

CITY OF GRAND RAPIDS, MINNESOTA

RESOLUTION NO. _____

**RESOLUTION GRANTING A PROPERTY TAX ABATEMENT
FOR CERTAIN PROPERTY IN THE CITY**

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

Section 1. Recitals.

1.01. SE 7th Ave Distribution LLC, a Minnesota limited liability company, or an affiliate thereof or an entity related thereto (the “Developer”), plans to purchase certain real property in the City legally described in Exhibit A attached hereto (the “Property”) and currently owned by the Grand Rapids Economic Development Authority (the “Authority”), a body corporate and politic organized and existing under the laws of the State of Minnesota (the “State”) or the City.

1.02. The Developer proposes to acquire the Property from the Authority and construct, improve and equip thereon an approximately 210,000 square foot warehouse and distribution center (the “Project”) to be owned by the Developer and operated by L & M Supply, Inc., a Minnesota corporation (the “Tenant”), in connection with the expansion of the Tenant’s existing business.

1.03. To make the Project financially feasible, the Developer has requested financial assistance from the City in the form of a property tax abatement and tax increment financing assistance and a write down of the land acquisition price from the Authority.

1.04. Pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815, as amended (the “Abatement Act”), the City is authorized to provide a property abatement in certain situations. The Developer has requested abatement for a period of up to twenty (20) years in an amount not to exceed \$3,734,740 (consisting of principal and interest). The proposed abatement will apply to the Developer’s share of real estate taxes which relate to the construction of the Project on the Property by the Developer and not to the real estate taxes on the Property that relate to the existing land and building value (the “Abatement”). The Developer has also requested a property tax abatement on the Property from Itasca County, Minnesota (the “County”).

1.05. On September 14, 2023, the Board of Commissioners of the Authority adopted a resolution supporting the creation of the TIF District and the adoption of the Development Program Modification and the TIF Plan.

1.06. In addition, by separate resolution, the City intends to create an economic development tax increment financing district (the “TIF District”) in accordance with Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the “TIF Act”) to provide additional assistance to the Project..

1.07. The Property consists of the same property comprising the TIF District. Pursuant to Section 469.1813, subdivision 4 of the Act, abatement of taxes on a parcel may not occur while the parcel is located in a tax increment financing district. However, the TIF District will terminate after nine (9) years pursuant to Section 469.176 of the TIF Act. The City may commence abating taxes on the Property in the year following the year the TIF District is decertified.

1.08. The Abatement constitutes a business subsidy within the meaning of Minnesota Statutes,

Sections 116J.993 to 116J.995, as amended (the “Business Subsidy Act”).

1.09. On the date hereof, the City Council conducted a public hearing on the Abatement as well as the business subsidy to be provided to the Developer, following notice thereof published in the City’s official newspaper at least 10 but not more than 30 days prior to the date hereof. The views of all interested persons were heard and considered at the public hearing.

Section 2. Findings.

2.01. The recitals set forth above are incorporated into this resolution.

2.02. It is hereby found and determined that the benefits to the City from the Abatement will be at least equal to the costs to the City of the Abatement, because (a) based on representations of the Developer, the City believes that the development to be facilitated is not reasonably likely to occur absent the Abatement and (b) the long-term taxes collected from the Property after termination of the Abatement will exceed the amount of the Abatement provided to the Developer.

2.03. It is hereby found and determined that the Abatement is in the public interest because it is expected to result in the following public benefits:

(a) The Abatement will increase the City’s tax base through the creation of an estimated \$17,353,200 increase in taxable market value for the Property;

(b) The Abatement will help an existing business in the County and the State and therefore help preserve tax base in the County and the State;

(c) It will provide additional employment opportunities in the City, the County, and the State of Minnesota; and

(d) The Abatement will increase or preserve tax base by stimulating development helping to maintain values in the area.

Section 3. Actions Ratified; Abatement Approved.

3.01. The City Council hereby ratifies all actions of the City’s staff and consultants in arranging for approval of this resolution in accordance with the Abatement Act.

