

CITY OF GRAND RAPIDS, MINNESOTA

RESOLUTION NO. _____

RESOLUTION AWARDED THE SALE OF, AND PROVIDING THE FORM, TERMS, COVENANTS AND DIRECTIONS FOR THE ISSUANCE OF A TAX INCREMENT REVENUE NOTE AND APPROVING A CONTRACT FOR PRIVATE DEVELOPMENT WITH HWY35, LLC AND A BUSINESS SUBSIDY AGREEMENT

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

Section 1. Recitals.

1.01. Authorization. On November 28, 2022, the Council of the City of Grand Rapids, Minnesota (the “City”) approved the establishment of its Tax Increment Financing Development District No. 1-14: Arbor Wood (“TIF District”) and adopted a tax increment financing plan therefore within its Development District No. 1 (the “Development District”) for the purpose of financing certain public improvements within the Development District. On the date hereof, the Council adopted a modification to the TIF District updating the budget and certain other provisions therein and renamed the TIF District “Tax Increment Financing District No. 1-15: Hwy 35 LLC all in accordance pursuant to Minnesota Statutes, Sections 469.124 to 469.134, as amended, and 469.174 through 469.1794, as amended.

1.02. To facilitate development of certain property in the Development District, the City proposes to enter into a Tax Increment Development Assistance Agreement (the “Agreement”) with HWY35 Properties LLC, a Minnesota limited liability company, or an affiliate thereof or entity related thereto (the “Developer”), under which among other things the Developer agrees to develop approximately 430,000 square feet of industrial buildings on a 138 acre campus for the licensing, production, and extraction of cannabis (the “Project”). The Project will be leased to HWY35, LLC, a Minnesota limited liability company (the “Tenant”), who will operate the Project.

1.03. The City proposes to reimburse the Developer for certain qualified costs for the Project in the amount not to exceed \$2,000,000 through the issuance of a pay as you go tax increment financing note (the “TIF Note”) subject to the terms and conditions set forth in the Agreement. The TIF Note constitutes a business subsidy within the meaning of Minnesota Statutes, Section 116J.993 to 116J.995, as amended (the “Business Subsidy Act”), and the Agreement includes a “business subsidy agreement” as required under the Business Subsidy Act.

1.04. The City held a duly noticed public hearing on April 22, 2024 regarding the granting of a business subsidy being provided to the Developer in accordance with the Business

Subsidy Act, at which all interested persons were given an opportunity to be heard.

Section 2. Agreement and Business Subsidy Approved.

2.01 The Council approves the Agreement in substantially the form presented, including the provisions granting a business subsidy to the Developer, together with any related documents necessary in connection therewith, including without limitation all documents, exhibits, certifications, or consents referenced in or attached to the Agreement (the “Development Documents”).

2.02. The Council hereby authorizes the Mayor and the City Administrator in their discretion and at such time, if any, as they may deem appropriate, to execute the Development Documents on behalf of the City, and to carry out, the City’s obligations thereunder when all conditions precedent thereto have been satisfied. The Development Documents shall be in substantially the form on file with the City and the approval hereby given to the Development Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the City and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the City. The execution of any instrument by the appropriate officers of the City herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. This resolution shall not constitute an offer and the Development Documents shall not be effective until the date of execution thereof as provided herein.

2.03. In the event of absence or disability of the officers, any of the documents authorized by this resolution to be executed may be executed without further act or authorization of the City by any duly designated acting official, or by such other officer or officers of the City as, in the opinion of the City Attorney, may act in their behalf. Upon execution and delivery of the Development Documents, the officers and employees of the City are hereby authorized and directed to take or cause to be taken such actions as may be necessary on behalf of the City to implement the Development Documents, including without limitation the issuance of tax increment revenue obligations thereunder when all conditions precedent thereto have been satisfied and reserving funds for the payment thereof in the applicable tax increment accounts.

