

CITY OF GRAND RAPIDS, MINNESOTA

RESOLUTION NO. 22-_____

**RESOLUTION APPROVING A MODIFICATION OF THE
DEVELOPMENT PROGRAM FOR MUNICIPAL
DEVELOPMENT DISTRICT NO. 1, THE ESTABLISHMENT OF
TAX INCREMENT FINANCING DISTRICT NO. 1-14: L&M, AND
A TAX INCREMENT FINANCING PLAN THEREFOR**

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

Section 1. Background.

1.01. The City has previously established Municipal Development District No. 1 (the “Development District”) within the City and has approved a Development Program therefor (the “Development Program”) in accordance with Minnesota Statutes, Sections 469.124 through 469.133, as amended (the “City Development District Act”).

1.02. The City has proposed to establish Tax Increment Financing District No. 1-14: L&M (the “TIF District”), an economic development district within the Development District, and adopt a Tax Increment Financing Plan therefor (the “TIF Plan”), all pursuant to the City Development District Act and Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the “TIF Act”). To that end, the City has caused to be prepared a Modification to the Development Program (the “Development Program Modification”) and a Tax Increment Financing Plan for the TIF District (the “TIF Plan”). Copies of the Development Program Modification and the TIF Plan are on file with the City.

1.03. On September 14, 2023, the Board of Commissioners of the Grand Rapids Economic Development Authority (the “Authority”) adopted a resolution supporting the creation of the TIF District and the adoption of the Development Program Modification and the TIF Plan.

1.04. The City and its consultants have performed all actions required by law to be performed prior to the adoption and approval of the Development Program Modification and the TIF Plan, including without limitation notification of the commissioner of Itasca County, Minnesota (the “County”) representing the area included in the TIF District, notification of the County Auditor of the County and Clerk of the Board of Education of Independent School District No. 318 (the “School District”). In addition, on the date hereof, the City Council conducted a public hearing, following notice thereof published in the City’s official newspaper at least 10 but not more than 30 days prior to the date hereof.

1.05. The TIF Plan and certain information and material (collectively, the “Materials”) relating to the TIF Plan and to the activities contemplated therein have heretofore been prepared and submitted to the Council and/or made a part of the City’s files and proceedings on the TIF Plan. The Materials include the tax increment application, project pro forma financial statement, project sources and uses and other information supplied by the Developer, as to the activities contemplated therein, and information constituting or relating to (1) why the assistance satisfies the so-called “but for” test and (2) the bases for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies and adopts the Materials, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.06. The TIF District is being established to facilitate the acquisition by the Developer of certain property in the TIF District currently owned by the Authority and the City (the "Property") and the construction and equipping thereon of an approximately 210,000 square foot warehouse and distribution center (the "Facility") 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 (collectively, the "Development"). At least 85% of the Facility will be used for manufacturing, warehousing, distribution, or research, with less than 15% of the Facility available for office or other space not related to such functions. Based on representations by the Developer and the Developer, the City finds that the Development will result in increased employment in the State of Minnesota (the "State"), including construction jobs.

1.07. Any tax increment assistance that may be provided to the Developer for the Development pursuant to the Development Assistance Agreement constitutes a business subsidy within the meaning of Minnesota Statutes, Sections 116J.993 to 116J.995, as amended (the "Business Subsidy Act"). The Development Assistance 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.

1.08. On the date hereof, the City Council conducted a public hearing on the business subsidy that may be provided to the Developer by way of tax increment assistance, 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; Development District.

2.01. The boundaries of the Development District are not being expanded and the Development Program is not being modified other than to incorporate the establishment of the TIF District therein; therefore, the City Council reaffirms the findings and determinations originally made in connection with the establishment of the Development District and the adoption of the Development Program therefor. The purposes and development activities set forth in the proposed Development District Modification are hereby expanded to include all development and redevelopment activities occurring within the TIF District.

2.02. It is further specifically found and determined that (i) the land within the Development District would not be made available for redevelopment or development without the public intervention and financial assistance described in the Development Program Modification; (ii) the Development Program Modification will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development and redevelopment of the Development Program by private enterprise; and (iii) the Development Program Modification conforms to the general plan for the development of the City as a whole and otherwise promotes certain public purposes and accomplish certain objectives as specified in the Development Program Modification and the TIF Plan.

Section 3. Findings; TIF District.

