redeveloper on the basis of appropriate business considerations, including financial capability and demonstrated track record for completing a development of this nature. Redeveloper or General Contractor will take competitive bids with respect to TIF Qualified Work, to the extent that Redeveloper determines, prior to commencement of construction, that Redeveloper will seek reimbursement from tax increment financing for such items where bidding is ordinarily required. HEDA will duly consider using land write downs with respect to the Land as all or a portion of the TIF Qualified Costs for which reimbursement is made, provided that the land write down can be legally accomplished and the mechanism for accomplishing the land write down is approved by HEDA, the City Attorney and the Community Development Director.

2.8.9 The TIF Qualified Costs are and will be fair and reasonable and directly related to perform the TIF Qualified Work or land write down.

2.8.10 Redeveloper will provide evidence to HEDA that Redeveloper has equity and financing available to it in an amount sufficient to pay all costs necessary to complete the Project.

2.8.11 Redeveloper represents that the total costs of completing all elements of the Project shall be not less than \$9,000,000.00.

ARTICLE III **CONSTRUCTION PLANS**

3.1 Construction Plans. Within the time limits set forth in Article XII, Redeveloper will submit plans and specifications for the construction of the Hotel and Improvements to the City for approval by the Community Development Director and Building Inspector.

3.1.2 Within the time limits as set forth in Article XII hereof, Redeveloper will also submit plans and specifications for the construction of the Hotel and Improvements as part of an application to the City's Planning and Zoning Commission for a Commercial Industrial Development Permit ("CIDP"). HEDA agrees that such plans and specifications, once approved by Planning, Zoning and Building Inspection, and the City's Planning and Zoning Commission shall constitute the "Approved Drawings" for purposes of this Agreement and any requirements relating to HEDA's approval. The plans and specifications will be prepared by the Redeveloper's Architect and will include full plans and specifications for the Hotel and any other Improvements, including

site work. If Redeveloper desires to make any material change in the Approved Drawings, Redeveloper shall submit the proposed change to City officials through the regular process and approval by them will constitute HEDA approval.

3.2 Construction of Improvements. The Hotel and Improvements shall be constructed in accordance with the Approved Drawings, the CIDP and all other applicable codes, regulations, laws, and statutes. Redeveloper shall at all times operate, maintain, preserve and keep the Hotel and Improvements or cause the Hotel and Improvements to be maintained, preserved and kept and every part and parcel thereof, in good repair and condition. Redeveloper shall complete all elements of the Project, including the construction of the Hotel and Improvements on or before December 31, 2015. The Eggebrecht Building Demolition Permit will be applied for and the demolition completed prior to the commencement of construction of Hotel and Improvements. Demolition will be completed in accordance with applicable rules and regulations and a demolition permit issued by the building official of the City.

ARTICLE IV TAXES

Neither HEDA nor City make any representation whatsoever with respect to the amount of real estate taxes payable by Redeveloper from and after the date hereof or with respect to the classification of the Land, Hotel and Improvements for real estate tax purposes. Redeveloper has provided HEDA with an estimate of the taxes due and payable on the Hotel, Improvements and Land after completion of construction, and pro formas with respect to the development costs and return on investment Redeveloper expects to receive with respect to Hotel. HEDA has done no independent analysis or investigation with regard to such taxes on the Project and is relying on the information provided by Redeveloper in entering into this Agreement.

ARTICLE V ASSIGNMENT AND TRANSFER

5.1. Representation as to Development. Redeveloper represents and agrees that its undertakings pursuant to the Agreement, are, and will be, for the purpose of redevelopment of the Land and not for speculation in land holding. Redeveloper further recognizes that, in view of (i) the importance of the development of the Project to the general welfare of the community; and (ii) the fact that any act or transaction involving or resulting in a change in the identity of the parties in control of Redeveloper is of particular concern to the community and HEDA (iii) that HEDA is entering into the Agreement with Redeveloper, and, in so doing, is willing to accept and rely on Redeveloper for the faithful performance of all undertakings and covenants hereby by Redeveloper to be performed that the provisions of this Article V are being included in this Agreement.

5.2 Prohibition Against Transfer of Property and Assignment of Agreement. For the foregoing reasons, Redeveloper represents and agrees that, prior to the completion of the construction of the Hotel and Improvements:

5.2.1 Except for the granting of easements necessary for the Project and except as permitted by Section 5.3, and except only by way of security for, and only for, the purpose of obtaining financing necessary to enable Redeveloper, to perform the obligations with respect to constructing the Hotel and Improvements under the Agreement or any other purpose authorized by the Agreement, Redeveloper (except as so authorized) has not made or created, and that it will not make or create, or suffer to be made or created, any total or partial sale, assignment, conveyance or lease, or any trust or power, or transfer in any other mode or form of, or with respect to, the Agreement or the Land or any part thereof or any interest therein, or any contract or agreement to do any of the same without the prior written approval of HEDA, which approval will not be unreasonably withheld. Notwithstanding the foregoing, a transfer to a related entity under control of Redeveloper or an affiliate of Redeveloper shall not be in violation hereof, but such a transfer shall be noticed to HEDA in advance of its occurrence provided that the provisions of Sections 5.2.2.1 and 5.2.2.2 are satisfied by Redeveloper with respect to the transferee prior to the time of such transfer.

5.2.2 HEDA shall be entitled to require, except as otherwise provided in the Agreement, as conditions to any such approval that:

5.2.2.1 Any proposed transferee shall have the qualifications and financial capability, as determined by HEDA, necessary and adequate to fulfill the obligations undertaken in the Agreement by Redeveloper (or, in the event the transfer is of or relates to part of the Land, such obligations to the extent that they relate to such part).

5.2.2.2 Any proposed transferee, by instrument in writing satisfactory to HEDA and in form recordable in the land records, shall, for itself and its successors and assigns, and expressly for the benefit of HEDA expressly assume all of the obligations of Redeveloper under the Agreement and agree to be subject to all the conditions and restrictions to which Redeveloper is subject (or, in the event the transfer is of or relates to part of the Land, such obligations, conditions and restrictions to the extent that they relate to such part).

ARTICLE VI **HEDA COVENANTS AND OBLIGATIONS**

6.1 Subject to the provisions of Article XII hereof, HEDA agrees that it will expend funds in an amount not to exceed \$500,000.00 ("HEDA Cap") to accomplish, within the timelines provided in Article XII hereof, the following ("HEDA Improvements"), to be covered by plans and specifications prepared as set forth below:

- 6.1.1. Construct the north/south road.
- 6.1.2 Relocate the sewer.
- 6.1.3 Complete Cinema demolition project.
- 6.1.4 Construct Cinema Drive.

6.1.5 Construct required stormwater facility to serve the development parcel and any of the Improvements above described.

HEDA will use its best efforts to cause the construction of all of the HEDA Improvements, but in no event is HEDA obligated to spend more than \$500,000.00 in total project costs, hard construction costs and soft costs (engineering, permits, etc.) related to the HEDA Improvements. Immediately upon estimates being available to HEDA, those estimates will be provided to Redeveloper for approval, pursuant to Article XII hereof.

The plans and specifications for the HEDA Improvements above described shall be prepared by the Engineer in accordance with the timelines provided in Article XII hereof. Subject to the provisions of Article XII hereof, HEDA agrees that the HEDA Improvements will be fully completed no later than May 15, 2016, provided that HEDA agrees to provide usable, paved roadways allowing for access to the Hotel no later than May 15, 2015.

ARTICLE VII **NO CLAIMS**

Redeveloper represents and warrants to HEDA that neither Redeveloper nor any agent, subcontractor or any other party affiliated with Redeveloper has any existing claims or causes of action against HEDA and City in connection with the Agreement or the construction of Hotel or Improvements or otherwise with respect to the Project. Redeveloper agrees to indemnify and hold harmless HEDA and City against any and all claims that may be brought at any time by any party whatsoever arising out of the development of the Project or otherwise with respect to the Project or this Agreement.

ARTICLE VIII **DEDICATION OF EASEMENTS**

Redeveloper will convey to City an easement for public purposes over that portion of the Land shown on **Exhibit 8** hereto. Such easement shall be substantially in the form of the one attached hereto as **Exhibit 8** and be executed in a manner acceptable to City and the City Attorney. City will not issue Redeveloper a Certificate of Occupancy for the Hotel until the easement required by this Article VIII has been executed and delivered to City.

ARTICLE IX **PROFESSIONAL FEES**

The parties shall each bear their own fees and expenses in connection with this Agreement.

ARTICLE X
NO APPROVAL OR ISSUANCE OF OTHER PERMITS

Nothing herein shall be construed as a permit or approval by HEDA or City or an agreement by HEDA or City to issue or provide any permit or approval to Redeveloper with respect to the construction of the Hotel, Improvements or the demolition of the Eggebrecht Building. Without limiting the generality of the foregoing, Redeveloper acknowledges and agrees that even if it satisfies all of the requirements imposed on it under this Agreement that the Hotel may not be opened unless and until all other required permits are obtained by Redeveloper from all relevant governmental agencies.

ARTICLE XI
**ACQUISITION OF THE SQUARE OFF PARCEL AND
 DEMOLITION OF THE EGGBRECHT BUILDING**

11.1 On or before July 31, 2014, Redeveloper shall, at Redeveloper's sole cost and expense, acquire fee title to the Square Off Parcel and provide HEDA with a title insurance policy that confirms that the Square Off Parcel is owned by Redeveloper free of any liens and encumbrances other than those relating to financing or existing as a result of easements in place or approved by the City. City agrees that the parcel split resulting from the acquisition of the Square Off Parcel will be approved by the City, provided that Redeveloper pays City a subdivision application fee of \$250.00 and park dedication fee of \$1,100.00 per acre, based on the total gross acreage of the Land and Square Off Parcel. No Building Permit shall be issued by the City for the Hotel until the obligations of Redeveloper under this Section 11.1 have been satisfied.

