

## **PRELIMINARY DEVELOPMENT AGREEMENT**

**THIS AGREEMENT**, made and entered into this 23rd day of September, 2021, the Grand Rapids Economic Development Authority, a public body corporate and politic under the laws of the State of Minnesota (“Authority”) and 4A Management, LLC, a Minnesota limited liability company (“Developer”):

### **RECITALS**

**WHEREAS**, the Authority owns certain property within the City of Grand Rapids, Minnesota (the “City”), described in Exhibit A attached hereto (the “Property”); and

**WHEREAS**, the Developer has submitted a preliminary proposal attached as Exhibit B (the “Proposal”) for the acquisition and development of the Property for the construction of a mixed use development consisting of ground level and basement restaurant and retail space, upper level residential units, and rooftop space (the “Development”); and

**WHEREAS**, the Authority has determined that it is in its best interest that the Developer be designated sole developer of the Property during the term of this Agreement; and

**WHEREAS**, the Authority and the Developer are willing and desirous to undertake the Development if (i) a satisfactory agreement can be reached regarding the Authority’s commitment for any public assistance that may be necessary for the Development; (ii) satisfactory mortgage and equity financing, or adequate cash resources for the Development can be secured by the Developer; (iii) the economic feasibility and soundness of the Development can be demonstrated; and (iv) satisfactory resolution of zoning, land use, site design, and engineering issues, and other necessary preconditions have been determined to the satisfaction of the parties; and

**WHEREAS**, the Authority is willing to evaluate the Development and work toward all necessary agreements with the Developer if the Developer agrees to make the nonrefundable deposit described herein, which is intended, in part, to reimburse the Authority for their costs if the Development is abandoned by Developer or necessary agreements are not reached under the terms of this Agreement.

**NOW, THEREFORE**, in consideration of the foregoing and of the mutual covenants and obligations set forth herein, the parties agree as follows:

**Section 1. Intention of Parties.** It is the intention of the parties that this Agreement: (a) documents the present understanding and commitments of the parties; and (b) will lead to negotiation and execution of a mutually satisfactory Purchase and Development Contract (the “Contract”) prior to the termination date of this Agreement. The Contract (together with any other agreements entered into between the parties hereto contemporaneously therewith) when executed, will supersede all obligations of the parties hereunder.

**Section 2. Outline of Negotiations.** Negotiations between the parties shall proceed in

an attempt to formulate a definitive Contract based on the following:

- (a) the Developer's current Proposal together with any changes or modifications required by the Authority;
- (b) such documentation regarding economic feasibility of the Development as the Authority may wish to undertake during the term of this Agreement; and
- (c) other terms and conditions of this Agreement.

The parties agree and understand that negotiations regarding the Contract will proceed as soon as reasonably practicable after the date of this Agreement, as sufficient details for the Development become available.

**Section 3. Developer's Obligations.** During the term of this Agreement, the Developer shall:

- (a) Submit to the Authority a design proposal to be approved by the Authority showing the location, size, and nature of the proposed Development, including floor layouts, renderings, elevations, and other graphic or written explanations of the Development. The design proposal shall be accompanied by a proposed schedule for the commencement and completion of all phases of the Development.
- (b) Submit a cost estimate for the design and construction of the Development.
- (c) Submit a time schedule for all phases of the Development.
- (d) Submit to the Authority the Developer's financing plan showing that the proposed Development is financially feasible, and, to the extent Developer seeks public financial assistance in any form (including reduced land cost, waiver of fees, tax increment financing or abatement financing), evidence that such assistance is reasonably necessary to make the Development financially feasible.
- (e) Furnish satisfactory financial data to the Authority evidencing the Developer's ability to undertake the Development.
- (f) Submit zoning, land use, platting and subdivision applications for the Development, as appropriate.
- (g) Submit any soil borings obtained by the Developer to the Authority.
- (h) Undertake and obtain such other preliminary economic feasibility studies, income and expense projections, and such other economic information as the Developer may desire to further confirm the economic feasibility and soundness of the Development.
- (i) Provide any other information that the Authority may request.

