



MOUNTAIN IRON CITY COUNCIL MEETING

MONDAY, JUNE 18, 2017

6:30 P.M.

**MOUNTAIN IRON COMMUNITY CENTER
MOUNTAIN IRON ROOM**

**MOUNTAIN IRON CITY COUNCIL MEETING
COMMUNITY CENTER
MOUNTAIN IRON ROOM
MONDAY, JUNE 18, 2018 - 6:30 P.M.
A G E N D A**

- I. Roll Call
- II. Consent Agenda
 - A. Minutes of the June 4, 2018, Regular Meeting (#1-8)
 - B. Receipts
 - C. Bills and Payroll
 - D. Communications
- III. Public Forum
 - A. Public Hearing – Tax Increment District 16 (#9)
- IV. Committee and Staff Reports
 - A. Mayor's Report
 - B. City Administrator's Report
 - C. Director of Public Works Report
 - D. Library Director/Special Events Coordinator's Report
 - E. Sheriff's Department Report
 - F. City Engineer's Report
 - G. City Attorney's report
 - H. Personnel Committee
 - 1. Memorandum of Understanding (#10)
 - I. Liaison Reports
- V. Unfinished Business
- VI. New Business
 - A. Resolution Number 17-18 Approving the Creation of TIF District 16 (#11-34)
 - B. Resolution Number 18-18 Approving Inter Fund Loan (#35-36)
 - C. Resolution Number 19-18 Approving Development Agreement (#37-70)
- VII. Communications (#35)
- VIII. Announcements
- IX. Adjourn

Page Number in Packet

MINUTES
MOUNTAIN IRON CITY COUNCIL
June 4, 2018

Mayor Skalko called the City Council meeting to order at 6:33p.m. with the following members present: Councilor Joe Prebeg, Jr., Alan Stanaway, Steve Skogman, Susan Tuomela, and Mayor Gary Skalko. Also present were: Craig J. Wainio, City Administrator; Tim Satrang, Director of Public Works; Sally Yuccas, Library Director/Special Events Coordinator; Amanda Inmon, Municipal Services Secretary; Rod Flannigan, City Engineer; SGT John Backman, Sheriff's Department and Victor Lund, St. Louis County Traffic Engineer

It was moved by Skalko and seconded by Tuomela that the consent agenda be approved as follows:

1. Approve the minutes of the May 21, 2018, regular meeting as submitted.
2. That the communications be accepted and placed on file and those requiring further action by the City Council be acted upon during their proper sequence on the agenda.
3. To acknowledge the receipts for the period May 16-31, totaling \$244,960.11 (a list is attached and made a part of these minutes).
4. To authorize the payments of the bills and payroll for the period May 16-31, totaling \$330,588.65 (a list is attached and made a part of these minutes).

The motion carried on roll call vote.

Public Forum:

- No one spoke during the public forum

The Mayor reported on the following:

- Condolences to the family and friends of Gloria Mattila
- Condolences to the family and friends of Steve Kerzie
- Good luck to the Washington Capitals and Matt Niskanen on Game #4, playing later tonight
- Congratulations to the 2018 Graduating class of Mountain Iron-Buhl and to those individuals who graduated with Honors

The City Administrator reported on the following:

- Part of the Blandin Broadband grant the City received will help provide free internet access to the public, equipment installed will provide public Wi-Fi and access to computer terminals at the Senior Center, completely paid for via the grant
- June 18th meeting, Tax Increment Financing (TIF) District public hearing for new Daycare in Mountain Iron, located near Lake Country Power
 - Proposal to ratify Tax Increment plan and development agreement in order for the Daycare to proceed with the next step

It was moved by Prebeg and seconded by Skogman to award the quote to CW Tech in the amount of \$6,002 to install equipment to provide public Wi-Fi and access to computer terminals at the Senior Center, paid for through a broadband grant received from the Blanding Foundation. The motion carried on roll call vote.

Director of Public Works:

- Large trash pickup started June 4th for certain areas of Mountain Iron with other areas scheduled for the following week
- Fire hydrant flushing postponed to due to previous issue with the wells
 - Postponed to following week, discolored water due to hydrant flushing
- Grader training session with City Operators by Detroit Community College, John Kolterman Jr. who works with them, was able to train
- Wind storm recently caused power outage in Mud Lake area as tree fell on lines

It was moved by Prebeg and seconded by Stanaway to approve the authorization for the City to purchase 200 tons of road salt for the 2018-2019 winter season, at the State bid price of \$63.34 per ton to be delivered to the City's salt pile. The motion carried.

It was moved by Stanaway and seconded by Tuomela to approve the purchase of one roll of 15KV underground Aluminum wire, as primary wire from United Electric/WESCO at the low quote of \$5,582.50, this wire would be used on project to bring in higher voltage at new Substation. The motion carried on roll call vote.