Section 3. TIF Note Authorized. The Council hereby approves issuance of the TIF Note pursuant to the Agreement. The TIF Note shall be issued in the maximum aggregate principal amount of \$2,000,000 to the Developer, subject to Section 3.2 of the Agreement, in consideration of certain eligible costs incurred by the Developer under the Agreement, shall be dated the date of delivery thereof, and shall bear interest at a rate of 6.00% per annum. The TIF Note is secured by Available Tax Increment, as further described in the form of the TIF Note attached hereto as Exhibit A. The City hereby delegates to the City Administrator the determination of the date on which the TIF Note is to be delivered and the final terms of the TIF Note, in accordance with the Agreement.

Section 4. Form of TIF Note; Terms and Delivery of Note.

4.01 Form. The TIF Note shall be in substantially the form attached hereto as Exhibit A, with the blanks to be properly filled in and the principal and interest rate amounts and payment dates adjusted as of the date of issue.

4.02. Denomination, Payment. The TIF Note shall be issued as a single typewritten note numbered R-1. The TIF Note shall be issuable only in fully registered form. Principal of and interest on the TIF Note shall be payable by check or draft issued by the Registrar described herein.

4.03. Dates; Interest Payment Dates. Principal of and interest on the TIF Note shall be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not such day is a business day.

4.04. Registration and Transfer. The City hereby appoints the City Finance Director to perform the functions of registrar, transfer agent and paying agent (the "Registrar"). The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its office a bond register in which the Registrar shall provide for the registration of ownership of the TIF Note and the registration of transfers and exchanges of the TIF Note.

(b) Transfer of TIF Note. Upon surrender for transfer of the TIF Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Registrar, duly executed by the registered owner thereof and consent to such transfer by the City if required pursuant to the Agreement, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, a new TIF Note of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until such Payment Date.

(c) Cancellation. The TIF Note surrendered upon any transfer shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(d) Improper or Unauthorized Transfer. When the TIF Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is reasonably satisfied that the endorsement on such TIF Note or separate instrument of transfer is legally authorized. The Registrar shall incur no liability for its refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(e) Persons Deemed Owners. The City and the Registrar may treat the person in whose name the TIF Note is at any time registered in the bond register as the absolute owner of the TIF Note, whether the TIF Note shall be overdue or not, for the purpose of receiving payment of, or

on account of, the principal of and interest on such TIF Note and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the City upon such TIF Note to the extent of the sum or sums so paid.

(f) Taxes, Fees and Charges. For every transfer or exchange of the TIF Note, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such transfer or exchange.

(g) Mutilated, Lost, Stolen or Destroyed TIF Note. In case any TIF Note shall become mutilated or be lost, stolen, or destroyed, the Registrar shall deliver a new TIF Note of like amount, Termination Dates and tenor in exchange and substitution for and upon cancellation of such mutilated TIF Note or in lieu of and in substitution for such TIF Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case the TIF Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that such TIF Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. The TIF Note so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City. If the mutilated, lost, stolen, or destroyed TIF Note has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new TIF Note prior to payment.

4.05. Preparation and Delivery. The TIF Note shall be prepared under the direction of the City Administrator and shall be executed on behalf of the City by the signatures of its Mayor and City Administrator. In case any officer whose signature shall appear on the TIF Note shall cease to be such officer before the delivery of the TIF Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. When the TIF Note has been so executed, it shall be delivered by the City Administrator to the owner thereof in accordance with the Agreement.

Section 5. Security Provisions.

5.01. Pledge. The City hereby pledges to the payment of the principal of and interest on the TIF Note all Available Tax Increment as defined in the TIF Note. Available Tax Increment shall be applied to payment of the principal of and interest on the TIF Note in accordance with the terms of the form of TIF Note set forth in Section 2 of this resolution.

Section 6. Certification of Proceedings.

6.01. Certification of Proceedings. The City staff are hereby authorized and directed to prepare and furnish to the owner of the TIF Note certified copies of all proceedings and records of the City, and such other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the TIF Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the facts recited therein.

Section 7. Effective Date. This resolution shall be effective upon approval.

Approved by the City Council of the City of Grand Rapids, Minnesota on April 22, 2024.