11.2 On or before July 31, 2014, Redeveloper shall, at Redeveloper's sole cost and expense, or the expense of a third party, demolish or cause to be demolished the Eggebrecht Building in its entirety in accordance with the demolition permit issued by the Building Official for the demolition consistent with regulations adopted for the demolition of existing facilities. No Certificate of Occupancy or Temporary Certificate of Occupancy shall be issued by the City for the Hotel until the Eggebrecht Building has been demolished in its entirety.

ARTICLES XII
DEVELOPMENT TIMETABLE

Developer and HEDA shall proceed as follows after the execution of this Agreement:

12.1 Within ten (10) days after the date of execution of this Agreement, Redeveloper shall provide a certificate to HEDA which confirms its ability to continue to make the representations of Redeveloper in this Agreement, including its ability to finance and complete the Project.

12.2 After receiving the certificate described in Section 12.1, the following tasks will be performed in the sequence set forth below, provided that either party may perform any of its

obligations at any time it chooses, with each succeeding item being dependent on all of the preceding items being completed:

12.2.1 Redeveloper shall begin design work on the Hotel and Improvements, including site work. Redeveloper will authorize its Engineer to provide site information to the Engineer to enable the Engineer to do the work described in Section 12.2.2 ("Preliminary Design of HEDA Improvements").

12.2.2 HEDA will authorize Engineer to prepare a preliminary design and cost estimates for the HEDA Improvements ("Preliminary Design of HEDA Improvements").

12.2.3 HEDA will present the Preliminary HEDA Improvements Design to Redeveloper for its approval. Once approved, the work described in the Preliminary HEDA Improvements Design shall thereafter be referred to as the Approved HEDA Improvements.

12.2.4 After Redeveloper approves the Preliminary HEDA Improvements Design, City will consider the approval of the amendment to the Development Program for City Development District No. 1 and HEDA will consider the approval the TIF Plan for Hermantown Marketplace TIF District No. 1 at their next regularly scheduled meeting(s) and HEDA will consider the approval of a contract for the design of the Approved HEDA Improvements at the same meeting.

12.2.5 After HEDA approves the TIF Plan and the contract for design of the Approved HEDA Improvements, Redeveloper will apply or cause application to be made for the approval of the lot split that will result as a result of its acquisition of the Square Off Parcel and provide HEDA with a survey of the Development Land.

12.2.6 Redeveloper will acquire the Square Off Parcel by July 31, 2014.

12.2.7 Redeveloper will demolish or cause the demolition of the Eggebrecht Building in accordance with the terms of this Agreement by July 31, 2014.

12.2.8 To secure its obligations hereunder and to provide comfort to HEDA, Redeveloper will, by July 31, 2014, provide a Letter of Credit in the amount of \$500,000.00 ("HEDA Improvements LC") in form and substance satisfactory to HEDA. HEDA may draw upon the HEDA Improvements LC to pay costs incurred by HEDA in connection with the performance of its obligations under this Agreement if Redeveloper is in default in the performance of its obligations under this Agreement. Upon the commencement of construction (Section 12.2.11) and the closing of Redeveloper's financing (Section 12.2.11), the HEDA Improvement LC will be reduced to or replaced by a letter of credit or other security in the amount of \$75,000.00 that is in form and substance acceptable to HEDA and HEDA's legal counsel to provide the security for payments to HEDA as provided in this Agreement and, in particular, Section 13.22 hereof.

12.2.9 HEDA will begin construction of the HEDA Improvements.

12.2.10 Redeveloper will request approval of the plans and specifications for the Hotel and Improvements and apply for a CIDP and a building permit for the Hotel and Improvements by December 31, 2014.

12.2.11 Redeveloper will close on its construction financing for the Hotel and Improvements, enter into a contract for the construction of the Hotel and Improvements and commence construction on the Hotel and Improvements by December 31, 2014.

Redeveloper acknowledges and agrees to the timetable contained in this Agreement and, unless it proceeds as indicated in this timetable, that HEDA will have no obligation to complete the HEDA Improvements. In this regard, Redeveloper acknowledges that HEDA is dependent on the tax increment revenues from the Project to pay for the HEDA Improvements. Redeveloper agrees that HEDA will be able to draw on the HEDA Improvements LC if Redeveloper does not perform its obligations under Sections 12.2.10 and 12.2.11 to pay for costs of HEDA Improvements and that HEDA will be able to draw on the TIF LC to cover shortfalls in taxes payable in 2017 as a result of the delay if Redeveloper does not complete all of the elements of the Project by December 31, 2015.

HEDA and Redeveloper will coordinate the work to be done by each pursuant to Sections 12.2.9 and 12.2.11 so that the work required to be done by one does not unreasonably delay the work required to be done by the other.

ARTICLES XIII **TAX INCREMENT ASSISTANCE**

13.1 The Project is located within the area of City that has been designated as Development District No. 1 under and pursuant to a Development Program for Development District No. 1 adopted by City on March 18, 1993 and an amendment to which will be considered pursuant to Section 12.2.4.

13.2 Initially Redeveloper did not contemplate any financial assistance from HEDA because it believed, based on its original estimate of all costs, including construction costs, that such assistance would not be needed. After further investigation Redeveloper has determined that, in order to deal with the blight in the area and substandard soils and to purchase land, the Project is not feasible without tax increment assistance. Redeveloper attempted to resolve these issues so that the cost of the Project did not exceed its funding sources. These efforts were not totally successful and, thus, the need exists for tax increment assistance in order to make the Project feasible.

13.3 Redeveloper has identified that a major source of its extra development costs is directly related to the need to remove existing substandard structures, soils, streets, utilities and paved parking lots from the Land.

13.4 In order to provide the requested assistance to Redeveloper, HEDA has created Hermantown Marketplace TIF District No. 1 within the Project Area. Hermantown Marketplace TIF District No. 1 has been identified as a redevelopment district as defined by Minnesota Statute Section 469.174, subd. 10.

13.5 Redeveloper proposes to construct the Project within Hermantown Marketplace TIF District No. 1.

13.6 HEDA and City believe that the construction of the Project will be in the public interest as it will result in increase the tax base of City, will result in increased employment in City, will allow substandard buildings in the vicinity of the Project to be demolished, will allow the removal and replacement of existing substandard streets, utilities, and parking lots to, and will otherwise be beneficial to City, its residents, and the residents of the surrounding area.

13.7 Redeveloper has requested tax increment financing assistance from HEDA to reimburse it for TIF Qualified Costs in connection with the development of the Project. HEDA has agreed to provide tax increment financing assistance within the limits and subject to the provisions of this Agreement. The HEDA tax increment financing assistance shall be considered partial assistance or partial reimbursement for TIF Qualified Work.

13.8 The TIF Qualified Costs, including land write down amounts, shall not be less than \$500,000.00. In the event that less than \$500,000.00 is expended for TIF Qualified Costs, then Redeveloper's TIF note will be reduced by that shortfall. The payment terms set forth in Section 13.21 shall apply even if the Redeveloper's TIF Note is less than \$500,000.00 or the HEDA expenditures for the HEDA Improvements are less than \$500,000.00.

13.9 HEDA to Retain Excess Captured Tax Increment. Redeveloper agrees that HEDA shall retain any Captured Tax Increment in excess of the HEDA Payment Amount. HEDA will expend any Captured Tax Increment retained by it only for purposes allowed by law.

13.10 Sufficient Fund Financing. Redeveloper represents that the tax increment financial assistance provided by HEDA hereunder, together with the funds to be contributed to the Project by Redeveloper and bank financing, will be sufficient to pay the cost of constructing and operating the Project. Redeveloper represents that without the tax increment financing assistance to be provided by HEDA that the return on equity is insufficient to attract investors for the Project.

13.11 No Representative of City or HEDA is Interested in this Agreement. After investigation by Redeveloper, HEDA and City, each has no knowledge that a Council person, Council member or HEDA Commissioner or other member, official, or employee of City or HEDA is directly or indirectly financially interested in this Agreement or in any transactions concluded in connection with this Agreement or in any transactions concluded in connection with this Agreement. No member, official or employee of City shall be personally liable to Redeveloper, or any successor in interest, in the event of any default or breach by City or HEDA

or for any amount which may become due to Redeveloper or its successor, or on any obligations under the terms of this Agreement.

13.12 Redeveloper to File Correct and Complete Information. Redeveloper shall do such things as are necessary to cause any information, document, certificate, statement in writing, or report required under this Agreement and/or otherwise delivered to HEDA, or to third parties, under this Agreement, to be true, correct and complete in all material respects.

13.13 Condition to First Payment by HEDA. HEDA's obligation to pay Redeveloper the first installment of HEDA Payment Amount shall be subject to the delivery to HEDA of the following:

13.13.1 A duly executed Certificate of Occupancy for the Hotel received from proper City officials;

13.13.2 Certificates of Insurance required under the terms of this Agreement and annually thereafter; and

13.13.3 A certificate of Redeveloper's architect to the effect that the construction of the Hotel has been fully completed; and

13.13.4 Evidence of no mechanic liens on the Land; and

13.13.5 Proof of payment of real estate taxes on the Project;

13.13.6 A Certificate with respect to the costs incurred by Redeveloper in connection with the completion of the Project.

13.13.7 A certificate from Redeveloper as to the actual costs incurred by Redeveloper along with supporting invoices for TIF Qualified Work and a certificate from Redeveloper's Architect and Redeveloper, as appropriate, that the TIF Qualified Costs are fair and reasonable and directly related to performing the TIF Qualified Work.