Library Director/Special Events Coordinator:

- Monday, June 4- Summer Reading program registration starts, will be from June 4-June 8, theme this year is "Reading takes you Everywhere"
- Wednesday, June 6 at 10:30am "Writing Memoir, Writing Life," with Kate St. Vincent Vogl
- Summer hours
 - Closed Saturday and Sunday
- 4th of July Parade plans are underway

Sherriff's Department:

- No formal report
- Any garbage dumped please report to Sherriff's department, seen an increase lately

City Engineer:

- No formal report
- Change order amount to Veit Company is due to additional seeding which is needed

It was moved by Prebeg and seconded by Skogman to approve Change Order No. 2 for the Nichols Pond Decommissioning project, with an increase in the contract amount of \$3,512.25 to the Viet Company, the change order includes the cost increase for the wetland seed to be place. The motion carried on roll call vote.

It was moved by Stanaway and seconded by Prebeg to approve Pay Request No. 3 for the Nichols Wastewater Pond Decommissioning Project in the amount of \$67,581.62, to the Veit Company, Duluth, MN. This amount includes withholding of 5% retainage on work completed to date. The motion carried on roll call vote.

Victor Lund, St. Louis County Traffic Engineer discussed St. Louis County findings in regards to the STOP signs which are located on Mineral Avenue at the intersections of Mud Lake Road and Greenwood Lane. The recommendation of St. Louis County based upon the traffic volumes, observed traffic behavior and estimated traffic operations, and guidance in the Minnesota MUTCD, is that the STOP signs be removed on Mineral Avenue at the intersections of Mud Lake Road and Greenwood Lane. The STOP signs should remain in place for the side streets, with the also recommendation that a plaque with the legend "Cross Traffic Does Not Stop," be installed temporarily under the STOP signs at Mud Lake Road and Greenwood Lane.

Discussion ensued regarding STOP signs and their removal verse the signs remaining in their current positions to help speed control for those that live in the area due to it being a residential area, by Council members, Mayor Skalko, Mr. Lund and attending residents which live in the area.

It was moved by Skalko and seconded by Prebeg to not remove the STOP signs which are located on Mineral Avenue at the intersections of Mud Lake Road and Greenwood Lane, was recommended by St. Louis County and the Street Committee. The motion carried on roll call vote; 4:1.

It was moved by Prebeg and seconded by Tuomela to approve Resolution #16-18; Reaffirming Membership in the Northeastern Minnesota Municipal Power Agency (a copy is attached and made a part of these minutes). The motion carried.

The council reviewed the list of communications.

At 8:09p.m., it was moved by Skalko and seconded by Skogman that the meeting be adjourned. The motion carried.

Submitted by:



Amanda Inmon
Municipal Services Secretary
www.mtniron.com

Communications:

1. League of Minnesota Cities Board of Directors voted at its May meeting to set a preliminary maximum member dues schedule increase to zero percent (or, no dues increase).

Distribution Summary

Category	Distribution	Amount
BUILDING RENTALS	BUILDING RENTAL DEPOSITS	300.00
BUILDING RENTALS	COMMUNITY CENTER	875.00
BUILDING RENTALS	NICHOLS HALL	25.00
CAMPGROUND RECEIPTS	CREDIT CARD FEES	117.26
CAMPGROUND RECEIPTS	FEES	3,804.10
CAMPGROUND RECEIPTS	LODGING TAX PAYABLE - W2 CAMP.	111.00
CAMPGROUND RECEIPTS	PAVILION FEES	170.00
CAMPGROUND RECEIPTS	SALES TAX PAYABLE-W2 CAMPGR.	287.76
CHARGE FOR SERVICES	ELECTRIC-CHG FOR SERVICES	10.00
CHARGE FOR SERVICES	REFUSE REMOVAL-CHG FOR SERVICE	870.00
CHARGE FOR SERVICES	WATER-CHARGE FOR SERVICES	110.00
COPIES	COPIES	17.00
METER DEPOSITS	ELECTRIC	1,500.00
MISCELLANEOUS	ASSESSMENT SEARCHES	60.00
MISCELLANEOUS	BLUE CROSS/BLUE SHIELD PAYABLE	57,848.70
MISCELLANEOUS	DELTA DENTAL PAYABLE	1,754.10
MISCELLANEOUS	DUE FROM EDA (HRA)	330.75
MISCELLANEOUS	EDA REIMBURSEMENT	855.00
MISCELLANEOUS	ELECTRIC RECONNECT FEE	35.00
MISCELLANEOUS	FILING FEES	6.00
MISCELLANEOUS	LIBRARY-COPIES, FINES, MISC.	19.99
MISCELLANEOUS	REC DEPT-VARIOUS FEES/PMTS	795.00
MISCELLANEOUS	REFUSE-SALE OF SCRAP METAL	1,230.74
MISCELLANEOUS	REIMBURSEMENTS	2,394.97
MISCELLANEOUS	USABLE LIFE INS. PAYABLE	426.14
PERMITS	BUILDING	735.55
PERMITS	VENDOR	200.00
UTILITY	UTILITY	170,071.05
Grand Totals:		244,960.11

Report Criteria:

Report type: Summary

Check, Check number = 151670-151745

Check, Type = {<>} "Adjustment"