**Section 4. Authority's Obligations.** During the term of this Agreement, the Authority

agrees to:

- (a) Proceed to seek all necessary information with regard to the anticipated public costs associated with the Development.
- (b) Review zoning, planning and subdivision implications of the Development, as appropriate.
- (c) Analyze the Redeveloper's pro forma and estimate the amount and type of public financial assistance, if any, needed to make the Development feasible and authorized under the laws of the State of Minnesota.

**Section 5. Contingencies.** It is expressly understood that execution and implementation of the Contract shall be subject to:

- (a) A determination by the City and the Authority, in their sole discretion, that any public financial assistance for the Development is feasible based on the projected sources available, and that financial assistance is warranted based on the Developer's pro forma and any other information provided to the City and Authority.
- (b) A determination by the Developer that the Development is feasible and in the best interests of the Developer.
- (c) A determination City Council of the City and the Board of Commissioners of the Authority that the Development is in the best interests of the City and the Authority.

**Section 6. Reimbursement of Costs.** The Developer shall be solely responsible for all costs incurred by the Developer. In addition, the Developer shall reimburse the City and the Authority for Administrative Costs, as hereafter defined. For the purposes of this Agreement, the term "Administrative Costs" means out of pocket costs incurred by the City and the Authority attributable to or incurred in connection with the negotiation and preparation of this Agreement, the Contract, and other documents and agreements in connection with the Development, including without limitation all costs in connection with replatting of the Property and the cost of financial advisors, attorneys, engineering and planning and environmental consultants. Notwithstanding the foregoing, the Authority shall pay for ½ of its costs incurred in connection with the negotiation and preparation of this Agreement.

In order to secure payment of the Administrative Costs, the Developer shall deliver to the Authority cash or a certified check in the amount of \$5,000, such delivery to occur upon delivery by the Developer of Developer's Business Assistance Application. If at any one or more times during the term of this Agreement, the Authority determines that Administrative Costs will exceed \$5,000 and that additional security is required, the Authority shall notify the Developer of the amount of such additional security. Within ten (10) calendar days of receipt of this notice, the Developer shall deliver to the Authority the required additional security. The City and the Authority will utilize the funds delivered by the Developer to pay or reimburse themselves for Administrative Costs. Upon termination of this Agreement, the Authority will return to the Developer the funds paid by the Developer to the Authority pursuant to this Section 6, less an amount equal to the Administrative

Costs incurred by the City and the Authority through the date of notice of termination. For the purposes of this paragraph, Administrative Costs are considered to be incurred if they have been paid, relate to services performed, or are payable under a contract entered into, on or before the date of the notice of termination.

This Section 6 shall survive termination of this Agreement and shall be binding on the Developer regardless of the enforceability of any other provision of this Agreement.

**Section 7. Designation As Sole Developer of Property.** The Authority hereby agrees that for the term of this Agreement it will not:

- (i) provide or enter into any agreement for the provision of financial assistance to any third party in connection with any proposed development within the Property; and
- (ii) negotiate or contract with any other party concerning the sale or development of the Property.

During such period the Developer shall have the exclusive right to work with the Authority in negotiating a definitive Contract for the Property. The Developer may not assign its rights or obligations under this Agreement to any person or entity without prior written approval by the Authority.

**Section 8. Term of Agreement.** This Agreement is effective for one hundred and eighty (180) days from the date hereof. After such date, neither party shall have any obligation hereunder except as expressly set forth to the contrary herein.

This Agreement may also be terminated upon ten (10) days written notice by the Authority to the Developer if:

- (a) an essential precondition to the execution of a definitive Contract cannot be met; or
- (b) if, in the sole discretion of the Authority, an impasse has been reached in the negotiation or implementation of any material term or condition of this Agreement or the Contract;
- (c) or the Developer has failed to provide additional funds to pay for Administrative Costs in accordance with Section 6 hereof.