13.13.8 A Certificate from Redeveloper that each item for each payment or reimbursement included in the amount shown on the Certificate provided pursuant to Section 13.15.10 is or was necessary in connection with the TIF Qualified Work and none of such items has formed the basis for any other payment to Redeveloper, with a copy of all documents with respect to work completed or materials or supplies delivered for which payment or reimbursement is requested.

13.13.9 A statement that each contractor, subcontractor and materialman has filed with Redeveloper receipts or waivers of liens for all amounts included in the amount shown on the Certificate provided pursuant to Section 13.15.17 or that there is on file with Redeveloper a cancelled check endorsed by the contractor, subcontractor or materialman evidencing such payment.

13.13.10 A Certificate from Redeveloper that it is in compliance with all of the terms and provisions of this Agreement.

13.13.11 Redeveloper has entered into the Business Subsidy Agreement **(Exhibit 1.4)**.

13.13.12 The Department of Employment and Economic Development (“DEED”) of the State of Minnesota has confirmed Redeveloper is qualified to receive a subsidy from City if required by law.

13.13.13 Proof satisfactory to HEDA and City Attorney is provided by Redeveloper that it has satisfied the requirements of Sections 2.8.6, 2.8.7, 2.8.8 and 2.8.9.

13.13.14 If Redeveloper requests reimbursement for costs of land acquisition, in addition to the documentation required by Section 13.13.13 through 13.14.1, Redeveloper shall provide HEDA with the following information:

13.13.14.1 A copy of the purchase agreement between Redeveloper and the owner of the land to be acquired (“Seller”) for the acquisition of the land.

13.13.14.2 The closing statement related to the purchase.

13.13.14.3 A copy of the recorded deed whereby the land is conveyed to Redeveloper with the date of conveyance being after April 7, 2014.

13.13.14.4 Documentation in form and substance acceptable to HEDA and its legal counsel evidencing that the full purchase price of the land has been paid and disbursed to Seller.

13.13.14.5 A title insurance policy showing that Redeveloper is the owner of the land for which land write down reimbursement is sought subject only to easements and conditions that are reasonably acceptable to HEDA and its legal counsel.

13.14 Redeveloper to Bear All Costs of the Project. Except for payment by HEDA of HEDA Payment Amount as provided in Section 13.21, the Project costs shall be borne by Redeveloper.

13.15 Requirements or Subsequent Payments by HEDA. HEDA’s obligation to pay any subsequent installment of HEDA Payment Amount due hereunder at the time so specified shall be subject to the delivery to HEDA of the items specified in Sections 13.13.2, 13.13.4, 13.13.5 and 13.13.10 that are current as of the date such HEDA Payment Amount is requested.

13.16 Insurance.

13.16.1 Upon completion of the Project, Redeveloper will maintain or cause to be maintained the following insurance:

13.16.1.1 Insurance coverage for Hotel and contents against loss or damage by fire or other risks from time to time include under standard extended and additional extended coverage policies, including vandalism and malicious mischief, on a replacement cost basis (exclusive of foundation, excavation, architectural and engineering costs) in an amount equal to the full insurable value thereof; provided, however, that if insurance is not reasonably available on a replacement cost basis (exclusive of foundation, excavation, architectural and engineering costs), Redeveloper shall obtain and maintain the maximum amount available but in no event less than that sufficient to prevent Redeveloper from becoming a co-insurer under any applicable co-insurance clause;

13.16.1.2 General public liability insurance against claims for bodily injury, death or property damage in an amount not less than One Million Dollars (\$1,000,000.00) for bodily injury or death to any one person, not less than One Million Dollars (\$1,000,000.00) for any one accident, and not less than Five Hundred Thousand Dollars (\$500,000.00) for property damage and such amounts may be increased by City to reflect cost-of-living increases; and

13.16.1.3 Workers compensation insurance, with statutory coverage on any employees of Redeveloper working in the Apartment Development.

13.16.2 Anything in this Section to the contrary notwithstanding, any insurance which Redeveloper is required hereunder to obtain may be carried under a "blanket" or umbrella policy or policies covering other properties or liabilities of Redeveloper, or its affiliates, provided that such "blanket" or umbrella policy or policies otherwise comply with the provisions of this Section, and provided further that such policy or policies shall provide for a reserved amount thereunder with respect to the property of which the Project is a part so as to assure that the amount of insurance required by this Section will be available notwithstanding any losses with respect to other properties covered by such blanket policies. The amount of the total insurance allocated to the property of which the Project is a part, which amount shall be not less than the amounts required pursuant to this Section, shall be specified either in each such blanket or umbrella policy or any written statement from an insurer thereunder which Redeveloper shall deliver to HEDA.

13.16.3 If requested by HEDA, Redeveloper shall supply to HEDA written certifications by the respective insurer on each policy required by this Agreement requiring the insurer to give HEDA thirty (30) days' written notice prior to cancellation or modification of said insurance, and HEDA shall be a named insured as its interest may appear.

13.17 Restoration of Improvements. In the event the Hotel of any portion thereof is destroyed by fire or other casualty, Redeveloper shall forthwith repair, reconstruct and restore to substantially the same number of hotel rooms as existed prior to the event causing damage or

destruction. Redeveloper shall apply the proceeds of any insurance received by Redeveloper to the payment or reimbursement of the costs thereof. Redeveloper shall, however, complete such repair, reconstruction, and restoration of the Project whether or not the proceeds, if any, of any insurance received by Redeveloper are sufficient to pay for such repair, restoration or reconstruction; provided, however, that if Redeveloper has failed to complete such repair, reconstruction and restoration as provided for above within twelve (12) months of the date of damage thereto, HEDA shall be entitled to suspend the payment of any HEDA Payment Amount until the restoration or restorations has been completed. HEDA shall not be obligated to pay Redeveloper any HEDA Payment Amount suspended by operation of this Section 13.17. Notwithstanding the foregoing, Redeveloper may decline to rebuild, provided that it repays to HEDA all amounts expended by HEDA and not yet reimbursed to HEDA for HEDA Improvements, legal, engineering, fiscal consultant and other costs incurred by HEDA in connection with this Agreement and the Project, without interest.

13.18 Further Covenants by Redeveloper. Redeveloper further covenants to:

13.18.1 Preserve its existence and all its licenses, permits and consents to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership or property or the conduct of its business requires such qualification; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its licenses, permits, or consents which are no longer usable;

13.18.2 At all times cause the Project to be maintained, preserved and kept in good repair, working order and condition and all needful and proper repairs, renewals and replacements thereof to be made;

13.18.3 Conduct its affairs and carry on its business and operation in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relating to the conduct of its business and the ownership of the Project; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof shall be contested in good faith;

13.18.4 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. To the extent Redeveloper fails to make any real estate tax payment in full when due and after written notice has been given to Redeveloper by HEDA of such non-payment and Redeveloper fails to make such real estate tax payments within thirty (30) days after such notice is given the HEDA Payment Amount shall be reduced by the amount of late paid or unpaid taxes and such amount shall be never paid to Redeveloper.

13.18.5 Pay or cause to be paid when due and payable all installments of special assessments levied upon or with respect to the Project or any part thereof, all fees, charges and rentals for utility service or extension for the Project, or any part thereof, and all

other charges lawfully made by any governmental body for public improvements. City and HEDA agree that no special assessments will be levied against the Land with respect to the HEDA Improvements; and

13.18.6 Promptly pay or otherwise satisfy and discharge all of the obligations and indebtedness and all demands and claims against it 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.

13.18.7 Redeveloper agrees to consider in good faith the creation of a special service district. Upon written request by HEDA or the City, Redeveloper will file any petition required under Minnesota Statutes, Chapter 428A in order to establish or renew any levy of special service charges within a Special Service District. The detailed special services and service charges to be assessed will be determined by mutual agreement of the parties. In accordance with Minnesota Statutes, Chapter 428A, special services will not include any service that is ordinarily provided throughout the City from general fund revenues except to the extent an increased level of service is provided within the special service district.

13.19 Indemnity by Redeveloper. Redeveloper will to the fullest extent permitted by law, protect indemnify and save City, HEDA and their respective members, officers, agents and employees and any person who controls City or HEDA within the meaning of the Securities Act of 1933, harmless from and against all liabilities, losses, damages, costs, expenses (including attorney's fees and expenses), causes of action, suits, claims, demands and judgments of any nature arising from:

13.19.1 Any injury to or death of any person or damage to property in or upon the Project or growing out of or connected with the use, non-use, condition or occupancy or the Project or any part thereof including, without limitation, any and all acts or operations relating to the construction or installation or property or improvements. The foregoing indemnification shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for Redeveloper, customers, suppliers or affiliated organization under any Workers' Compensation Acts, Disability Benefit Acts or other employee benefit acts;

Promptly after receipt by City or HEDA or any other indemnified person hereunder of notice of the commencement of any action in respect of which Redeveloper is required to indemnify such person under this Section, such person will notify Redeveloper in writing of the commencement thereof, and, subject to the provisions hereinafter stated, Redeveloper shall assume the defense of such action (including the employment of counsel satisfactory to City or HEDA, or such other person, as the case may be, and the payment of expense.) Insofar as such action shall relate to any alleged liability of City or HEDA in respect of which indemnity may be sought against Redeveloper, City or HEDA, or any such other indemnified person shall have the right to employ separate counsel in any such action and to participate in the defense thereof.

13.20 Representations and Obligations of HEDA.

13.20.1 Tax Increment Financing Plan. HEDA has created Hermantown Marketplace TIF District No. 1 to allow HEDA to enter into this Agreement to make HEDA Payment Amount to Redeveloper.

13.20.2 Disclosure of Other Tax Increment Obligations in District. Prior to execution of the Agreement, HEDA has not entered into other Agreements with other redevelopers, with respect to payments of tax increment collected from within Hermantown Marketplace TIF District No. 1.