3.01. The City Council hereby finds that the Development within the TIF District is in the public interest and the TIF District is an economic development district, as defined in Section 469.174, subdivision 12 of the TIF Act, because the Development will (i) discourage the Tenant and the Developer from moving their operations out of the State, effectively discouraging commerce and industry from relocating out of the State; (ii) result in increased employment in the City and the State; and (iii) result in capital investment in the City, which will preserve and enhance the City and the State's tax base.

3.02. The City Council hereby makes the following additional findings:

(a) The City Council further finds that the proposed Development, in the opinion of the City Council, would not occur solely through private investment within the reasonably foreseeable future and, therefore, the use of tax increment financing is deemed necessary. The specific basis for such finding being:

The Developer has represented that it could not proceed with the Development without tax increment assistance to offset the high cost of the land acquisition and site improvements necessary for the Development. The Developer has further represented that the expansion planned in the Development is necessary for the Developer to retain its current operations in the State, as well as to expand its business and increase jobs and the tax base in the State.

(b) The City Council further finds that the TIF Plan conforms to the general plan for the development or redevelopment of the City as a whole. The specific basis for such finding being:

The TIF Plan conforms with the general development plan of the City and will generally complement and serve to implement policies adopted in the City's comprehensive plan. The construction of the Development contemplated on the property is in accordance with the existing zoning or approved zoning variances for the property.

(c) The City Council further finds that the TIF Plan will afford maximum opportunity consistent with the sound needs of the City as a whole for the development of the Development District by private enterprise. The specific basis for such finding being:

The proposed Development will be used by the Developer and the Tenant for warehousing and distributing products and will afford maximum opportunity for the development of the Property to serve the needs of the City. The Development will maximize the potential of an underutilized site and will increase the taxable market valuation of the City and the State, will increase jobs in the City and State, and add a high-quality development to the City. In addition, the project will help expand the City's industrial park.

(d) For purposes of compliance with Section 469.175, subdivision 3(b)(2) of the TIF Act, the City Council hereby finds that the increased market value of the property to be developed within the TIF District that could reasonably be expected to occur without the use of tax increment financing is likely \$0, which is less than the increase in market value estimated to result from the Development (approximately \$19,332,100), after subtracting the present value of the projected tax increments for the maximum duration of the TIF District (approximately \$3,879,615), which is approximately \$15,452,485. Thus, the use of tax increment financing will be a positive net gain to the City, the School District, and the County, and the tax increment assistance does not exceed the benefit which will be derived therefrom.

3.03. The City elects to retain all of the captured tax capacity to finance the costs of the TIF District and the Development District. The City Council elects to calculate the fiscal disparities for the TIF District in accordance with Section 469.177, subdivision 3(b) of the TIF Act, which means that the fiscal disparities contribution will be taken from inside the TIF District.

3.04. The provisions of Sections 3.02 and 3.03 hereof are hereby incorporated by reference into and made a part of the TIF Plan. The findings of the TIF Plan are incorporated herein by reference and made a part hereof.

3.05. The City Council further finds that TIF Plan is intended and in the judgment of the City Council its effect will be to promote the public purposes and accomplish the objectives specified therein. The TIF Plan will increase employment, facilitate the development of a new warehousing and distribution facility and improve the tax base in the City and State. The City Council expressly finds that any private benefit to be received by a private developer is incidental, as the tax increment assistance is provided solely to make the Development financially feasible and thus produce the public benefits described. Therefore, the City Council finds that the public benefits of the TIF Plan exceed any private benefits.

Section 4. Creation of the TIF District and Approval and Adoption of the TIF Plan.

4.01. The TIF District is hereby established and the TIF Plan, as presented to the City Council on this date, including without limitation the findings and statements of objectives contained therein, is hereby approved, ratified, established, and adopted and shall be placed on file in the office of the in the office of the Community Development Director. Approval of the TIF Plan does not constitute approval of any project or a development agreement with any developer. City staff and consultants are authorized and directed to proceed with implementation of the TIF Plan and to transmit the request for certification of the TIF District to the County Auditor in such form and content as the County Auditor may specify and to file a copy of TIF Plan with the Minnesota Commissioner of Revenue and the Office of the State Auditor as required by the TIF Act. The County Auditor is requested to certify the original net tax capacity of the TIF District as described in the TIF Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased in accordance with the Act.

4.02. City staff, advisors, and legal counsel are authorized and directed to proceed with the implementation of the TIF Plan and to negotiate, draft, prepare, and present to the City Council for its consideration all further plans, resolutions, documents, and contracts necessary for this purpose.

Approved this September 25, 2023, by the City Council of the City of Grand Rapids, Minnesota.

Mayor

ATTEST:

City Clerk