GL Period	Check Issue Date	Check Number	Vendor Number	Payee	Check GL Account	Amount
06/18	06/05/2018	151670	10078	ALLIED GENERATORS (DBA)	602-20200	760.00
06/18	06/05/2018	151671	10075	AMERIPRIDE SERVICES	101-20200	50.29
06/18	06/05/2018	151672	10010	ARROW AUTO	101-20200	2.00
06/18	06/05/2018	151673	20009	BARBER GRAPHICS	101-20200	2,069.00
06/18	06/05/2018	151674	614	BETSY OLIVANTI	101-20200	100.00
06/18	06/05/2018	151675	20052	BGFSA	101-20200	300.00
06/18	06/05/2018	151676	618	BRITTA KINNUNEN	101-20200	200.00
06/18	06/05/2018	151677	20047	BROCKWHITE CONSTRUCTION MAT.	602-20200	1,463.40
06/18	06/05/2018	151678	30055	BTAC ACQUISITION CORP.	101-20200	203.86
06/18	06/05/2018	151679	30017	CARQUEST (MOUNTAIN IRON)	603-20200	145.82
06/18	06/05/2018	151680	30004	CITY OF MOUNTAIN IRON	101-20200	200.00
06/18	06/05/2018	151681	130068	CLUB MESABI INC	101-20200	100.00
06/18	06/05/2018	151682	30093	COMMERCIAL REFRIG. SYSTEM INC.	101-20200	320.00
06/18	06/05/2018	151683	30026	COMO LUBE & SUPPLIES INC	101-20200	115.00
06/18	06/05/2018	151684	30072	COMPUTER WORLD	101-20200	1,875.40
06/18	06/05/2018	151685	140013	CORE & MAIN LP	601-20200	2,000.68
06/18	06/05/2018	151686	291	DAWN POPPENHAGEN	101-20200	100.00
06/18	06/05/2018	151687	617	DAWN RAPINAC	101-20200	200.00
06/18	06/05/2018	151688	9034	DEBORAH AHO	101-20200	100.00
06/18	06/05/2018	151689	40013	DR MATTHEW A GAHN	604-20200	388.00
06/18	06/05/2018	151690	50042	ESC SYSTEMS	101-20200	294.00
06/18	06/05/2018	151691	50049	ESSENTIA HEALTH	101-20200	240.00
06/18	06/05/2018	151692	60029	FERGUSON ENTERPRISES INC	101-20200	1,268.34
06/18	06/05/2018	151693	60003	FIVE SEASONS SPORTS CENTER	101-20200	79.99
06/18	06/05/2018	151694	70016	GOPHER STATE ONE CALL INC	604-20200	81.00
06/18	06/05/2018	151695	80017	HENRY'S WATERWORKS INC	601-20200	208.36
06/18	06/05/2018	151696	80042	HERMANTOWN HYDRAULICS LLC	101-20200	459.95
06/18	06/05/2018	151697	80001	HILLYARD/HUTCHINSON	101-20200	582.48
06/18	06/05/2018	151698	80037	HOMETOWN MEDIA PARTNERS	101-20200	42.00
06/18	06/05/2018	151699	90026	INDUSTRIAL LUBRICANT COMPANY	101-20200	425.10
06/18	06/05/2018	151700	90005	ITALIAN BAKERY INC	101-20200	54.00
06/18	06/05/2018	151701	130184	JEFF MARKS	604-20200	115.95
06/18	06/05/2018	151702	100024	JENIA'S APPLIANCE & TV	101-20200	609.85
06/18	06/05/2018	151703	610	JENNIFER JERULLE	101-20200	200.00
06/18	06/05/2018	151704	290	JUSTINE HERBERG	101-20200	200.00
06/18	06/05/2018	151705	110006	KEN WASCHKE AUTO PLAZA	604-20200	272.54
06/18	06/05/2018	151706	611	LARRY LINDHOLM	101-20200	200.00
06/18	06/05/2018	151707	120002	LAWSON PRODUCTS INC	101-20200	430.00
06/18	06/05/2018	151708	120014	LUNDGREN MOTORS	101-20200	110.85
06/18	06/05/2018	151709	1206	MARIE AVERILL	101-20200	88.30
06/18	06/05/2018	151710	612	MARK MORIN	101-20200	200.00
06/18	06/05/2018	151711	615	MARY MATTSON	101-20200	200.00
06/18	06/05/2018	151712	1901033	MATTHEW CERKVENIK	604-20200	34.15
06/18	06/05/2018	151713	130004	MESABI DAILY NEWS	101-20200	2,775.25
06/18	06/05/2018	151714	130006	MESABI HUMANE SOCIETY	101-20200	1,458.33
06/18	06/05/2018	151715	130026	MESABI SIGN COMPANY	101-20200	258.40
06/18	06/05/2018	151716	6036	MIB ALL NIGHT GRAD PARTY	101-20200	200.00
06/18	06/05/2018	151717	110035	MIDWEST COMMUNICATIONS	101-20200	580.00
06/18	06/05/2018	151718	130008	MINNESOTA MUNICIPAL UTILITIES	604-20200	641.00
06/18	06/05/2018	151719	130009	MINNESOTA POWER (ALLETE INC)	604-20200	231.00
06/18	06/05/2018	151720	616	NANCY EDMAN	101-20200	200.00
06/18	06/05/2018	151721	140004	NORTHERN ENGINE & SUPPLY INC	603-20200	131.30