13.20.3 Completion of the Project and Revenue Nature of Payments. Upon completion of the Project in accordance with the provisions of this Agreement and in accordance with the Approved Drawings, upon receipt by the Project Administrator of all documents listed in Section 13.10 of the Agreement, Redeveloper shall be entitled to receive HEDA Payment Amount or such lesser amounts as provided by the terms of this Agreement. HEDA Payment Amount shall be pay-as-you-go and the payments due for any given year shall be payable only to the extent of the Captured Tax Increment for such year. No HEDA Payment Amount shall be made in any year that HEDA fails to receive Available Captured Tax Increment or that real estate taxes on the Land are not timely paid when due; said HEDA Payment Amount will be deemed forgiven and never paid. No payment shall be made after the earlier of (i) the end of Term provided for herein or (ii) the latest date on which tax increment may be received by City for Hermantown Marketplace TIF District No. 1 under the laws of Minnesota as currently enacted or as such laws are amended from time to time (future law changes may not grandfather in the ability of HEDA to pay HEDA Payment Amount to Redeveloper and may limit HEDA's ability to pay HEDA Payment Amount to Redeveloper), and this Agreement shall as of that date, and any remaining HEDA Payment Amount will be deemed forgiven and waived and shall not be accrued or otherwise due in the future. HEDA reserves the right at its sole discretion, after consultation with Redeveloper, to terminate Hermantown Marketplace TIF District No. 1 or discontinue payments of HEDA Payment Amount at any time if St. Louis County for any reason does not remit payments of the Captured Tax Increment to HEDA (provided that HEDA shall not terminate this Agreement if Redeveloper takes appropriate timely action to contest the non-payment by St. Louis County of Captured Tax Increment to HEDA).

13.21 HEDA Payment Amount to Redeveloper. Subject to receipt by HEDA of Captured Tax Increment for each year in which HEDA Payment Amount is to be paid to Redeveloper, and further subject to the balance of the terms of this Agreement and compliance by Redeveloper with all terms and provisions hereof, City shall pay on or before August 1 and February 1 of each year beginning in the first year that increment is available, 65% of the Available Captured Tax Increment as the HEDA Payment Amount (HEDA Payment Amount). The HEDA Payment Amount and the obligations of HEDA to make such payments shall be set forth in the HEDA tax increment note ("TIF Note") in the form attached hereto as **Exhibit 13.21**. Such TIF Note provides for reimbursement of up to \$500,000.00 (based on TIF Qualified Costs) together with interest at 5.5%.

Notwithstanding the foregoing, once \$500,000.00 of Available Captured Tax Increment (or lesser amount if HEDA expenditures for HEDA Improvements are less), has been recovered by HEDA relating to its expenditures (hard construction costs and soft construction costs, including engineering permits, etc., but excluding legal fees and fiscal consulting fees) for the HEDA Improvements, 100% of the Available Captured Tax Increment shall be payable to Redeveloper until Redeveloper has recovered 100% of the amount payable pursuant to the HEDA Payment Amount, including interest.

HEDA's obligation to pay the HEDA Payment Amount and make payments on the TIF Note is revenue based and is subject to City continuing to have the legal right to receive and actual receipt of the Captured Tax Increment Payments in accordance with the terms of this Agreement. No asset or revenue of City or Hotel shall be available to make the payment of HEDA Payment Amounts other than the Available Captured Tax Increment to the extent actually received. Redeveloper hereby acknowledges, declares and covenants that HEDA Payment Amounts are revenue obligations solely payable from Available Captured Tax Increment, if any and are not a general obligation of the State or City and neither the full faith and credit, assets, or taxing power of the State or City or HEDA is pledged for the payment of HEDA Payment Amounts. Redeveloper acknowledges, understands and agrees that the projected Available Captured Tax Increment may not be sufficient to allow the TIF Note to be paid in full to Redeveloper. Redeveloper understands that any unpaid amount of the TIF Note at the end of the Term will never be paid to Redeveloper by City or HEDA.

HEDA Payment Amount for any year (two payments, one in each of August and February of each year) shall be 65% of the Available Captured Tax Increment. The TIF Note shall be deemed to be a loan to Redeveloper the repayment obligation of which is forgiven by HEDA upon receipt by Redeveloper of such HEDA Payment Amount per Minnesota Statutes §116J.994, Subd. 3(b).

13.22 Notwithstanding anything to the contrary contained in this Section 13, HEDA shall be entitled to retain at least \$16,362.00 annually from the Available Captured Tax Increment, beginning in the second year that tax increment is available from Hotel and Improvements done by Redeveloper before any HEDA Payment Amount is paid to Redeveloper. Fifty percent (50%) of that amount shall be payable from each of the two semi-annual tax increment payments due and payable hereunder in advance of any amount being paid to Redeveloper. Redeveloper will provide a Letter of Credit ("TIF LC") equal to \$75,000.00, that will remain continuously in force during the term hereof until HEDA has received a total of \$500,000.00 of the Available Captured Tax Increment, or such lesser amount as it has expended by HEDA to complete the HEDA Improvements.

The TIF LC shall be in a commercially reasonable form approved by HEDA's legal counsel, based on the usual forms of Letters of Credit from commercial banks. The Letter of Credit must allow a draw by HEDA on the TIF LC whenever any semi-annual payment from Available Captured Tax Increment, after the first year that tax increment is available, is less than \$8,181.00. The amount that HEDA may draw on the TIF LC is: \$8,181.00 less the amount of Available Captured Tax Increment received by HEDA for that period. If an amount is drawn under the TIF LC, Redeveloper shall provide a replacement TIF LC in the amount of \$75,000.00 within sixty (60) days after an amount is drawn on the TIF LC. As noted in Section 12.2.12, Redeveloper may

provide other security in the amount of \$75,000.00 that is in form and substance acceptable to HEDA and HEDA's legal counsel in lieu of a letter of credit. Such other security must provide the same level of accessibility and be subject to the same terms that are applicable to the TIF LC. Any amount so drawn on the TIF LC or other security shall become an additional amount due, with interest at 5.5% from the date such draw is made, to Redeveloper, as, when and if sufficient Available Captured Tax Increment proceeds are available to make such payment to Redeveloper after all other payments are required to be made with the Available Captured Tax Increment are made.

Redeveloper understands and acknowledges that City makes no representations or warranties regarding the amount of Captured Tax Increment that will be generated by the Project of that HEDA Payment Amount will be sufficient to pay all or any of the amounts due to Redeveloper under this Agreement. Redeveloper is relying on estimates of Captured Tax Increment prepared by its financial advisors, or its other officers, agents or employees in connection with the TIF District or this Agreement and those estimates and may be relied on by HEDA. HEDA, its officers, agents and employees make no representation or warranty as to the amount or sufficiency of the Captured Tax Increment.

Redeveloper acknowledges that: (i) Available Captured Tax Increment shall be the sole and exclusive source of reimbursement of the TIF Eligible Costs; (ii) HEDA shall have no obligation in a given year to reimburse Redeveloper for any TIF Qualified Costs except to the extent HEDA receives Available Captured Tax Increment; and (iii) HEDA shall have no obligation to reimburse Redeveloper for any TIF Qualified Costs until and unless Redeveloper first provides HEDA with evidence of its prior payment of such expenses and HEDA has determined that such expenses are legally eligible for reimbursement with tax increment proceeds and the obligations of HEDA are further limited by the provisions of Section 13.20 and 13.21 of this Agreement.

13.23 HEDA Organization, Power and Authority to Make Agreement. HEDA represents and warrants that it has full power and authority to enter into this Agreement and to perform its obligation hereunder.

13.24 Assessment Agreement. Redeveloper agrees to enter into the special Assessment Agreement upon the execution hereof.

13.25 Right to Collect Delinquent Taxes. Redeveloper acknowledges that HEDA is providing substantial aid and assistance in furtherance of the development through reimbursement of TIF Qualified Costs. Redeveloper understands that the HEDA Payment Amount is derived from real estate taxes on the Land, which taxes must be promptly and timely paid. To that end, Redeveloper agrees, for itself, its successors and assigns, in addition to the obligation pursuant to statute to pay real estate taxes, that it is also obligated by reason of this Agreement to pay before delinquency all real estate taxes assessed against the Land and the Hotel and Improvements. Redeveloper acknowledges that this obligation creates a contractual right on behalf of HEDA to sue Redeveloper or its successors and assigns to collect delinquent real estate taxes and any penalty or interest thereon and to pay over the same as a tax payment to the St. Louis County Auditor. In any such suit, HEDA shall also be entitled to recover its costs, expenses and reasonable attorney fees.

13.26 Review of Taxes. Redeveloper agrees that prior to the end of the Term it will not cause a reduction in the real property taxes paid in respect of the Land, Hotel and Improvements through: (A) willful destruction of the Hotel or Improvement or any part thereof; or (B) willful refusal to reconstruct damaged or destroyed property pursuant to Section 13.17 of this Agreement. Redeveloper also agrees that it will not, prior to the end of the term, seek exemption from property tax for the Land, Hotel and Improvements or any portion thereof or transfer or permit the transfer of the Land, Hotel and Improvements to any entity that is exempt from real property taxes and state law, or apply for a deferral of property tax on the Land pursuant to any law. Notwithstanding anything contained herein, so long as the payment of the \$16,362.00 per year minimum payment to the City continues pursuant to Section 13.22, Redeveloper shall maintain the Constitutional and statutory right to contest property tax valuation with respect to the property, pursuant to Chapter 278 of the Minnesota Statutes or its succeeding replacement statutes. Redeveloper must commit, in advance of commencing such proceedings, to keep all taxes current while the proceedings are pending.