Mayor

ATTEST:

City Administrator

EXHIBIT A

Form of TIF Note

No. R-1

[\$2,000,000]

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ITASCA
CITY OF GRAND RAPIDS, MINNESOTA

TAXABLE TAX INCREMENT REVENUE NOTE
(HWY35 Properties LLC Project)

<u>Rate</u>	<u>Date of Issuance</u>	<u>Principal Amount</u>
6.00%	_____, 20__	[\$2,000,000]

The City of Grand Rapids, Minnesota (the “City”), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay the amounts hereinafter described (the “Payment Amounts”) to HWY35 Properties LLC, a Minnesota limited liability company (the “Developer”), or its registered assigns (the “Registered Owner”), the principal amount of [Two Million and 00/100 Dollars (\$2,000,000)],but only in the manner, at the times, from the sources of revenue, and to the extent hereinafter provided.

This Note is issued pursuant to that certain Tax Increment Development Assistance Agreement, dated as of _____, 2024, as the same may be amended from time to time (the “Agreement”), by and between the City, and the Developer. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

Simple, non-compounding interest shall accrue on the outstanding principal amount of the Note at a rate equal to 6.00% per annum; provided that no interest shall accrue on this Note during any period that an Event of Default has occurred, and such Event of Default is continuing, under the Agreement and City has exercised its remedy under the Agreement to suspend payment on the Note. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The amounts due under this Note shall be payable on August 1, 2027 and on each February 1 and August 1 thereafter to and including the earliest of (i) the date on which the entire principal and accrued interest on the TIF Note has been paid in full; or (ii) February 1, 2037; or (iii) any earlier date the Agreement or this Note is cancelled in accordance with the terms of the Agreement or deemed paid in full; or (iv) the February 1 following the date the TIF District is terminated in accordance with the TIF Act (collectively, the “TIF Payment Dates”) or, if the first should not be a Business Day (as defined in the Agreement) the next succeeding Business Day. On each TIF Payment Date, the City shall pay by check or draft mailed to the person that was the Registered Owner of this Note at the close of the last Business Day preceding such TIF Payment Date an amount equal to 75% of the Tax Increments as defined in the Agreement received by the City

during the 6-month period preceding such TIF Payment Date (the “Pledged Tax Increments”).

Payments on this Note shall be payable solely from the Pledged Tax Increments. All payments made by the City under this Note shall first be applied to accrued interest and then to principal. If Pledged Tax Increments are insufficient to pay any accrued interest due, such unpaid interest shall be carried forward without interest.

This Note shall terminate and be of no further force and effect following the Final TIF Payment Date defined above, or any date upon which the City shall have terminated the Agreement under Section 5.2 thereof or on the date that all principal and interest payable hereunder shall have been or deemed paid in full, whichever occurs earliest. This Note may be prepaid in whole or in part at any time without penalty.

The City makes no representation or covenant, express or implied, that the Pledged Tax Increments will be sufficient to pay, in whole or in part, the amounts which are or may become due and payable hereunder. There are risk factors in the amount of Tax Increments that may actually be received by the City and some of those factors are listed on the attached Exhibit 1. The Registered Owner acknowledges these risk factors and understands and agrees that payments by the City under this Note are subject to these and other factors.

The City’s payment obligations hereunder subject to Section 3.2(9) of the Agreement and the conditions that (i) no Event of Default under Section 5.1 of the Agreement shall have occurred and be continuing at the time payment is otherwise due hereunder, and (ii) the Agreement shall not have been terminated pursuant to Section 5.2 thereof, and (iii) all conditions set forth in Section 3.2(2) of the Agreement have been satisfied as of such date. Any such suspended and unpaid amounts shall become payable, without interest accruing thereon in the meantime, if this Note has not been terminated in accordance with Section 5.2 of the Agreement and said Event of Default shall thereafter have been cured in accordance with Section 5.2 of the Agreement. If pursuant to the occurrence of an Event of Default under the Agreement the City elects, in accordance with the Agreement to cancel and rescind the Agreement and/or this Note, the City shall have no further debt or obligation under this Note whatsoever. Reference is hereby made to all of the provisions of the Agreement, for a fuller statement of the rights and obligations of the City to pay the principal of this Note and the interest thereon, and said provisions are hereby incorporated into this Note as though set out in full herein.