**Section 9. Remedies.** In the event that the Developer, its heirs, successors or assigns, fail to comply with any of the provisions of this Agreement, the Authority may proceed to enforce this Agreement by appropriate legal or equitable proceedings, or other similar proceedings, and the Developer, its heirs, successors or assigns, agree to pay all costs of such enforcement, including reasonable attorneys' fees.

**Section 10. Severability.** If any portion of this Agreement is held invalid by a court of competent jurisdiction, such decision shall not affect the validity of any remaining portion of the Agreement.

**Section 11. Amendment and Waiver.** In the event any covenant contained in this Agreement should be breached by one party and subsequently waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach. This Agreement may not be amended nor any of its terms modified except by a writing authorized and executed by all parties hereto.

**Section 12. Notice.** Notice or demand or other communication between or among the parties shall be sufficiently given if sent by mail, postage prepaid, return receipt requested or delivered personally:

- (a) As to the Developer: 4A Management, LLC  
520 NW 1st Ave.  
Grand Rapids, MN 55744  
Attn: Dan Margo, Manager
  
- (b) As to the Authority: Grand Rapids Economic Development Authority  
420 N. Pokegama Avenue  
Grand Rapids, MN 55744  
Attn: Executive Director

**Section 14. Counterparts.** This Agreement may be executed simultaneously in any number of counterparts, all of which shall constitute one and the same instrument.

**Section 15. Governing Law.** This Agreement shall be governed by and construed in accordance with 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, and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

**Section 16. Indemnification.** The Developer hereby agrees to protect, defend and hold the Authority, the City and their officers, elected and appointed officials, employees, administrators, commissioners, agents, and representatives harmless from and indemnified against any and all loss, cost, fines, charges, damage and expenses, including, without limitation, reasonable attorneys fees, consultant and expert witness fees, and travel associated therewith, due to claims or demands of any kind whatsoever caused by Developer or arising out of actions of Developer with regard to (i) the development, marketing, sale or leasing of all or any part of the Property, including, without limitation, any claims for any lien imposed by law for services, labor or materials furnished to or for the benefit of the Property, or (ii) any claim by the state of Minnesota or the Minnesota Pollution Control Agency or any other person pertaining to the violation of any permits, orders, decrees or demands made by said persons or with regard to the presence of any pollutant, contaminant or hazardous waste on the Property deposited or released by Developer; and (iii) or by reason of the execution of this Agreement or the performance of this Agreement. The Developer, and the Developer's successors or assigns, agree to protect, defend and save the Authority, the City and their members, officers, agents, and employees, harmless from all such claims, demands, damages, and causes of action and the costs, disbursements, and expenses of defending the same, including but not

limited to, attorneys fees, consulting engineering services, and other technical, administrative or professional assistance incurred by the Authority and the City as a result of the actions of Developer. This indemnity shall be continuing and shall survive the performance, termination or cancellation of this Agreement. Nothing in this Agreement shall be construed as a limitation of or waiver by the Authority or the City of any immunities, defenses, or other limitations on liability to which the Authority is entitled by law, including but not limited to the maximum monetary limits on liability established by Minnesota Statutes, Chapter 466.

**IN WITNESS WHEREOF**, the Authority has caused this Agreement to be duly executed in its name and behalf and its seal to be duly affixed hereto, and the Developer has caused this Agreement to be duly executed as of the day and year first above written.