ARTICLE XIV
TITLE EVIDENCE PROVIDED

Redeveloper shall, concurrent with the execution and delivery of the easement required to be provided to City pursuant to Article VIII hereof, provide City, at Redeveloper's expense, with evidence of title, in form and substance acceptable to City Attorney, showing good and marketable title free of liens and encumbrances in the entity or persons executing such easements.

ARTICLE XV
LIMITATION OF PUBLIC UNDERTAKING

It is hereby understood and agreed that the public undertakings and the public expenditures are limited to those undertakings and expressly set forth in this Agreement.

ARTICLE XVI
CONNECTION FEES

Redeveloper shall make application to City for connections to the water system and sewer system on the standard forms for water and sewer connections and shall pay the then connection fees and permit fees to City.

ARTICLE XVII
CERTIFICATE OF OCCUPANCY CONDITIONS

Prior to the issuance of a Certificate of Occupancy for the Hotel, the following must be satisfied:

- 17.1 The conditions of the CIDP have been satisfied.
- 17.2 The easement required to be provided to City by Article VIII hereof has been granted to City and the Title Evidence required by Article XIV has been provided.
- 17.3 The provisions of Article XVI hereof with respect to connection fees have been satisfied.
- 17.4 Redeveloper is not on default under this Agreement.
- 17.5 Redeveloper has satisfied any other obligations of Redeveloper under this Agreement.
- 17.6 Redeveloper has entered into the Business Subsidies Agreement.
- 17.7 This Agreement and the CIDP have been recorded with the appropriate land title recording office.
- 17.8 The obligations of Redeveloper under Article XII have been satisfied.

ARTICLE XVIII
COMPLIANCE WITH ROAD REQUIREMENTS

Redeveloper agrees to comply at its sole cost and expense with all requirements imposed on the Project by any governmental entity for signage, dust control and/or cleaning of Mall Drive

ARTICLE XIX
NOTICES

All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed sent by U.S. Certified Mail to the following name and address:

Redeveloper:	Express Investors of Duluth, LLC 227 W. 1st Street, Suite 950 Duluth, MN 55802 Attn: Mark Labovitz
With copy to:	William M. Burns Hanft Fride, A Professional Association 1000 U.S. Bank Place 130 West Superior Street Duluth, MN 55802
HEDA:	Hermantown Economic Development Authority

5105 Maple Grove Road
Hermantown, MN 55811

City: City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811
Attn: John Mulder

ARTICLE XX
BINDING EFFECT

This Agreement shall inure to the benefit of and shall be binding upon HEDA, City and Redeveloper and their respective successors and assigns. Redeveloper agrees for itself, its successors and assigns, and every successor in interest to the Land, or any part thereof, that Redeveloper, and such successors and assigns, shall diligently prosecute to completion of the Project, and that such completion shall, in any event, within the periods specified in this Agreement. It is intended and agreed that such agreements and covenants shall be covenants running with the Land and that they shall, in any event, and without regard to technical classification or designation, legal or otherwise, and except only as otherwise specifically provided in the Agreement itself, be, to the fullest extent permitted by law and equity, binding for the benefit of HEDA and City and enforceable by HEDA and City against Redeveloper and successors and assigns. City will record this Agreement with the appropriate land title recording office.

ARTICLE XXI
AMENDMENTS, CHANGES AND MODIFICATIONS

Neither this Agreement nor any other document to which Redeveloper is a party, or which is made for the benefit of HEDA, relating to the transactions contemplated hereunder may be effectively amended, changed, modified, altered or terminated, nor may any provision be waived hereunder, except upon the written approval of HEDA or except as otherwise expressly set forth herein.

ARTICLE XXII
SEVERABILITY

In the event any provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

ARTICLE XXIII
LIMITATION ON HEDA AND CITY LIABILITY

No agreements or provisions contained in this Agreement nor any agreement, covenant or undertaking by HEDA and City contained in any document executed by HEDA and City in

connection with this Agreement and the transactions contemplated herein or therein, shall give rise to any pecuniary liability of City or HEDA or a charge against its general credit or taxing powers, or shall obligate City or HEDA financially in any way. No failure of City or HEDA to comply with any term, condition, covenant or agreement herein or under this Agreement shall subject City to liability or claim for damages, costs or other financial or pecuniary charge; and no execution of any claims, demand, cause of action or judgment shall be levied upon or collected from the general credit, general fund or taxing powers of City or HEDA.

ARTICLE XXIV
LAWS GOVERNING

This Agreement shall be interpreted in accordance with and governed by the laws of the State of Minnesota.

ARTICLE XXV
HEADINGS

The titles of articles and sections herein are for convenience only and are not a part of this Agreement.

ARTICLE XXVI
DEFAULT

If Redeveloper fails to perform its obligations hereunder and such failure continues after sixty (60) days written notice of such default is given to Redeveloper by HEDA, then, in that event, HEDA may take any one or more of the following actions:

26.1 Suspend its performance under this Agreement until it receives adequate assurances from Redeveloper that Redeveloper will cure the default and continue its performance under this Agreement.

26.2 Take whatever action, at law or in equity, which may appear necessary or desirable to HEDA to collect any payments due it hereunder including reasonable attorneys fees incurred in connection with such actions or under this Agreement, or to enforce performance and observance of any obligation, agreement or covenant of Redeveloper under this Agreement.

26.3 Exercise its rights and remedies under the Business Subsidy Agreement.

26.4 Terminate this Agreement and the payment of the HEDA Payment Amount.

26.5 Exercise its rights under the TIF LC or other security provided pursuant to Section 13.22.

26.6 Exercise its rights under the HEDA Improvements LC, so long as such HEDA Improvements LC is in effect.

Notwithstanding the foregoing, if Redeveloper's failure to perform its obligations hereunder reasonably requires more than sixty (60) days to cure, such failure shall not constitute a default provided that the curing of such failure is promptly commenced upon receipt by Redeveloper of the notice of the failure, and with due diligence is thereafter continuously prosecuted to completion and is completed within a reasonable period of time, and provided that Redeveloper keeps HEDA informed of its progress in curing the failure.

No remedy herein conferred upon or reserved to HEDA or City is intended to be inclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement now or hereafter existing at law or in equity or by statute.

ARTICLE XXVII **COUNTERPARTS**

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

ARTICLE XXVIII **ADDITIONAL PROVISIONS**

28.1. Conflict of Interests; HEDA and City Representatives not Individually Liable. No member, official or employee of City and HEDA shall have any personal interest, direct or indirect, in the Agreement, nor shall any such members, official or employee participate in any decision relating to the Agreement which affects his personal interests or the interest of any corporation, partnership or association in which he is, directly or indirectly, interested. No member, official or employee of City and HEDA shall be personally liable to Redeveloper or any successor in interest, in the event of any default or breach by City or HEDA for any amount which may become due to Redeveloper or successor or on any obligations under the terms of the Agreement.

28.2. No Assurance of Permits. HEDA, by entering into this Agreement, makes no representation or agreement that Redeveloper will be able to obtain a CIDP or a Building Permit or any other permit required to be obtained by it in order to construct the Hotel or utilize the Hotel.

28.3. Termination. Unless otherwise terminated as provided herein, this Agreement shall terminate on the latest date in which tax increment may be received by City for Hermantown Marketplace TIF District No. 1 under the laws of Minnesota as currently enacted or as such laws are amended from time to time or such earlier date as all of the tax increment designated to be paid hereunder shall have been paid, together with annual interest at 5.5% on unpaid amounts, to Redeveloper.

[SIGNATURES APPEAR ON NEXT PAGE]

**LIST OF EXHIBITS
TO AGREEMENT
BETWEEN HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY, CITY OF
HERMANTOWN AND EXPRESS INVESTORS OF DULUTH, LLC**

Exhibit A	Legal Description of the Land
Exhibit B	Legal Description of Square Off Parcel
Exhibit 1.4	Business Subsidy Agreement
Exhibit 1.15	Depiction of Project
Exhibit 1.24	TIF Qualified Work and TIF Qualified Costs
Exhibit 8	Easement for Public Purpose
Exhibit 13.21	HEDA Tax Increment Note (“TIF Note”)

EXHIBIT A**LEGAL DESCRIPTION OF THE LAND**

That part of the Northeast Quarter of the Southeast Quarter of Section 13, Township 50 North, Range 15 West of the Fourth Principal Meridian, St. Louis County, Minnesota, described as follows:

Beginning at the Southwest Corner of Lot 1, Block 1, HAINES CORNERS, according to the recorded plat thereof, said St. Louis County; thence on an assumed bearing of South 00 degrees 03 minutes 42 seconds West, along a Westerly line of said HAINES CORNERS, a distance of 33.00 feet to the North line of Lot 1, Block 2, said HAINES CORNERS; thence North 89 degrees 37 minutes 03 seconds West, along the Westerly extension of the North line of said Lot 1, Block 2, also a Northwesterly line of said HAINES CORNERS, a distance of 100.83 feet to a Westerly line of said HAINES CORNERS; thence South 00 degrees 17 minutes 58 seconds East, along said Westerly line, a distance of 275.02 feet, more or less, to the South line of the Northerly 275 feet of the Southerly 870.00 feet of the Northwest Quarter of the Southeast Quarter of said Section 13; thence North 89 degrees 37 minutes 03 seconds West, along said South line, a distance of 265.16 feet; thence North 00 degrees 05 minutes 19 seconds East, a distance of 257.80 feet; thence South 89 degrees 59 minutes 15 seconds East, a distance of 85.13 feet; thence North 00 degrees 05 minutes 19 seconds East, a distance of 238.88 feet to a line 225 feet Southerly and parallel with the North line of said Northeast Quarter of the Southeast Quarter; thence South 89 degrees 56 minutes 22 seconds East, along said parallel line, a distance of 228.89 feet; thence South 00 degrees 03 minutes 38 seconds West, a distance of 20.50 feet; thence South 89 degrees 56 minutes 22 seconds East, a distance of 50.01 feet to a Northwesterly corner of Lot 1, Block 1, said HAINES CORNERS; thence South 00 degrees 03 minutes 42 seconds West, along a Westerly line of said HAINES CORNERS, a distance of 170.30 feet to the point of beginning.