THIS NOTE IS A SPECIAL, LIMITED REVENUE OBLIGATION OF THE CITY AND NOT A GENERAL OBLIGATION OF THE CITY AND IS PAYABLE BY THE CITY ONLY FROM THE SOURCES AND SUBJECT TO THE QUALIFICATIONS STATED OR REFERENCED HEREIN. THIS NOTE IS NOT A GENERAL OBLIGATION OF THE CITY, AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS NOTE AND NO PROPERTY OR OTHER ASSET OF THE CITY, SAVE AND EXCEPT THE ABOVE-REFERENCED PLEDGED TAX INCREMENTS, IS OR SHALL BE A SOURCE OF PAYMENT OF THE CITY’S OBLIGATIONS HEREUNDER.

The Registered Owner shall never have or be deemed to have the right to compel any exercise of any taxing power of the City or of any other public body, and neither the City nor any

person executing or registering this Note shall be liable personally hereon by reason of the issuance or registration thereof or otherwise.

This Note is issued by the City in aid of financing a project pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including the TIF Act.

This Note may be assigned only as provided in Section 4.8 of the Agreement and subject to the assignee executing and delivering to the City the Acknowledgment Regarding TIF Note in the form set forth in Exhibit 2 attached hereto. Additionally, in order to assign the Note, the assignee shall surrender the same to the City either in exchange for a new fully registered note or for transfer of this Note on the registration records maintained by the City for the Note. Each permitted assignee shall take this Note subject to the foregoing conditions and subject to all provisions stated or referenced herein.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to have happened, and to be performed precedent to and in the issuance of this Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; and that this Note, together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation thereon.

IN WITNESS WHEREOF, the City of Grand Rapids, Minnesota, by its City Council, has caused this Note to be executed by the manual signatures of its Mayor and City Administrator and has caused this Note to be dated as of _____.

By _____
Its Mayor

By _____
Its City Administrator

CERTIFICATION OF REGISTRATION

It is hereby certified that the foregoing Note was, as of the latest date listed below, registered in the name of the last Registered Owner noted below on the books kept by the undersigned for such purposes and any prior registrations are null and void as of such date.

NAME AND ADDRESS OF
REGISTERED OWNER

DATE OF
REGISTRATION

SIGNATURE OF
FINANCE DIRECTOR

HWY35 Properties LLC
11575 E. Laketowne Drive
Albertville, MN 55301-4348

Exhibit 1
To Taxable TIF Note

RISK FACTORS

Risk factors on the amount of Tax Increments that may actually be received by the City include but are not limited to the following:

Value of Minimum Improvements. If the contemplated Minimum Improvements (as defined in the TIF Agreement) constructed in the tax increment financing district is completed at a lesser level of value than originally contemplated, it will generate fewer taxes and fewer tax increments than originally contemplated.

2. Damage or Destruction. If the Minimum Improvements is damaged or destroyed after completion, its value will be reduced, and taxes and tax increments will be reduced. Repair, restoration or replacement of the Minimum Improvements may not occur, may occur after only a substantial time delay, or may involve property with a lower value than the Minimum Improvements, all of which would reduce taxes and tax increments.

3. Change in Use to Tax-Exempt. The Minimum Improvements could be acquired by a party that devotes it to a use which causes the property to be exempt from real property taxation. Taxes and tax increments would then cease.

4. Depreciation. The Minimum Improvements could decline in value due to changes in the market for such property or due to the decline in the physical condition of the property. Lower market valuation will lead to lower taxes and lower tax increments.

5. Non-payment of Taxes. If the property owner does not pay property taxes, either in whole or in part, the lack of taxes received will cause a lack of tax increments. The Minnesota system of collecting delinquent property taxes is a lengthy one that could result in substantial delays in the receipt of taxes and tax increments, and there is no assurance that the full amount of delinquent taxes would be collected. Amounts distributed to taxing jurisdictions upon a sale following a tax forfeiture of the property are not tax increments.

6. Reductions in Taxes Levied. If property taxes are reduced due to decreased municipal levies, taxes and tax increments will be reduced. Reasons for such reduction could include lower local expenditures or changes in state aids to municipalities. For instance, in 2001 the Minnesota Legislature enacted an education funding reform that involved the state increasing school aid in lieu of the local general education levy (a component of school district tax levies).