3.02. The City Administrator or his assignee is authorized to negotiate and prepare a Development Assistance Agreement, by and between the City, the Authority and the Developer (the “Agreement”), setting forth the terms and conditions under which the City will provide tax abatement assistance and tax increment financing assistance for the Project, to be submitted for consideration by the City Council on a future date. The Agreement shall include a business subsidy agreement whereby the Developer shall agree to meet certain job and wage goals in connection with the business subsidy represented by the Abatement as required by the Business Subsidy Act.

3.03. Subject to the provisions of the Abatement Act and the execution of the Agreement, the Abatement is hereby approved and adopted subject to the following terms and conditions:

(a) The term “Abatement” means a portion of the City’s share of annual real property taxes received by the City with respect to the Property in an amount calculated in each tax-payable year as follows: the City’s tax rate for such tax-payable year multiplied by the

difference between the net tax capacity of the Property as improved by the Project as determined by the City in its sole discretion, as of January 2 of the prior year, less \$12,608 (i.e. the net tax capacity of the Property, as established by the County assessor on January 2, 2022, for taxes payable in 2023).

(b) The City will pay the Abatement in the amount, at the time, and in accordance with the terms and conditions to be set forth in that the Agreement.

(c) In accordance with Section 469.1813, subdivision 8 of the Abatement Act, in no year shall the Abatement, together with all other abatements approved by the City under the Abatement Act and paid in that year exceed the greater of 10% of the net tax capacity of the City for that year or \$200,000 (the “Abatement Cap”). The City may grant other abatements permitted under the Abatement Act after the date of this resolution, provided that to the extent the total abatements in any year exceed the Abatement Cap, the allocation of Abatement Cap to such other abatements is subordinate to the Abatement granted pursuant to this resolution.

(d) Subject to a letter from Independent School District No. 318 declining to participate in the Abatement, the Abatement will have a maximum term of twenty (20) years beginning after the decertification of the TIF District.

(e) In no event shall the total payments of the Abatement to the Developer exceed \$3,734,740 (consisting of both principal and interest) or continue to be paid for more than twenty (20) years.

(f) The Abatement is subject to modification in accordance with the Abatement Act, subject to the terms of the Agreement.

(g) In accordance with Section 469.1815 of the Abatement Act, each year during the term of the Abatement the City will add to its levy the total estimated amount of current year Abatement granted under this resolution.

(h) The City makes no warranties or representations regarding the amount or availability of the Abatement.

Section 4. Effective Date. This resolution is effective upon execution in full of the Agreement.

Adopted on September 25, 2023 by the City Council of the City of Grand Rapids, Minnesota.

Mayor

ATTEST:

City Clerk

EXHIBIT A

PROPERTY

The Property includes parcel identification numbers 91-033-1410, 91-033-1430, 91-033-1406, and 91-033-4120 and is legally described as follows:

The South Half of the Northeast Quarter (S 1/4 NE 1/4), Section Thirty-three (33), Township Fifty-five (55) North, Range Twenty-five (25) West of the Fourth Principal Meridian LESS the East 330 feet thereof, Itasca County, Minnesota.

AND

The Southeast Quarter of the Northeast Quarter (SE 1/4 NE 1/4), Section Thirty-three (33), Township Fifty-five (55) North, Range Twenty-five (25), West of the Fourth Principal Meridian, LESS the following three (3) tracts: Tract 1: South Twenty (20) acres thereof; Tract 2: North 198 feet of West 440 feet thereof; Tract 3: East 330 feet of the North Half thereof, Itasca County, Minnesota.

AND

The North 500 feet of the Northeast Quarter of the Southeast Quarter (NE 1/4 SE 1/4), Section Thirty-three (33), Township Fifty-five (55) North, Range Twenty-five (25), LESS the South 220 feet of the West 300 feet thereof, County of Itasca, State of Minnesota.

AND

East 330 feet of the South one-half (S 1/2) of the Southeast Quarter, Northeast Quarter (SE 1/4 NE 1/4) of Section Thirty-three (33), Township Fifty-five (55), Range Twenty-five (25) west of the Fourth Principal Meridian, County of Itasca, State of Minnesota..