395-0010-03821
 395-0010-03822
 395-0010-03823

EXHIBIT B**LEGAL DESCRIPTION OF SQUARE OFF PARCEL**

That part of the Northeast Quarter of the Southeast Quarter of Section 13, Township 50 North, Range 15 West of the Fourth Principal Meridian, St. Louis County, Minnesota, described as follows:

Commencing at the Southwest Corner of Lot 1, Block 1, HAINES CORNERS, according to the recorded plat thereof, said St. Louis County; thence on an assumed bearing of South 00 degrees 03 minutes 42 seconds West, along a Westerly line of said HAINES CORNERS, a distance of 33.00 feet to the North line of Lot 1, Block 2, said HAINES CORNERS; thence North 89 degrees 37 minutes 03 seconds West, along the Westerly extension of the North line of said Lot 1, Block 2, also a Northwesterly line of said HAINES CORNERS, a distance of 100.83 feet to a Westerly line of said HAINES CORNERS; thence South 00 degrees 17 minutes 58 seconds East, along said Westerly line, a distance of 170.01 feet to the Northerly Right of Way line of Mall Drive per Doc. No. 509857; thence North 89 degrees 37 minutes 03 seconds West, along said Northerly Right of Way line, a distance of 264.45 feet; thence North 00 degrees 05 minutes 19 seconds East, a distance of 152.80 feet to the point of beginning of the land to be described; thence South 89 degrees 59 minutes 15 seconds East, a distance of 85.13 feet; thence North 00 degrees 05 minutes 19 seconds East, a distance of 238.88 feet to a line 225 feet Southerly and parallel with the North line of said Northeast Quarter of the Southeast Quarter; thence North 89 degrees 56 minutes 22 seconds West, along said parallel line, a distance of 85.13 feet; thence South 00 degrees 05 minutes 19 seconds West, a distance of 238.96 feet to the point of beginning.

EXHIBIT 1.4

BUSINESS SUBSIDY AGREEMENT

BY AND BETWEEN

**HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY
(GRANTOR)**

AND

**EXPRESS INVESTORS OF DULUTH, LLC
(RECIPIENT)**

Approved: _____

This document was drafted by:

Steven C. Overom
MAKI & OVEROM, LTD.
31 West Superior St., Suite 402
Duluth, Minnesota 55802
(218) 726-0805

BUSINESS SUBSIDY AGREEMENT

THIS BUSINESS SUBSIDY AGREEMENT made effective this _____ day of _____, 2014 by and between **Hermantown Economic Development Authority** (the "City"), a Minnesota home rule statutory city, also referred to as the "Grantor", at 5105 Maple Grove Road, Hermantown, Minnesota 55811 and **Express Investors of Duluth, LLC** ("Redeveloper"), a Minnesota limited liability company, hereinafter referred to as "Recipient", having its principal offices at 202 W. Superior Street, Suite 800, Duluth, Minnesota 55802 is in response to the following situation:

A. HEDA, as Grantor, has the authority pursuant to Minnesota Statutes, sections 469.124 through 469.133, inclusive, as amended (the "City Development District Act" or "Act") to carry out development projects that provide a public benefit to the City of Hermantown ("City") and to establish tax increment districts pursuant to Minnesota Statutes, sections 469.174 to 469.1794, inclusive, as amended (the "Tax Increment Act") from which tax increment revenues can be generated to assist in the development efforts.

B. Grantor, when providing financial assistance ("Business Subsidy") to projects that provide a public benefit to the City and to the State, is subject to the requirements of Minnesota Statutes, Sections 116J.993 to 116J.995, inclusive, as amended (the "Business Subsidy Act") and is defined therein as a Grantor.

C. Grantor has established criteria to guide it in providing Business Subsidy ("Grantor Business Subsidy Criteria").

D. Grantor is required by section 116J.994, subdivision 3 of the Business Subsidy Act, and Grantor's Business Subsidy Criteria to enter into this subsidy agreement to set forth the terms and conditions of the Business Subsidy (the "Business Subsidy Agreement").

E. The City Council ("City Council") of the City of Hermantown held a public hearing on January 21, 2014 to consider a modification of Development District No. 1 (the "Development District"), and the Commissioners of Grantor ("Commissioners") held a public hearing to consider the establishment of Hermantown Marketplace Tax Increment District No. 1 and a Tax Increment Financing Plan ("TIF Plan") for such District.

F. The Commissioners held a hearing on April 7, 2014 to consider this Agreement.

G. The City Council approved the modification of the Development District at a meeting on April 7, 2014.

H. The Commissioners at a meeting on April 7, 2014, 2014 approved the establishment of the tax increment financing plan for Hermantown Marketplace Tax Increment District No. 1 ("Hermantown Marketplace TIF District No. 1") within the Development District, pursuant the Tax Increment Act, to permit the expenditure of tax increment revenues for qualifying improvements.

I. Tax increment financing revenues (“TIF Revenues”) generated from Hermantown Marketplace TIF District No. 1 are proposed to be expended for public improvements and for a Business Subsidy to the Recipient.

J. Recipient proposes to construct a Hotel and other Improvements (the “Project”) on property owned by the Recipient.

K. Recipient is required by the Business Subsidy Law to set forth in this Subsidy Agreement its goals that will result from receipt of the Business Subsidy.

K. Grantor finds the Project will (i) promote the development of a hotel which will attract individuals and families from outside the County of St. Louis (the “County”), (ii) provide additional employment opportunities within the City, County, and State, (iii) generate spin-off economic vitality to the region, (iv) provide an increase in the tax base, (v) allow and provide the development of property that due to substandard parking lots, utilities and streets would be difficult to economically develop, and (vi) provide the base for future development in the vicinity of the Project.

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

THE AGREEMENT

Section 1. Definitions.

“Agreement” or “Subsidy Agreement” means this Business Subsidy Agreement.

“Benefit Date” means the date the Recipient receives the business subsidy. For improvements to property, the benefit date refers to the earliest date of either (i) when the improvements are finished for the entire project, or (ii) when a business occupies the property. For purchase or lease of equipment, the benefit date refers to when the Recipient puts the equipment into service.

“Business Subsidy Act” means Minnesota Statutes, sections 116J.993 to 116J.995, inclusive, as hereinafter amended.

“Business Subsidy” or “Subsidies” means the tax increment financing assistance provided by the City to the Recipient.

“City”, referred to under the Business Subsidy Law means the City of Hermantown.

“City Development District Act” or “Act” means Minnesota Statutes, sections 469.124 through 469.133, inclusive as amended.

“Compliance Date” means two years after the Benefit Date, at which time compliance of terms of the Agreement is required.

“County” means the County of St. Louis in Minnesota.

“DEED” means the Minnesota Department of Employment and Economic Development.

“Agreement” means that certain Contract for Private Redevelopment between Recipient and Grantor with respect to the development of the Project and the repayment of Grantor of amounts advanced by Recipient.

“Grantor” means the Hermantown Economic Development Authority or HEDA.

“Job Goals” means the goals of the Recipient relating to the number of employment positions, wages, and benefits that will accrue within two years of the Benefit Date.

“PAYG Notes” means the agreement by Recipient to pay for costs qualified for reimbursement through TIF Revenues.

“Project” means the Hotel and other Improvements

“State” means the State of Minnesota.

“Recipient” means Express Investors of Duluth, LLC, a Minnesota limited liability company.

“Tax Increment Act” means Minnesota Statutes, sections 469.174 to 469.1794, inclusive, as amended.

“Hermantown Marketplace TIF District No. 1” means Hermantown Marketplace Tax Increment District No. 1, a redevelopment type of tax increment district, located within Development District No. 1.

“TIF Revenues” means tax increment revenues from Hermantown Marketplace TIF District No. 1 within Development District No. 1.

Section 2. Subsidy Agreement Requirements.

2.1 Grantor and Recipient recognize and agree that the estimated financial benefit of a potential \$500,000.00 pay as you go note (“PAYG Note”) for site improvements and infrastructure improvements to be received by the Recipient under this Agreement is defined as a Business Subsidy under the Business Subsidy Act, and are subject to the provisions thereof. Pursuant to Minnesota Statutes Section 1165.994 Subd. 3 (b) the PAYG Note is structured as a forgivable loan to Recipient.

2.2 The Business Subsidy will be generated from Hermantown Marketplace TIF District No. 1 which is a redevelopment type of tax increment district. TIF Revenues can be generated from Hermantown Marketplace TIF District No. 1 for twenty-five (25) years.

2.3 The public purposes of the Subsidies with respect to Hermantown Marketplace TIF District No. 1 are (i) to facilitate the development of the Project, development which could not

occur without public financial assistance; (ii) to create employment opportunities, (iii) to provide economic growth to the City, County, and State, (iv) provide an increase in the tax base, (v) allow and provide the development of property that due to substandard streets, parking lots and utilities would be difficult to economically develop, and (vi) provide the base for future development in the vicinity of the Project.

2.4 The goals for the Business Subsidy are (i) to facilitate the Project so as to provide for the creation of a new business in the City; (ii) increase the tax base; (iii) redevelop a blighted area of the City; and (iv) finance public infrastructure.

2.5 If the goals described in Section 2.4 are not met, the Recipient must make the payment described in Section 3 hereof.

2.6 Recipient has demonstrated to the satisfaction of HEDA that it is adequately financed and the Project will be completed in a timely fashion.