7. Reductions in Tax Capacity Rates. The taxable value of real property is determined by multiplying the market value of the property by a tax capacity rate. Tax capacity rates vary by certain categories of property; for example, the tax capacity rates for residential homesteads are currently less than the tax capacity rates for commercial and industrial property. In 2001 the Minnesota Legislature enacted property tax reform that lowered various tax capacity rates to “compress” the difference between the tax capacity rates applicable to residential homestead properties and commercial and industrial properties.

8. Changes to Local Tax Rate. The local tax rate to be applied in the tax increment financing district is the lower of the current local tax rate or the original local tax rate for the tax increment financing district. In the event that the Current Local Tax Rate is higher than the Original Local Tax Rate, then the “excess” or difference that comes about after applying the lower Original Local Tax Rate instead of the Current Local Tax Rate is considered “excess” tax increment and is distributed by Hennepin County to the other taxing jurisdictions and such amount is not available to the City as tax increment.

9. Legislation. The Minnesota Legislature has frequently modified laws affecting real property taxes, particularly as they relate to tax capacity rates and the overall level of taxes as affected by state aid to municipalities.

10. No Liability of City. The City has made no representation or covenant, express or implied, that the revenues pledged to pay the TIF Note will be sufficient to pay, in whole or in part, the principal and interest due on the TIF Note. Any amounts which have not been paid on the TIF Note on or before the final maturity date of the TIF Note shall no longer be payable, as if the TIF Note had ceased to be an obligation of the City. The TIF Note will never represent or constitute a general obligation, debt or bonded indebtedness of the City, the State of Minnesota, or any political subdivision thereof and that no right will exist to have taxes levied by the City, the State of Minnesota or any political subdivision thereof for the payment of principal and interest on the TIF Note.

Exhibit 2
To Taxable TIF Note

ACKNOWLEDGMENT REGARDING TIF NOTE

The undersigned, _____ a _____ (“Note Holder”), hereby certifies and acknowledges that:

A. On the date hereof the Note Holder has [acquired from]/[made a loan (the “Loan”) [to/for the benefit] of] HWY35 Properties LLC, a Minnesota limited liability company (the “Developer”), [secured in part by] the Taxable Tax Increment Revenue Note (HWY35 Properties LLC Project), a pay-as-you-go tax increment revenue note in the original principal amount of \$ _____, dated _____, 20__ of the City of Grand Rapids, Minnesota (the “City”), a copy of which is attached hereto (the “Note”).

B. The Note Holder has had the opportunity to ask questions of and receive all information and documents concerning the Note as it requested, and has had access to any additional information the Note Holder thought necessary to verify the accuracy of the information received. In determining to [acquire the Note]/[make the Loan], the Note Holder has made its own determinations and has not relied on the City or information provided by the City.

C. The Note Holder represents and warrants that:

1. The Note Holder is acquiring [the Note]/[an interest in the Note as collateral for the Loan] for its own account, and without any view to resale or other distribution.

2. The Note Holder is (i) the owner of the Development Property or (ii) a financial institution or an “accredited investor” as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of acquiring [and holding the Note] [an interest in the Note as collateral for the Loan].

3. The Note Holder understands that the Note is a security which has not been registered under the Securities Act of 1933, as amended, or any state securities law, and must be held until its sale is registered or an exemption from registration becomes available.

4. The Note Holder is aware of the limited payment source for the Note and interest thereon and risks associated with the sufficiency of that limited payment source.

D. The Note Holder understands that the Note is payable solely from certain tax increments derived from certain properties located in a tax increment financing district, if and as received by the City. The Note Holder acknowledges that the City has made no representation or covenant, express or implied, that the revenues pledged to pay the Note will be sufficient to pay, in whole or in part, the principal and interest due on the Note. Any amounts which have not been paid on the Note on or before the final maturity date of the Note shall no longer be payable, as if the Note had ceased to be an obligation of the City. The Note Holder understands that the Note

will never represent or constitute a general obligation, debt or bonded indebtedness of the City, the State of Minnesota, or any political subdivision thereof and that no right will exist to have taxes levied by the City, the State of Minnesota or any political subdivision thereof for the payment of principal and interest on the Note.

