

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: ARBOR WOOD, AND A TAX INCREMENT FINANCING PLAN THEREFOR

BE IT RESOLVED By 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: Arbor Wood (the “TIF District”), a redevelopment 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 November 17, 2022, the Board of Commissioners of the Grand Rapids Economic Development 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 of the public hearing.

1.05. Certain information, written reports and other documentation and materials (collectively, the “Materials”) relating to the establishment of the TIF District, the approval and adoption of the Development Program Modification and the TIF Plan, and the activities contemplated therein have heretofore been prepared and submitted to the City Council and/or made a part of the City’s files and proceedings on the TIF Plan. The Materials, which are incorporated herein by reference, including (1) the “studies and analyses” on why the new TIF District meets the requirements to be a redevelopment tax increment financing district, including the Report of Inspection Procedures and Results for Determining Qualifications of a Tax Increment Financing District, dated November 7, 2022 (the “LHB Report”), prepared by LHB; (2) the reasons for which the TIF District meets the so-called “but for” test, including an

analysis of the proforma, application for assistance, and other materials submitted by Voyager Capital Group, LLC, a Delaware limited liability company, or an affiliate, successor, or assign (collectively, the “Developer”); and (3) the bases for the other findings and determinations made in this resolution. The City 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 a redevelopment project by the Developer consisting of the development of approximately 48,960 square feet of light manufacturing and warehouse space on property located in the City and owned by the Developer (the “Development”).

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 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 TIF District is in the public interest and is a redevelopment district, as defined in Section 469.174, subdivision 10 of the TIF Act for the following reasons:

The TIF District is, pursuant to Section 469.174, subdivision 10 of the TIF Act, a “redevelopment district” because it consists of a project or portions of a project within which the following conditions, reasonably distributed throughout the TIF District, exist: (1) parcels consisting of at least 70% of the area of the TIF District are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures; and (2) more than 50% of the buildings, not including outbuildings, located within the TIF District are deemed “structurally substandard” (within the meaning of Section 469.174, subdivision 10(b) and (c) of the TIF Act) to a degree requiring substantial renovation or clearance. Such conditions are reasonably distributed throughout the geographic area of the proposed TIF District

The TIF District consists of six parcels. Parcels consisting of 73.9% of the area of the TIF District parcels are “occupied” as defined in Section 469.174, subdivision 10(e) of the TIF Act, in that (1) the parcels are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures; and (2) the buildings in the TIF District (i.e., 100% of the buildings in the TIF District) are structurally substandard to a degree requiring substantial renovation or clearance. In addition, the costs of bringing the structurally substandard buildings into compliance with building codes

applicable to new buildings would exceed 15% of the cost of constructing new structures of the same size and type on the site.

The Materials, including without limitation the LHB Report, and the supporting facts for these determinations, are on file with the staff of the City. There have been no building permits issued or improvements made to the parcel or building since the date of the report.

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:

This finding is supported by the fact that the redevelopment proposed in the TIF Plan meets the City's objectives for redevelopment. Due to the high cost of redevelopment on the parcels currently occupied by a substandard building, and the cost of financing the proposed improvements, this project is feasible only through assistance, in part, from tax increment financing. The Developer was asked for and provided a letter and a proforma as justification that the Developer would not have gone forward without tax increment assistance.

The cost of site and public improvements and utilities add to the total redevelopment cost. Historically, construction costs, site and public improvements costs in this area have made redevelopment infeasible without tax increment assistance. The City reasonably determines that no other redevelopment of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

(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 Development proposed to occur within the TIF District will afford maximum opportunity for the development of the applicable parcels consistent with the needs of the City and the removal of blighted buildings will increase the potential for future redevelopment. The Development is primarily manufacturing and warehouse space. Through the implementation of the TIF Plan, the Development will result in increased employment in the City and the State of Minnesota, the renovation of substandard properties, increased tax base of the State, help redevelop a long vacant site in the City that has been a priority for the City to redevelop, and add a high-quality development to the City.

(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 market value estimated to result from the proposed development (approximately \$26,862,336), after subtracting the present value of the projected tax increments for the maximum duration of the TIF District (approximately \$11,766,878), which is approximately \$15,095,458. In making these findings, the City Council has noted that the existing buildings on the Development property are blighted and would likely remain in its current condition or further deteriorate if tax increment financing were not available. 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 elects to delay the receipt of the first increment as set forth in the TIF Plan. 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, including but not limited to the LHB Report, 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 in the area, help redevelop a site in the City which may spur additional spin off development and improve the tax base. 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.

3.06. 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.

3.07. 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 November 28, 2022 by the City Council of the City of Grand Rapids, Minnesota.

Mayor

ATTEST:

City Clerk