2.7 The Recipient warrants it will continue operations of the Project for at least five years after the Benefit Date.

2.8 The Recipient has not previously received a Business Subsidy from Grantor and it has not failed to meet the terms of any business subsidy agreement as defined in the Business Subsidy Act.

2.10 This Agreement fully meets the statutory requirements of the Business Subsidy Act and in the event that any provision of this Agreement is inconsistent or in conflict with any provision of the Business Subsidy Act, and in the event that any provision of the Business Subsidy Act provides additional requirements, the provisions of the Business Subsidy Act shall apply and govern.

2.11 No Business subsidy shall be provided to Recipient until Recipient's eligibility to receive a Business Subsidy has been verified with DEED if required by applicable law.

Section 3. Remedies.

If Recipient fails to meet the goals described in Section 2.4, then upon written notice delivered by Grantor to Recipient, Recipient must pay Grantor: (a) its "pro rata share" of the amount of any Business Subsidy; plus (b) interest on such principal amount of the Business Subsidy at the implicit price deflator rate for government consumption expenditures and gross investment for local and state governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year, accrued from the Benefit Date to the date of payment. The term "pro rata share" means percentages calculated as follows:

(i) if the failure relates to maintenance of the business in accordance with Section 2.7, 60 less the number of months of operation (where any month in which the business is in operation for at least 15 days constitutes a month of operation), commencing on the benefit date

and ending on the date the business ceases operation as determined by the HEDA, divided by 60;
and

In addition to the remedies described in this Section and any other remedy available to the Grantor for failure to meet the goals stated in Section 2.4, Recipient agrees and understands that it may not receive a Business Subsidy from the Grantor or any other grantor for a period of five years from the date of the failure or until Recipient satisfies its repayment obligation under this Section, whichever occurs first.

Section 4. Reports.

Recipient must submit to HEDA written reports with respect to business subsidy goals and results on forms required by DEED, such forms being available from DEED on the internet, by March 1 of each year, commencing March 1, 2015 and continuing until the later of (i) the date the goals stated Section 2.4 are met; or (ii) March 1, 2019; or (iii) if the goals are not met, the date the Business Subsidy is repaid in accordance with Section 3. Each report must comply with section 116J.994, subdivision 7 of the Business Subsidy Act, as it may be amended from time to time.

HEDA will provide information to Recipient regarding the required forms. If Recipient fail to timely file any report required under this Section, HEDA will mail the Recipient a warning within one week after the required filing date. If, after 14 days of the postmarked date of the warning, the Recipient fails to provide a report, the Recipient must pay to the Grantor a penalty in the amount set forth in the Business Subsidy Act.

A failure by HEDA to provide such reports or warnings hereunder shall not affect HEDA's rights under this Business Subsidy Agreement, the Agreement or any applicable law, rule or regulation.

Section 5. Attorney Fees.

If Grantor employs attorneys or incurs other expenses for the collection of payments due or for the enforcement or observance of any obligation or agreement on the part of Recipient under this Agreement or the Agreement, the Recipient agrees that it will, within 10 days of written demand by the HEDA, pay the reasonable fees of such attorneys and any other expenses so incurred by Grantor.

Section 6. Indemnification.

6.1 Recipient shall and does hereby agree to protect, defend, indemnify and hold Grantor, and its officers, agents, and employees, harmless of and from any and all liability, loss, or damage that it may incur under or by reason of this Agreement, and of and from any and all claims and demands whatsoever that may be asserted against Grantor by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained herein.

6.2 Should Grantor, or officers, agents, or employees incur any such liability or be required to defend against any claims or demands pursuant to this Section 6, or should a judgment be entered against Grantor, the amount thereof, including costs, expenses, and reasonable attorneys fees, shall be immediately payable by Recipient to Grantor upon written demand to Recipient.

6.3 This indemnification and hold harmless provision shall survive the execution, delivery, and performance of this Agreement. Recipient waives notice of the acceptance of this Agreement by Grantor.

6.4 Nothing in this Agreement shall constitute a waiver of or limitation on any immunity from or limitation on liability to which Grantor is entitled under law.

Section 7. Project Compliance Information. Recipient shall provide to Grantor any information requested or needed by Grantor to monitor project implementation for compliance with Minnesota law and its guidelines.

Section 8. Nondiscrimination. The provisions of Minnesota Statutes, Section 181.59, which relate to civil rights and discrimination, shall be considered a part of this Agreement as though wholly set forth herein and the Recipient shall comply with each such provision throughout the term of this Agreement.

Section 9. Workers' Compensation Insurance. Lion Hotel Manager, LP ("Lion"), or another third party manager, will operate the Hotel that is part of the Project and it has obtained workers' compensation insurance as required by Minnesota Statutes, Section 176.181, subd. 2. Lion's workers' compensation insurance information is as follows:

- (a) Insurance Carrier Name: SFM
- (b) Policy Number: 055425202
- (c) Local Agent: Otis-Magie Insurance Agency, Inc., (218) 625-2105

Section 10. Business with the State of Minnesota/State Tax Laws. The Recipient is required by Minnesota law to provide its Minnesota tax identification number if it does business with the state of Minnesota. These numbers will be available to federal and state tax authorities and state personnel involved in the payment of state obligations.

Recipient's:

- (a) Minnesota Tax ID Number: Applied For
- (b) Federal Employer ID Number: 46-1756723

Lion's:

- (a) Minnesota Tax ID Number: 4784256
- (b) Federal Employer ID Number: 41-1904199

Section 11. Miscellaneous.

11.1 Choice of Law and Venue. This Agreement is made and shall be governed in all respects by the laws of the state of Minnesota. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the state or federal courts of Minnesota, venued in St. Louis County, Minnesota if in State Court and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

11.2 Severability. Wherever possible, each provision of this Agreement and each related document shall be interpreted so that it is valid under applicable law. If any provision of this Agreement or any related document is to any extent found invalid by a court or other governmental entity of competent jurisdiction, that provision shall be ineffective only to the extent of such invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or any other related document.

11.3 Notice. All notices required hereunder shall be given by depositing in the U.S. mail, postage prepaid, certified mail, return receipt requested, to the following addresses (or such other addresses as either party may notify the other):

To the Grantor: Hermantown Economic Development Authority
5105 Maple Grove Road
Hermantown, MN 55811
Attn: John Mulder

To Recipient: Express Investors of Duluth, LLC
202 W. Superior Street
Suite 800
Duluth, MN 55802
Attn: Mark Labovitz

11.4 Entire Agreement. This Agreement, is made pursuant to and as part of the Agreement. The Agreement, this Agreement and all other documents and agreements executed pursuant to the Agreement constitute the complete and exclusive statement of all mutual understandings between the parties with respect to the Project, superseding all prior or contemporaneous proposals, communications, and understandings, whether oral or written, pertaining to the subject matter of this Agreement.

11.5 Headings. The headings appearing at the beginning of the several sections contained in this Agreement have been inserted for identification and reference purposes only and shall not be used in the construction and interpretation of this Agreement.

11.6 Conflict of Interests; Representatives Not Individually Liable. No officer, employee or contractor of Grantor may acquire any financial interest, direct or indirect, in this Agreement, or in any contract related to the Property. No officer, agent, or employee of the Grantor shall be personally liable to the Recipient or any successor in interest in the event of any default or breach by Grantor or for any amount that may become due to Recipient or on any obligation or term of this Agreement.

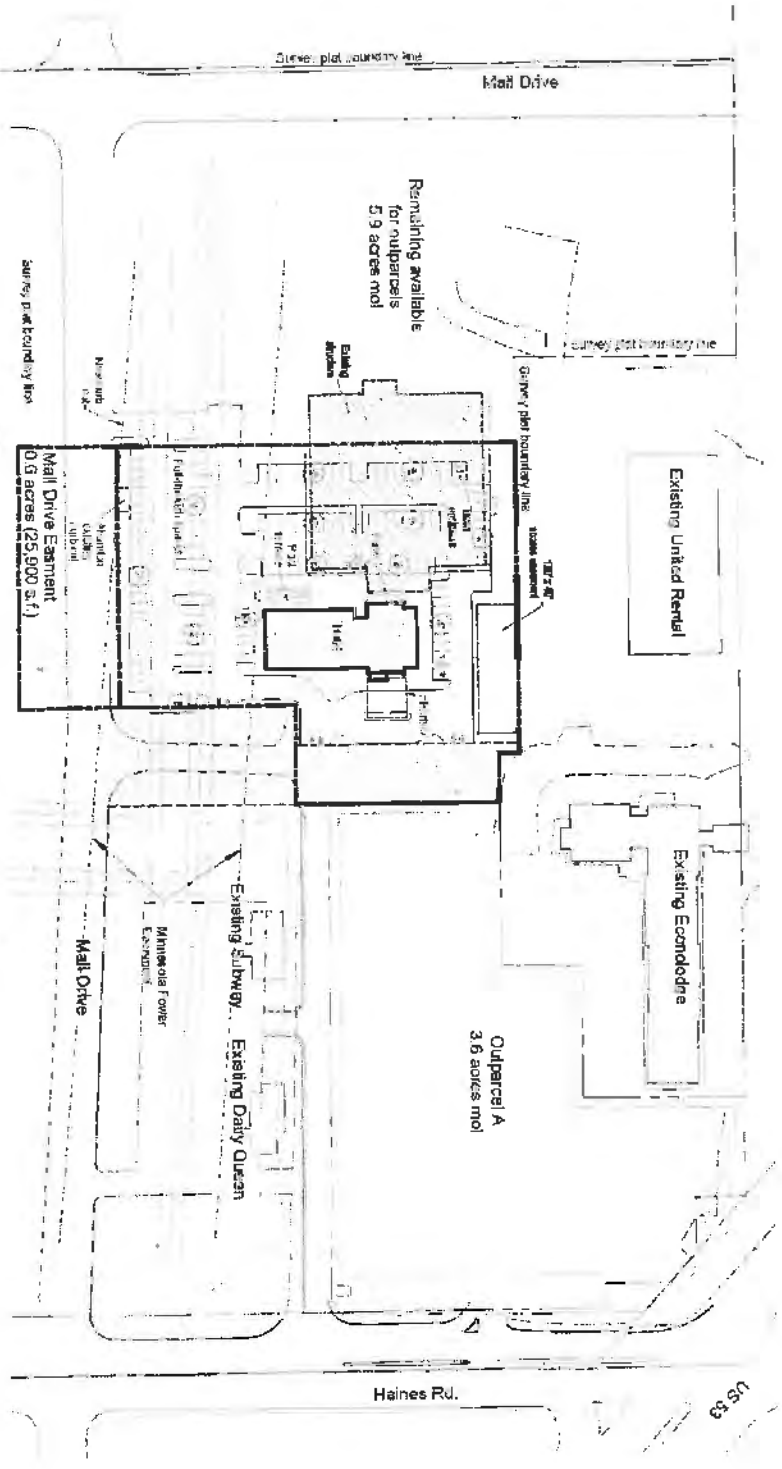
11.7 Effect on Other Agreements. Nothing in this Agreement shall be construed to modify any term of any other agreement to which Grantor and Recipient are parties.