GL Period	Check Issue Date	Check Number	Vendor Number	Payee	Check GL Account	Amount
06/18	06/05/2018	151722	140005	NORTHERN FITNESS GROUP	101-20200	377.96
06/18	06/05/2018	151723	140072	NORTHERN STAR FOOD EQUIPMENT	101-20200	177.00
06/18	06/05/2018	151724	150011	OLD DOMINION BRUSH	101-20200	1,279.83
06/18	06/05/2018	151725	160066	PAGE ANALYTICAL SERVICES	602-20200	230.00
06/18	06/05/2018	151726	1205	PETER HELTUNEN	101-20200	198.68
06/18	06/05/2018	151727	160043	POMP'S TIRE SERVICE INC	101-20200	40.00
06/18	06/05/2018	151728	170007	QUILL CORPORATION	101-20200	125.23
06/18	06/05/2018	151729	180008	RADKO IRON & SUPPLY INC	101-20200	280.94
06/18	06/05/2018	151730	180005	ROAD MACHINERY & SUPPLIES CO.	101-20200	41.56
06/18	06/05/2018	151731	609	ROSIE TASSI	101-20200	325.00
06/18	06/05/2018	151732	190045	SERVICE SOLUTIONS	101-20200	23.00
06/18	06/05/2018	151733	656	SHAWN & DEB DANLEY	101-20200	100.00
06/18	06/05/2018	151734	190004	SKUBIC BROS INC	603-20200	17.18
06/18	06/05/2018	151735	5016	SONS OF NORWAY	101-20200	200.00
06/18	06/05/2018	151736	5007	SUN LIFE FINANCIAL	603-20200	863.43
06/18	06/05/2018	151737	200003	TACONITE TIRE SERVICE	101-20200	1,184.49
06/18	06/05/2018	151738	200006	TRIMARK INDUSTRIAL	101-20200	165.00
06/18	06/05/2018	151739	210001	UNITED ELECTRIC COMPANY	601-20200	2,977.55
06/18	06/05/2018	151740	220005	VEIT & COMPANY, INC.	602-20200	67,581.62
06/18	06/06/2018	151741	220025	VERIZON WIRELESS	602-20200	.00 V
06/18	06/05/2018	151742	230020	WORKFORCE DEVELOPMENT SOLUTIONS	101-20200	1,600.00
06/18	06/05/2018	151743	240001	XEROX CORPORATION	101-20200	607.97
06/18	06/05/2018	151744	260001	ZIEGLER INC	101-20200	1,803.00
06/18	06/06/2018	151745	220025	VERIZON WIRELESS	602-20200	17.70

Grand Totals:

103,782.73

PP-Ending 05/18

133,126.25

PP-Ending 06/01

75,019.18

Sales & Use Tax-May 2018

18,660.49

TOTAL EXPENDITURES**\$330,588.65**



CITY OF MOUNTAIN IRON

"TACONITE CAPITAL OF THE WORLD"

PHONE: 218-748-7570 • FAX: 218-748-7573 • www.mtniron.com
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RESOLUTION NUMBER 16-18

AFFIRMING MEMBERSHIP IN THE NORTHEASTERN MINNESOTA MUNICIPAL POWER AGENCY

WHEREAS, the City of Mountain Iron ("City") is authorized either by the laws of the State of Minnesota or by its city charter adopted pursuant thereto to engage in the local distribution and sale of electric energy;

WHEREAS, City is party to the "Agency Agreement", dated as of December 1, 1978 and relating to the creation of the Northeastern Minnesota Municipal Power Agency (the "Agency") for the purpose of exercising certain rights and powers as a member of the Agency in accordance with Minnesota statutes, section 453.51 through 453.62, inclusive (the "Act");

WHEREAS, the information set forth in Sections 1 through 8, inclusive, of the Agency Agreement is the information required by Section 3, Subdivision 1, Paragraphs (1) through (8), inclusive, of the Act, and is and remains valid;

WHEREAS, the Agency Agreement was filed with the Secretary of State of the State of Minnesota in accordance with the Act and certified on February 12, 1979;

WHEREAS, it has been determined that the Agency Agreement need not be restated or amended at this time;

WHEREAS, the City Council of the City of Mountain Iron has determined that it is in the best interests of City and its electric ratepayers to remain a member of the Agency;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF MOUNTAIN IRON, MINNESOTA:

Section One: The City agrees to remain bound as a party by all the terms and conditions of the Agency Agreement.