4A MANAGEMENT, LLC

By \_\_\_\_\_  
Dan Margo

Its: Manager

GRAND RAPIDS ECONOMIC  
DEVELOPMENT AUTHORITY

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

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

## EXHIBIT A

### Description of Property

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

The East Forty-five feet (E. 45') of the West One Hundred Three and Three tenths feet (W. 103.3') of Lots Thirteen (13), Fourteen (14) and Fifteen (15), LESS the South one and eight tenths feet (S. 1.8') thereof, all in Block Eighteen (18), Town of Grand Rapids AND That part of Lot Fifteen (15) and Sixteen (16) of Block Eighteen (18), Town of Grand Rapids, described as follows: Commencing at a point on the East boundary line of the East 45 feet of the West 103.3 feet of said Lot 15, which point is 1.8 feet North of the South boundary of said Lot 15 and is the point of beginning; thence South along an extension of the East line of the Marr Building a distance of 7 feet; thence West and parallel to the boundary (South) line of the Marr Building a distance of 25 feet 11 inches, more or less, to the Eastern wall of the First National Bank Building as the same presently exists; thence North along said Eastern wall a distance of 7 feet to a point directly opposite the point of beginning; thence East a distance of 25 feet 11 inches, more or less, to the point of beginning and to there terminate, Itasca County, Minnesota.

PID: 91-410-1840

Abstract

and

Approximately the East thirty-nine feet of Lots Thirteen (13), Fourteen (14) and Fifteen (15) and the East thirty-nine (39') of the north ten (10') feet of Lot Sixteen (16), all in Block Eighteen (18), Town of Grand Rapids, according to the plat thereof on file and of record in the office of the Register of Deeds in and for Itasca County, Minnesota.

PID: 91-410-1850

Abstract



## EXHIBIT B

### Development Proposal

#### LETTER OF INTENT

September 1, 2021

Dear Grand Rapids Economic Development Authority:

Please accept this letter as a request to enter into discussions and an eventual partnership and purchase agreement regarding the lot on the south side of Third Street, downtown Grand Rapids, Minnesota (the old VFW lot).

We have studied the site and the opportunities for its development. We propose a purchase at the current listed price. We plan to develop, build a four or five-story structure on the site (basement, ground level, and three levels above).

The purpose of the building would be to provide market rate, residential type units and space for ground level retail. The focal point of the building would be "The Pines Restaurant", an upscale casual dining establishment. The Pines Restaurant would be located on the east side of the ground level (against the alley). Please see the first enclosure.

The west half of the ground level would provide a second retail space. We have been exploring options for partnering with complementary regional retailers that could help to fill a community need and demand.

The basement level would provide space for a small speakeasy (supported by The Pines Restaurant). In addition, the basement level would provide office space for the main level businesses and mechanical and storage for the building as a whole.

Levels two, three, and four would provide space for rental units. These units will be considered for short term "VRBO type" rental and for long-term market rate apartments. A small boutique hotel has also been suggested.

In addition, plans include a top level outdoor facility that could be used by building residents and/or provide space for rooftop dining, cocktails, and/or event space (seasonal).

For preliminary architectural drawings, please see the second enclosure.

Square foot breakdown...

- \* Each level provides approximately 5000 sq. ft.
- \* The Pines Restaurant would occupy approximately 2050 sq. ft.
- \* The second retail space would provide approximately 1050 sq. ft.
- \* The apartments would range from 665 to 1300 sq. ft.
- \* The speakeasy would require approximately 500 sq. ft.
- \* Each level would also require a significant square footage for "common area".

Most recent construction estimates come in at approximately \$6 million for a three-story (above ground) structure. Estimates at approximately \$7.5 million for a four-story structure.

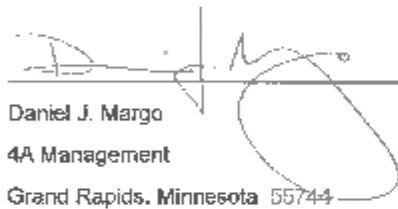
Cash flow analysis for the building (and for The Pines Restaurant) are currently being constructed by our accountant (Mr. Shalom Blake). Simultaneously, investors are being informed, interviewed, and recruited.

We intend to move forward with great purpose and efficiency. We intend to work cooperatively with the City of Grand Rapids, the neighboring landlords, the neighboring business owners, and the Grand Rapids Economic Development Authority.


Please carefully consider this request for partnership and the sale of your VFW lot.

We look forward to responsible, efficient, cost-effective, cooperative development.