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

11.9 Agreement. Grantor shall have no obligations to provide a Business Subsidy to Recipient unless and until the Agreement has been entered into by the parties.

11.10 No Waiver. No remedy conferred upon or reserved to Grantor is intended to be inclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Business Subsidy Agreement, the Agreement or now or hereafter existing at law or in equity or by statute. Further no decision by Grantor to exercise any remedy or give it hereunder, under the Agreement or by statute shall constitute a waiver of any rights afforded grantor upon any subsequent or continuing default, action or non-action by Recipient.

[SIGNATURES APPEAR ON NEXT PAGE]



* Site Area: 2.90 acres + 0.80 acres Mail Drive Easement = 3.50 acres



page - 1 -

David L. Wallace & Associates, P.A. 727.735.8000
 SITE AREA- 2.90 ACRES (incl. eas.) 140 PARKING PROVIDED

BLDG. FOOTPRINT: 9400 sq. ft. 80 rooms FLOORS: 5

04 14 2014
 Site Plan Option - 12f
 Holiday Inn Express - Hermantown, MN
 scale: 1" = 100' @ 11x17

EXHIBIT 1.24
TIF Qualified Work and TIF Qualified Costs

Holiday Inn Express Hermantown
Summary of Probable TIF Eligible Costs

Land	850,000
Square Off Parcel & Remove Building	250,000
Site Planning Scenarios (Architect)	27,000
Site Planning Scenarios (Civil)	3,500
Environmental Phases I & II	9,377
Civil: Mobilization	31,159
Civil: Demolition (Site)	24,231
Civil: Grading & Site Work	315,038
Civil: Paving	169,393
Civil: Utilities	46,350
Civil: Erosion Control & Vegetation	14,509
Environmental Remediation	49,500
Total	1,787,052

No provision in above for the following items

- Legal
- Financial Advisor
- Building Footings
- Landscaping

EXHIBIT 8**EASEMENT**

THIS INDENTURE is made and entered into this ____ day of _____, 20__, between **Express Investors of Duluth, LLC**, a Minnesota limited liability company, hereinafter called "Grantors," and the **City of Hermantown**, a municipal corporation, hereinafter called "Grantee."

WITNESSETH:

WHEREAS, Grantors are the owners of land situated in the City of Hermantown, St. Louis County, Minnesota; and

WHEREAS, Grantors have agreed to grant Grantee an easement for public purposes across Grantor's property.

NOW, THEREFORE, the said Grantors, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, do hereby grant and convey unto the City of Hermantown, St. Louis County, Minnesota, as Grantee, its successors and assigns, FOREVER:

An easement for public purposes, including, without limitation, road, sewer, storm sewer and water and including the construction and maintenance of necessary slopes and fills, in, upon and across that part of said land owned by Grantor, more particularly described as follows, to-wit:

See Exhibit A attached hereto

together with the right to enter upon and occupy so much of such property as may be necessary in constructing, repairing or otherwise maintaining any public improvement contained thereon or therein, including any required slope and fill or any other public improvement built thereon, and including the right to remove any and all trees, shrubs and herbage therein.

It is understood that the right, privilege and easement herein granted and the provisions hereof shall extend to and bind the heirs, personal representatives, successors and assigns of the respective parties hereto.

EXHIBIT A

The Legal description to be attached to this easement will be determined after the site plan for the Hotel is completed and the design of the HEDA Improvements is completed.

EXHIBIT 13.21

UNITED STATE OF AMERICA
STATE OF MINNESOTA
ST. LOUIS COUNTY
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

No.HTMP-1

\$500,000.00

TAX INCREMENT REVENUE NOTE
SERIES 2014

<u>Rate</u>	<u>Date of Original Issue</u>
5.5%	_____

The Hermantown Economic Development Authority ("HEDA"), for value received, certifies that it is indebted and hereby promises to pay to Express Investors of Duluth, LLC, or registered assigns (the "Owner"), the principal sum of \$500,000.00 and to pay interest thereon at the rate of five and one half percent per annum, as and to the extent set forth herein.

1. Payments. Principal and interest ("Payments") will be paid on _____, 20__, and each August 1 and February 1 thereafter to and including _____, 20__ ("Payment Dates"), in the amounts and from the sources set forth in Section 3 herein. Payments will be applied first to accrued interest, and then to unpaid principal.

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

2. Interest. Interest at the rate stated herein will accrue on the unpaid principal, commencing on the date of original issue. Interest will be computed on the basis of a year of 360 days and charged for actual days principal is unpaid.

3. Available Captured Tax Increment. Payments on this Note are payable on each Payment Date in the amount of and solely payable from Available Captured Tax Increment attributable to the Development Land and paid to HEDA by St. Louis County in the six months preceding the Payment Date, all as is more fully set forth in the Contract for Private Re-Development between HEDA and Owner dated as of _____, 2014 (the "Agreement"). Available Captured Tax Increment will not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default under the Agreement.

The provisions of Section 13.21 of the Agreement govern the payments on the Note. Generally, absent a default, Owner will be paid 65% of the Available Captured Tax Increment paid to HEDA by St. Louis County in the six months preceding any Payment Date.

HEDA will have no obligation to pay principal of and interest on this Note on each Payment Date from any source other than Available Captured Tax Increment, and the failure of HEDA to pay the entire amount of principal or interest on this Note on any Payment Date will not constitute a default hereunder as long as HEDA pays principal and interest hereon to the extent of Available Captured Tax Increment and in accordance with the Agreement. HEDA will have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final Payment on _____, 20__.

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

5. Termination. At HEDA's option, this Note will terminate and HEDA's obligation to make any payments under this Note will be discharged upon the occurrence of an Event of Default on the part of the Developer as defined in Article XXVI of the Agreement, but only if the Event of Default has not been cured in accordance with Article XXVI of the Agreement.

6. Nature of Obligation. This Note is in the total principal amount of \$500,000.00 and is issued pursuant to an authorizing resolution (the "Resolution") duly adopted by HEDA on April 7, 2014, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 to 469.179, as amended. This Note is a limited obligation of HEDA which is payable solely from Available Captured Tax Increment and as provided in the Agreement. This Note and the interest hereon will not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, HEDA or the City of Hermantown. Neither the State of Minnesota, nor any political subdivision thereof will be obligated to pay the principal of or interest on this Note or other costs incident hereto except out of Available Captured Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Note or other costs incident hereto.

7. Estimated Tax Increment Payments. Any estimates of Tax Increment prepared by HEDA or its financial advisors in connection with the TIF District or the Agreement are for the benefit of HEDA, and are not intended as representations on which the Developer may rely.

HEDA MAKES NO REPRESENTATION OR WARRANTY THAT THE AVAILABLE CAPTURED TAX INCREMENT WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF AND INTEREST ON THIS NOTE.

8. Registration and Transfer. This Note is issuable only as a fully registered note without coupons. As provided in the Resolution, and subject to certain limitations set forth

therein, this Note is transferable upon the books of HEDA kept for that purpose at the principal office of the Community Development Director of the City, by the Owner hereof in person or by the Owner's attorney duly authorized in writing, upon surrender of this Note together with a written instrument of transfer satisfactory to HEDA, duly executed by the Owner. Upon the transfer or exchange and the payment by the Owner of any tax, fee, or governmental charge required to be paid by HEDA with respect to the transfer or exchange, there will be issued in the name of the transferee a new Note of the same aggregate principal amount, bearing interest at the same rate and maturing on the same dates.

This Note will not be transferred to any person other than an affiliate, or other related entity, of the Owner unless HEDA has been provided with an investment letter or a certificate of the transferor, in a form satisfactory to HEDA, that the transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws.

9. Subject to Terms of Agreement. This Note is subject to the terms and provisions of the Agreement. If there is any inconsistency between the terms and provisions of this Note and the terms and provisions of the Agreement, the terms and provisions of the Agreement shall govern. All capitalized terms when used herein shall have the meaning given them in the Agreement, unless the context clearly requires otherwise.

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

IN WITNESS WHEREOF, the Board of Commissioners of the Hermantown Economic Development Authority, has caused this Note to be executed with the manual signatures of its President and Executive Director, all as of the Date of Original Issue specified above.

**HERMANTOWN ECONOMIC
DEVELOPMENT AUTHORITY**

Executive Director

President