Section Two: The following individuals have been designated by Commission Resolution to serve as the Representative and alternative Representative of City in accordance with Section 5 of the Agency Agreement and shall be each accorded the power and authority to serve in that capacity on behalf of City in any matter regarding the Agency:

Name of Representative

Address

Craig J. Wainio
City Administrator

8586 Enterprise Drive South
Mountain Iron MN 55768

Name of Alternative Representative

Address

Tim Satrang
Director of Public Works

8586 Enterprise Drive South
Mountain Iron MN 55768

DULY ADOPTED BY THE CITY COUNCIL THIS 4th DAY OF JUNE, 2018.

ATTEST.



City Administrator



Mayor Gary Skalko

CITY OF MOUNTAIN IRON
COUNTY OF SAINT LOUIS
STATE OF MINNESOTA

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that the City Council (the "Council") of the City of Mountain Iron, Saint Louis County, Minnesota, will hold a public hearing on Monday, June, 2018, at 6:30 p.m., at the city hall, in the City of Mountain Iron, Minnesota, relating to the proposed adoption of a amendment to the Development Program relating to Development District No. 1, the proposed establishment of Tax Increment Financing District No. 16 within the Development District No. 1, and the proposed adoption of a Tax Increment Financing Plan for Tax Increment Financing District No. 16, all pursuant to and in accordance with Minnesota Statutes, Sections 469.124 through 469.133, as amended, and Sections 469.174 through 469.1794, as amended, and to adopt a business subsidy agreement, pursuant to Sections 116J.993 to 116J.995, all inclusive, as amended. The recipient of the proposed business subsidy is Gruba Properties LLC, and the purpose of the business subsidy is to facilitate the construction of a licensed daycare center within the City. Copies of the modification to the Development Program and the proposed Tax Increment Financing Plan and a summary of the agreement are on file and available for public inspection at the office of the City Administrator at City Hall.

A person with residence in or the owner of taxable property in the granting jurisdiction may file a written complaint with the City if the City fails to comply with Sections 116J.993 to 116J.995, and no action may be filed against the City for the failure to comply unless a written complaint is filed.

The property included in the Development District No. 1 is described in the Development Program on file in the office of the City Administrator. The property proposed to be included in Tax Increment Financing District No. 16 is described in the Tax Increment Financing Plan on file in the office of the City Administrator.

Maps of the Development District No. 1 and Tax Increment Financing Districts No. 16 are set forth below:

[map to be inserted here]

All interested persons may appear at the hearing and present their views orally or in writing prior to the hearing.

**Letter of Understanding
between
the City of Mt. Iron
and
AFSCME Local 453**

Medicare Enrollment Language

The City of Mt. Iron ("the Employer") and AFSCME Local 453, City of Mt. Iron Employees ("the Union") are parties to a written collective bargaining agreement.

The parties agree to amend the current language that exists in Appendix D, Retiring Employees Insurance Program and Sick Leave Fund, Section A, as follows:

Employees who retire after July 1, 2006, shall be required to enroll in Medicare/Medicaid upon age eligibility as stated in the Federal Medicare/Medicaid requirements. **Enrollment in any Medicare plan (ex. Medicare Part A) shall meet the standard of enrollment.** The Employer shall then furnish a supplemental policy which maintains the level of benefits in effect at the time of retirement of the employee. The retiree shall be required to pay for said hospital/medical premium and/or supplemental policy premium under the same percentage split as the active employees (cap contribution and 75/25 percentage split on the amount above the cap with the employee paying 25 %.).

Dated _____, 2018
for the City of Mt. Iron

Dated _____, 2018
for AFSCME

Mayor, City of Mt. Iron

President, Local 453

City Administrator, City of Mt. Iron

Staff Representative, AFSCME Council 65



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RESOLUTION NUMBER 17-18

MODIFYING THE DEVELOPMENT PROGRAM RELATING TO DEVELOPMENT DISTRICT NO. 1, THE PROPOSED ESTABLISHMENT OF TAX INCREMENT FINANCING DISTRICT NO. 16 WITHIN THE DEVELOPMENT DISTRICT NO. 1 AND THE PROPOSED ADOPTION OF A TAX INCREMENT FINANCING PLAN RELATING THERETO

WHEREAS, it has been proposed that the City of Mountain Iron, Minnesota (the "City") modify the Development Program for Municipal Development District No. 1 ("the Development District"), establish Tax Increment Financing (Economic Development) District No. 1-16 (the "TIF District") therein and approve and accept the proposed Tax Increment Financing Plan (the "TIF Plan") thereto, pursuant to Minnesota Statutes, Sections 469.124 through 469.134 and Minnesota Statutes, Sections 469.174 through 469.1794, both inclusive, as amended (the "Act"); and

WHEREAS, the City Council has investigated the facts and has caused to be prepared a proposed modification to the Development Program for the Development District, and has caused to be prepared a proposed TIF Plan for the TIF District; and

WHEREAS, the City has performed all actions required by law to be performed prior to the establishment of the TIF District and the TIF Plan therefor, and the adoption of the modified Development Program for the Development District, including, but not limited to, notification of St. Louis County and Mountain Iron and Buhl Independent School District (ISD #712) having taxing jurisdiction over the property to be included in the TIF District and the holding of a public hearing upon published and mailed notice as required by law.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF MOUNTAIN IRON, MINNESOTA:

1. Municipal Development District No. 1. The modified Development Program for the Development District contained in Article II of the TIF Plan for the TIF District is hereby ratified and affirmed.
2. Tax Increment Financing (Economic Development) District No. 1-16. The TIF District is hereby established in the City within the Development District, the initial boundaries of which are fixed and determined as described in the TIF Plan for the TIF District.
3. Tax Increment Financing Plan. The TIF Plan is adopted as the tax increment financing plan for the TIF District and the findings made within are hereby incorporated by reference. The City Council makes the following findings:

- (a) The TIF District is an economic development district as defined in Sections 469.174, Subdivision 12 and 469.176, Subdivision 4c of the Act.
- (b) Development in the TIF District will create or retain jobs in this state. The developer of this project has provided estimates of the jobs created and retained, and will be contractually obligated to meet certain job and wage goals as required under Minnesota Statutes, Sections 116J.993 – 116J.995.
- (c) The proposed development, in the opinion of the City Council, would not occur solely through private investment. The reasons supporting this finding are that:
 - (i) The need for the use of tax increment financing has been determined in negotiations with the developer of the project. The developer has attested to inability to undertake the project without the assistance provided by the City. The extraordinary cost of the land acquisition costs, site improvements and preparation costs have proven to be prohibitive. Tax increments are needed to assist with these development costs for the property.
 - (ii) The project will allow a business to attract new development and retain neighboring businesses and new development in the area in and around the commercial-retail area of the City. The purpose of the TIF District is to provide financial assistance for a proposed new economic development project that will involve the construction of an approximately 11,500 square foot commercial day-care facility within the City. The building square footage within the TIF District will not exceed 15,000 square feet. Tax increments may be used to provide assistance for up to 15,000 square feet of any separately owned commercial facility located within a "small city" pursuant to Section 469.176, Subdivision 4c of the Act. Tax increments from the TIF District will be used to provide financial assistance to the proposed development for which it would qualify for inclusion within an economic development district pursuant to the "small cities" exception. The planned development will result in an increase in tax base for the City and new commercial-retail jobs. Retaining this business and related jobs is important to the economic future of the community.
 - (iii) Private investment will not finance these development activities because of the prohibitive costs of the underlying infrastructure and site improvements. It is necessary to finance a portion of these costs through the use of tax increment financing.
 - (iv) A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above. Such analysis is found in Exhibit I of the TIF Plan, and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the TIF District and the use of tax increments.
 - (v) In the opinion of the City Council, the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax

increments for the maximum duration of the TIF District permitted by the TIF Plan. The reasons supporting this finding can be found in Exhibit I of the TIF Plan.

- (d) The TIF Plan for the TIF District conforms to the general plan for development of the City as a whole. The reasons for supporting this finding are that:
 - (i) The TIF District is properly zoned; and
 - (ii) The TIF Plan will generally complement and serve to implement policies adopted in the City's comprehensive plan.
 - (e) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Development District by private enterprise. The reasons supporting this finding are that the development activities are necessary so that development and redevelopment by private enterprise can occur within the Development District.
4. Public Purpose. The adoption of the modifications to the Development Program for the Development District, and the adoption of the TIF Plan for the TIF District therein conform in all respects to the requirements of the Act and will help fulfill a need to provide employment opportunities, to improve the tax base and to improve the general economy of the State and thereby serve a public purpose.
5. Certification and Filing. The City Administrator is authorized and directed to transmit a certified copy of this resolution together with a certified copy of the TIF Plan to the Auditor of St. Louis County with a request that the original tax capacity of the property within the TIF District be certified to the City pursuant to Section 469.177, Subdivision 1 of the Act, and to file a copy of the Development Program and the TIF Plan with the Minnesota Commissioner of Revenue and State Auditor as required by the Act.
6. Administration. The administration of the Development District and the TIF District is assigned to the City Administrator who shall from time to time be granted such powers and duties pursuant to the Act as the City Council may deem appropriate.

DULY ADOPTED BY THE CITY COUNCIL THIS 18th DAY OF JUNE, 2018.

ATTEST:

Mayor Gary Skalko

City Administrator

DRAFT

CITY OF MOUNTAIN IRON (MINNESOTA)

MODIFIED DEVELOPMENT PROGRAM FOR

DEVELOPMENT DISTRICT NO. 1

AND

TAX INCREMENT FINANCING PLAN FOR

TAX INCREMENT FINANCING (ECONOMIC DEVELOPMENT) DISTRICT

NO. 1-16

PUBLIC HEARING DATE: JUNE 18, 2018

ORIGINAL TIF PLAN APPROVED: JUNE 18, 2018

REQUEST FOR CERTIFICATION: _____

DISTRICT CERTIFIED: _____



Northland Securities, Inc.
150 South Fifth Street, Suite 3300
Minneapolis, MN 55402
(800) 851-2920
Member NASD and SIPC
Registered with SEC and MSRB

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ARTICLE I – INTRODUCTION AND DEFINITIONS

SECTION 1.01 INTRODUCTION

The City of Mountain Iron proposes to provide tax increment financing assistance to facilitate public improvements and private development projects within the Development District No. 1.