Sincerely,



Daniel J. Margo  
4A Management  
Grand Rapids, Minnesota 55744



Kyle O'Brien  
The Pines Restaurant  
Grand Rapids, Minnesota 55744





## The Executive Summary

### Description of the Business

The Pines Restaurant is a local and sustainability based new American restaurant. We will specialize in providing high quality food, customer service, drinks and cocktails to the market of the greater Grand Rapids area, and will utilize any number of local, sustainable products. The Pines Restaurant's from scratch cooking and upscale casual environment is something that does not exist anywhere else in the region and will be the forerunner of elevating the dining scene in northern Minnesota. The basement speakeasy will provide a craft cocktail program that is also not available in the region. By utilizing local purveyors and producers, we will draw a direct line between community, food, hospitality, and guest satisfaction. This ensures that we will highlight the products and places that best represent what northern Minnesota has to offer and build a customer base that values these ideas. Through community and true passion for food and beverage, The Pines will stand out as an exemplary dining experience. Whether lunch or dinner, or brunch in the future, The Pines will stand out easily compared to other restaurants in the area.

### Description of the Market

The target market of The Pines Restaurant is a wide breath of people who truly care where their food and drinks are from, and how it is prepared. With a burgeoning number of households in the >\$100,000 annual income, there is a vast market of people who live in the area in dire need of someplace to enjoy a fine experience on any given night. We will also shine as the prime location for birthdays, anniversaries, date nights and other celebratory occasions. The local population has expressed great desire for a new, better, healthier, and more diverse restaurant to enjoy. This, along with the number of tourists and travelers coming through the Grand Rapids area searching for a place to receive high quality food prepared from scratch, with the modernity of a city restaurant, will ensure guests of all backgrounds, and from any location, will look forward to dining with us.

### Description of the Operations

The Pines Restaurant will be located at the old VW site in a building in the heart of downtown Grand Rapids. The Pines Restaurant will be open 6 days a week for both lunch and dinner service. Our basement speakeasy will be open from 5 to close, 6 nights a week and provide a perfect area to enjoy a cocktail before or after dinner, or meet friends, family or colleagues. We have a capacity of 56 people in our main dining area and a capacity of less than 20 in the speakeasy. There will be a small but highly trained core staff, trained to adhere to the standards as set forth by the Executive Chef, Kyle O'Brien, and the General Manager, Amanda McCabe. We plan on turning out a selection of sandwiches, soups and salads for lunch. All made from scratch and ready to be enjoyed in the building, or as a focus, as a quick grab and go lunch option for the working people of

Grand Rapids. Dinner will be the core draw of the restaurant, and the majority of revenue. The idea of spending 1 ½ - 2 hours at dinner, enjoying a variety of options for personal enjoyment or sharing, combined with a choice beer, wine, and cocktail list will allow diners to relax and enjoy themselves in our minimal, clean, and open dining room. See menu for examples of cuisine. An open service kitchen will also provide entertainment for guests, as well as put our cooking, our passion for products, and our modern restaurant ethos on full display for the benefit of the dining public and the community at large.

#### Profitability

The Pines Restaurant at this stage of financial planning, does indeed show a comfortable profit to pay our bills, our employees, our investors and all partners necessary in starting this venture. We have worked with Rob Sjostrand at the Itasca Economic Development Corporation to comb over our financial details and run metrics on market and demographics, to ensure that our proposed model will indeed result in success. As we have spoken with other small business owners in the area, we have become assured of the success of The Pines Restaurant based both on word of mouth and over all community excitement, as well as our financial projections to the best of our ability. The time is right for the growing and modernizing city of Grand Rapids to have a restaurant to embody the forward thinking community of diners ready to spend their money at an establishment that cares about the same things they do, and can execute those ideals well.

#### Statement of Request

We are opening the door to the process of financing our business through a variety of loans, grant programs, investors and any other body that wishes to be involved in our enterprise. We wish to align ourselves with others who believe in the core ethics of The Pines (locality, sustainability, seasonality and creativity) and believe deeply in the success of our model. We are asking for a full conversation on the ways in which you can help us achieve our goals and provide the Grand Rapids area with a new, modern, ethical dining and drinking establishment.