

PRELIMINARY DEVELOPMENT AGREEMENT

THIS AGREEMENT, made and entered into this ___ day of October, 2024, by and between the GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic under the laws of the State of Minnesota (“Authority”) and COMMONWEALTH REAL ESTATE ACQUISITIONS, LLC, a Wisconsin limited liability company (“Developer”):

RECITALS

WHEREAS, the Authority intends to acquire approximately 1.8 acres of property located within the City of Grand Rapids, Minnesota (the “City”), (PID No. 91-028-1208) described on the attached Exhibit A (the “Property”) from the City; and

WHEREAS, the Developer has submitted a letter of intent for the purchase of the Property attached as Exhibit B (the “Proposal”) to acquire the Property and construct affordable multi-family housing (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.

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 Agreement (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 and the Developer 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 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) 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.
- (h) 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 Developer'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. In the event that the Developer seeks public financial assistance for the Project, 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 any planning approvals necessary for the Property and the cost of financial advisors, attorneys, engineering and planning and environmental consultants. Notwithstanding the foregoing, each party shall pay for its own 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.

If the Authority terminates the Agreement under this Section 8, the Developer shall remain liable to the Authority under Section 6 of this Agreement for administrative costs incurred by the Authority through the effective date of termination.

Section 9. Remedies. In the event that the Developer, its 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: Commonwealth Real Estate Acquisitions, LLC
24 S. Brooke St.
Fond du Lac, WI 54935
Attn: Commonwealth Holdings II, LLC

(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.

COMMONWEALTH REAL ESTATE
ACQUISITIONS, LLC

By _____
Its: _____

GRAND RAPIDS ECONOMIC
DEVELOPMENT AUTHORITY

By _____
Its President

By _____
Its Executive Director

EXHIBIT A

Legal Description of the Property

That part of Government Lot 2, Section 28, Township 55 North, Range 25 West of the Fourth Principal Meridian, described as follows: Commencing at the southwest corner of said Lot 2; thence EAST, assumed bearing along the south line of said Lot 2, a distance of 910.39 feet; thence North 0 degrees 03 minutes 10 seconds West 240.00 feet; thence North 30 degrees 06 minutes 48 seconds West 105.20 feet to the point of beginning of the tract to be described; thence North 30 degrees 06 minutes 48 seconds West 369.58 feet to intersect the west line of the east 662.65 feet of said Lot 2; thence South 0 degrees 05 minutes 42 seconds West 151.84 feet along said west line to its intersections with the south line of the north 160.00 feet of the south half of said Lot 2; thence North 89 degrees 53 minutes 16 seconds West 400.50 feet along said south line of the north 160.00 feet to its intersection with the easterly line of 4th Avenue Southeast according to the plat of CLOVER SECOND ADDITION TO GRAND RAPIDS, according to the plat thereof on file and of record in the office of the County Recorder, Itasca County, Minnesota; thence South 29.69 feet along said easterly line; thence continuing long said easterly line, along a curve concave to the northwest, central angle 28 degrees 16 minutes 09 seconds, radius 155.70 feet, for a distance of 76.82 feet; thence South 74 degrees 55 minutes 43 seconds East 46.35 feet; thence easterly 28.97 feet along a curve, concave to the north, central angle 15 degrees 05 minutes 16 seconds, radius 110.00 feet; thence North 89 degrees 59 minutes 01 seconds East 245.53 feet; thence southeasterly 52.36 feet, along a curve, concave to the southwest, central angle 60 degrees 00 minutes 00 seconds, radius 50.00 feet; thence South 17 degrees 07 minutes 45 seconds East 25.58 feet along a non-tangential line; thence East 234.98 feet to the point of beginning.

EXHIBIT B

Proposal

[on following page]



September 27, 2024

Grand Rapids Economic Development Authority (GREDA)
420 N Pokegama Ave
Grand Rapids, MN 55744

Attn: Rob Mattei
Director of Community Development
rmattei@grandrapidsmn.gov
218-326-7622

RE: Letter Of Intent For +/- 1.8 Acres on SE 10th St, Grand Rapids, MN Itasca County Parcel ID 91-028-1208 ("Property").

Dear Rob,

The purpose of this correspondence is to confirm that Commonwealth Real Estate Acquisitions, LLC, a Wisconsin limited liability company and/or its assigns ("Commonwealth" or "Buyer") is interested in acquiring the Property from the Grand Rapids Economic Development Authority (GREDA) ("Seller"). This Letter of Intent will also confirm that we wish to commence negotiating a definitive written real estate purchase agreement (the "Purchase Agreement") providing for the purchase and sale of the Property. To facilitate the negotiation of a Purchase Agreement Buyer will prepare an initial draft. The execution of any Purchase Agreement would be subject to the satisfactory completion of Buyers' ongoing investigation of the Property and its intended uses. Buyer and Seller may be referred to herein individually as a "Party" or collectively as "the Parties."

REAL ESTATE PURCHASE AGREEMENT TERMS AND CONDITIONS

Based upon the information currently known to the Parties, it is proposed that the Purchase Agreement would include the following terms:

1. Basic Transaction. Seller owns the Property and shall sell the Property to Buyer, and Buyer shall have the exclusive right to purchase the Property from Seller, pursuant to the covenants, provisions and other terms and conditions contained in the Purchase Agreement. Buyer intends to use the Property as affordable multi-family housing (the "Intended Uses"). The Property commonly known as +/- 1.8 Acres on SE 10th St, Grand Rapids, MN Itasca County Parcel ID 91-028-1208.
2. Purchase Price. The purchase price for the Property shall be \$165,000 (the "Purchase Price").

Very truly yours,

Commonwealth Real Estate Acquisitions, LLC
and/or its assigns

Ted Goltzman, VP of Development