This document contains the modified Development Program for achieving the objectives of a modified Development District No. 1 through the establishment of a Tax Increment Financing Plan and use of Tax Increment Financing (Economic Development) District No. 1-16.

Development District No. 1 and the Development Program related thereto was originally established by the City of Mountain Iron on October 5, 1983. There have been subsequent modifications to the Development Program, as the City has acted to establish tax increment financing districts within the boundaries of Development District No. 1. The City of Mountain seeks to further modify the Development Program to include Tax Increment Financing District No. 1-16. The Development Program remained in full force and effect and is not modified except as described in this Modified Development Program.

SECTION 1.02 DEFINITIONS

The terms defined below, for purposes hereof, and for purposes of any Tax Increment Financing Districts and Plans which may be now or hereafter established and approved within the Development District No. 1, shall have the following respective meanings, unless the context specifically requires otherwise.

1. "City" means the City of Mountain Iron, Minnesota.
2. "City Council" means the City Council of the City.
3. "County" means St. Louis County, Minnesota.
4. "Developer" means a private party undertaking construction in the TIF District.
5. "Development District" means Development District No. 1 in the City, created and established pursuant to and in accordance with the Development District Act.
6. "Development District Act" means Minnesota Statutes, Sections 469.124 through 469.133, as amended and supplemented from time to time.
7. "Development Program" means the Development Program for the Development District, as amended and supplemented from time to time.
8. "Enabling Act" means Minnesota Statutes, Sections 469.124 through 469.133, as amended.
9. "Facility" means a separately owned commercial building within the TIF District with a combined maximum building square footage of 15,000 or less.
10. "Project Area" means the geographic area of the Development District.
11. "Project Costs" means the the costs set forth in the TIF Plan for the TIF District to be paid by Tax Increment consistent with Minnesota Statutes, Section 469.176, Subdivision 4.
12. "School District" means Mountain Iron and Buhl Independent School District #712
13. "State" means the State of Minnesota.
14. "Tax Increment Bonds" means any tax increment bonds issued by the City to finance the Project Costs of the Development District and TIF District as stated in the Development Program and in the TIF Plan, and any obligations issued to refund such bonds.

15. "TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794 as amended, both inclusive.
16. "TIF District" means Tax Increment Financing (Economic Development) District No. 1-16.
17. "TIF Plan" means the tax increment financing plan for the TIF District (this document).

SECTION 1.03 EXHIBITS

The following exhibits are attached to and by reference made a part of this Development Program and Tax Increment Financing Plan:

- Exhibit I: Present Value Analysis.
- Exhibit II: Projected Tax Increment.
- Exhibit III: Impact on Other Taxing Jurisdictions.
- Exhibit IV: Estimated Tax Increment Over Life of District.
- Exhibit V: Map of Development District and TIF District

SECTION 1.04 PLAN PREPARATION

This document was prepared for the City by Northland Securities, Inc.

ARTICLE II - DEVELOPMENT PROGRAM

SECTION 2.01 OVERVIEW

The City established and has modified Development District No. 1 and the related Development Program as a tool to achieve the objectives described in Section 2.02. The Development District serves as the project area for tax increment financing districts established within its boundaries. The Development Program describes the City's objectives for the development of this area and the use of tax increment financing.

SECTION 2.02 STATEMENT OF OBJECTIVES

The establishment and modification of the Development District in the City pursuant to the Development District Act is necessary and in the best interests of the City and its residents and is necessary to give the City the ability to meet certain public purpose objectives that would not be obtainable in the foreseeable future without intervention by the City in the normal development process.

The City intends, to the extent permitted by law, to accomplish the following objectives through the implementation of the Development Program:

1. Provide for the acquisition of land and construction and financing of the private development in the Development District which are necessary for the orderly and beneficial development of the Development District and adjacent areas of the City.
2. Encourage the redevelopment of blighted and under-utilized areas of the City.
3. Facilitate the removal of deteriorated structures and encourage redevelopment in commercial areas providing high levels of property maintenance and private investment.
4. Provide parking needed to support development and encourage use of shared parking to promote additional private development.
5. Build, maintain improve, and reconstruct public improvements and utilities needed to support development.
6. Promote and secure the prompt and unified development of certain property in the Development District, which property is not now in productive use or in its highest and best use, with a minimum adverse impact on the environment, and thereby promote and secure the desirable development of other land in the City.
7. Promote and secure additional employment opportunities within the Development District and the City for residents of the City and the surrounding area, thereby improving living standards and reducing unemployment and the loss of skilled and unskilled labor and other human resources in the City.
8. Secure the increase in values of property subject to taxation by the City, the School District, the County, and other taxing jurisdictions in order to better enable such entities to pay for governmental services and programs that they are required to provide.
9. Promote the concentration of new unified development consisting of desirable industrial and other appropriate development in the Development District so as to maintain the area in a manner compatible with its accessibility and prominence in the City.
10. Encourage the expansion and improvement of local business, economic activity and development, whenever possible.
11. Create a desirable and unique character within the Development District through quality land use alternatives and design quality in new buildings.