E. The Note Holder understands that the Note is payable solely from certain tax increments, which are taxes received on improvements made to certain property (the “Improvements”) in a tax increment financing district from the increased taxable value of the property over its base value at the time that the tax increment financing district was created, which base value is called “original net tax capacity”. There are risk factors in relying on tax increments to be received, which include, but are not limited to, the following:

1. Value of Improvements. If the contemplated Improvements constructed in the tax increment financing district are completed at a lesser level of value than originally contemplated, they will generate fewer taxes and fewer tax increments than originally contemplated.

2. Damage or Destruction. If the Improvements are damaged or destroyed after completion, their value will be reduced, and taxes and tax increments will be reduced. Repair, restoration or replacement of the Improvements may not occur, may occur after only a substantial time delay, or may involve property with a lower value than the Improvements, all of which would reduce taxes and tax increments.

3. Change in Use to Tax-Exempt. The Improvements could be acquired by a party that devotes them to a use which causes the property to be exempt from real property taxation. Taxes and tax increments would then cease.

4. Depreciation. The Improvements could decline in value due to changes in the market for such property or due to the decline in the physical condition of the property. Lower market valuation will lead to lower taxes and lower tax increments.

5. Non-payment of Taxes. If the property owner does not pay property taxes, either in whole or in part, the lack of taxes received will cause a lack of tax increments. The Minnesota system of collecting delinquent property taxes is a lengthy one that could result in substantial delays in the receipt of taxes and tax increments, and there is no assurance that the full amount of delinquent taxes would be collected. Amounts distributed to taxing jurisdictions upon a sale following a tax forfeiture of the property are not tax increments.

6. Reductions in Taxes Levied. If property taxes are reduced due to decreased municipal levies, taxes and tax increments will be reduced. Reasons for such reduction could include lower local expenditures or changes in state aids to municipalities. For instance, in 2001 the Minnesota Legislature enacted an education funding reform that involved the state increasing school aid in lieu of the local general education levy (a component of school district tax levies).

7. Reductions in Tax Capacity Rates. The taxable value of real property is determined by multiplying the market value of the property by a tax capacity rate. Tax

capacity rates vary by certain categories of property; for example, the tax capacity rates for residential homesteads are currently less than the tax capacity rates for commercial and industrial property. In 2001 the Minnesota Legislature enacted property tax reform that lowered various tax capacity rates to “compress” the difference between the tax capacity rates applicable to residential homestead properties and commercial and industrial properties.

8. Changes to Local Tax Rate. The local tax rate to be applied in the tax increment financing district is the lower of the current local tax rate or the original local tax rate for the tax increment financing district. In the event that the Current Local Tax Rate is higher than the Original Local Tax Rate, then the “excess” or difference that comes about after applying the lower Original Local Tax Rate instead of the Current Local Tax Rate is considered “excess” tax increment and is distributed by Itasca County to the other taxing jurisdictions and such amount is not available to the City as tax increment.

9. Legislation. The Minnesota Legislature has frequently modified laws affecting real property taxes, particularly as they relate to tax capacity rates and the overall level of taxes as affected by state aid to municipalities.

10. No Liability of City. The City has made no representation or covenant, express or implied, that the revenues pledged to pay the TIF Note will be sufficient to pay, in whole or in part, the principal and interest due on the TIF Note. Any amounts which have not been paid on the TIF Note on or before the final maturity date of the TIF Note shall no longer be payable, as if the TIF Note had ceased to be an obligation of the City. The TIF Note will never represent or constitute a general obligation, debt or bonded indebtedness of the City, the State of Minnesota, or any political subdivision thereof and that no right will exist to have taxes levied by the City, the State of Minnesota or any political subdivision thereof for the payment of principal and interest on the TIF Note.

F. The Note Holder acknowledges that the Note was issued pursuant to a Tax Increment Development Assistance Agreement between the City and the Developer, dated _____, 2024 (“Development Agreement”), and that the City has the right to suspend payments under this Note and/or terminate the Note upon an Event of Default under the Development Agreement.

G. The Note Holder acknowledges that the City makes no representation about the tax treatment of, or tax consequences from, the Note Holder’s acquisition of [the Note]/[an interest in the Note as collateral for the Loan].

WITNESS our hand this ___ day of _____, 20__.

Note Holder:

By _____
Name: _____
Its _____

