

CITY OF GRAND RAPIDS, MINNESOTA

RESOLUTION NO. 23-_____

**RESOLUTION AUTHORIZING INTERFUND LOAN FOR
ADVANCE OF CERTAIN COSTS IN CONNECTION WITH TAX
INCREMENT FINANCING DISTRICT NO. 1-14: L&M**

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

Section 1. Background.

1.01. On the date hereof, the City Council approved the creation of Tax Increment Financing District No. 1-14: L&M (the “TIF District”), an economic development district within Municipal Development District No. 1 in the City, pursuant to Minnesota Statutes, Sections 469.124 through 469.133, as amended, and Sections 469.174 through 469.1794, as amended (the “TIF Act”), and a tax increment financing plan therefor.

1.02. The City or the Grand Rapids Economic Development Authority (the “EDA”) may incur certain costs related to the TIF District, which costs may be financed on a temporary basis from legally available City or EDA funds.

1.03. Pursuant to Section 469.178, subdivision 7 of the TIF Act, the City and the EDA are authorized to advance or loan money from any fund from which such advances may be legally made in order to finance expenditures that are eligible to be paid with tax increments under the TIF Act.

1.04. The City and the EDA may incur certain costs related to the TIF District, including but not limited to certain administrative costs and EDA land acquisition costs related to the TIF District (collectively, the “Qualified Costs”), in an aggregate amount of up to \$2,000,000, which may be financed on a temporary basis using City or EDA funds legally authorized for such purpose, and to reimburse such funds from tax increments from the TIF District when received (“Tax Increment”).

Section 2. Interfund Loan.

2.01. The City hereby authorizes the advance of up to \$2,000,000 in legally available City or EDA funds to pay the Qualified Costs, together with interest at the rate stated below, to be reimbursed with Tax Increment. Interest accrues on the principal amount from the date of each advance. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 and Section 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 are from time to time adjusted; the interest rate shall be 5.00% and will not fluctuate.

2.02. Principal and interest (“Payments”) on the Interfund Loan shall be paid semi-annually on each February 1 and August 1 (each a “Payment Date”), commencing on the first Payment Date on which the City has received Available Tax Increment (defined below), or on any other dates determined by the City Finance Director, through the date of last receipt of Tax Increment.

2.03. Payments on the Interfund Loan will be made solely from Tax Increment received by the City from Itasca County, Minnesota in the six-month period before any Payment Date, net of the amount paid under any agreement with a private developer or otherwise pledged to the payment of any obligation (the "Available Tax Increment"). Payments shall be applied first to accrued interest, and then to unpaid principal, unless otherwise specified by the City Finance Director. Interest accruing from the Loan Date will be compounded semiannually on February 1 and August 1 of each year and added to principal, unless otherwise specified by the City Finance Director. Payments on this Interfund Loan may be subordinated to any outstanding or future bonds, notes or contracts secured in whole or in part with Available Tax Increment, and are on a parity with any other outstanding or future interfund loans secured in whole or in part with Available Tax Increment.

2.04. The principal sum and all accrued interest payable under this resolution is pre-payable in whole or in part at any time by the City or the EDA without premium or penalty.

2.05. This resolution is evidence of an internal borrowing by the City and the EDA in accordance with Section 469.178, subdivision 7 of the TIF Act, and is a limited obligation payable solely from Available Tax Increment pledged to the payment hereof under this resolution. The Interfund Loan shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including without limitation the City or the EDA. Neither the State of Minnesota nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Interfund Loan or other costs incident hereto except out of Available 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 Interfund Loan or other costs incident hereto. The City and the EDA shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon which may remain unpaid after the termination or expiration of the TIF District.

2.06. The City and the EDA may at any time decide to forgive all or a portion of the outstanding principal amount and accrued interest on the Interfund Loan to the extent permissible under law.

2.07. The City and the EDA may from time to time amend the terms of this resolution to the extent permitted by law, including without limitation amendment to the payment schedule and the interest rate; provided that the interest rate may not be increased above the maximum specified in Section 469.178, subdivision 7 of the TIF Act.

Section 3. Effective Date. This resolution is effective as of the date of its adoption.

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

Mayor

ATTEST:

City Clerk