SECTION 2.03 BOUNDARIES OF DEVELOPMENT DISTRICT

The boundaries of the Development District are depicted in Exhibit V. The boundaries of the Development District are coterminous with the boundaries of the City.

SECTION 2.04 DEVELOPMENT ACTIVITIES

The City will perform or cause to be performed, to the extent permitted by law, all project activities pursuant to the Development District Act, the TIF Act and other applicable state laws, and in doing so anticipates that the following may, but are not required, to be undertaken by the City:

1. The making of studies, planning, and other formal and informal activities relating to the Development Program.
2. The implementation and administration of the Development Program.
3. The rezoning of land within the Development District.
4. The acquisition of property, or interests in property, by purchase or condemnation, which acquisition is consistent with the objectives of the Development Program.
5. The preparation of property for use and development in accordance with applicable land use regulations and subject to development agreements, including demolition of structures, clearance of sites, placement of fill and grading.
6. The resale of property to private parties.
7. The construction or reconstruction of site improvements to property within a tax increment financing district.
8. The construction, improvement and maintenance of parking facilities.
9. The construction, improvement and maintenance of streets, sidewalks, alleys, and public utilities.
10. The issuance of Tax Increment Bonds to finance the Project Costs of the Development Program, and the use of tax increment revenue available to the City to pay or finance the Project Costs of a tax increment financing district, as provided in a tax increment financing plan, incurred or to be incurred by it pursuant to the Development Program.
11. The use of tax increment revenue to pay debt service on the Tax Increment Bonds or otherwise pay or reimburse with interest the Project Costs of a tax increment financing district, as provided in a tax increment financing plan.

SECTION 2.05 PAYMENT OF PROJECT COSTS

Project Costs and the plan for their payment will be described in the tax increment financing plans for a tax increment financing district. It is anticipated that the Project Costs of the Development Program will be paid primarily from tax increment revenues from tax increment financing districts within the Development District. The City reserves the right to utilize other available sources of revenue, including but not limited to special assessments, user charges and financial assistance from other units of government, which the City may apply to pay a portion of the Project Costs.

SECTION 2.06 ENVIRONMENTAL CONTROLS; LAND USE REGULATIONS

All municipal actions, public improvements and private development shall be carried out in a manner consistent with existing environmental controls and all applicable land use regulations.

SECTION 2.07 PARK AND OPEN SPACE TO BE CREATED

Park and open space within the Development District, if created, will be created in accordance with the City's Comprehensive Plan and zoning and subdivision ordinances.

SECTION 2.08 PROPOSED REUSE OF PROPERTY

The Development Program provides that the City may acquire property and reconvey the same to another entity. All parcels in the Development District are eligible for acquisition. In acquiring land, the City Council will require the execution of a binding development agreement with respect thereto and evidence that tax increment revenues or other funds will be available to repay the costs associated with the proposed acquisition of property. It is the intent of the City to negotiate the acquisition of property whenever possible. Appropriate restrictions regarding the reuse and redevelopment of property shall be incorporated into any development agreement to which the City is a party.

SECTION 2.09 ADMINISTRATION AND MAINTENANCE OF DEVELOPMENT DISTRICT

Maintenance and operation of the Development District will be the responsibility of the City Administrator or designee of the City who shall serve as administrator of the Development District for the City. Each year the Administrator will submit to the City the maintenance and operation budget for the following year.

The Administrator will administer the Development District pursuant to the provisions of Section 469.131 of the Development District Act; provided, however, that such powers may only be exercised at the direction of the City Council. No action taken by the Administrator pursuant to the above-mentioned powers shall be effective without authorization by the City Council.

SECTION 2.10 AMENDMENTS

The City reserves the right to alter and amend the Development Program, subject to the provisions of state law regulating such action. The City specifically reserves the right to enlarge or reduce the size of the Development District, the Development Program and the Project Costs of the Development Program.

ARTICLE III - TAX INCREMENT FINANCING DISTRICT AND PLAN

SECTION 3.01 STATUTORY AUTHORITY

Tax Increment Financing (Economic Development) District No. 1-16 and this TIF Plan are established under the authority of the TIF Act (Minnesota Statutes 2017).

SECTION 3.02 PLANNED DEVELOPMENT

3.02.1 *Statement of Objectives*

The objectives which the City seeks to achieve through the implementation of the TIF District are set out in the Development Program.

3.02.2 *Development Program*

The development program which the City seeks to further through the implementation of the TIF District and its TIF Plan is the Development Program.

3.02.3 *Project Description*

The City is pursuing the establishment of the TIF District to assist the City in financing a new economic development project that will involve the construction of an approximately 8,520 square foot commercial-retail facility within the City. The building square footage within the TIF District will not exceed 15,000 square feet. The City plans to use captured tax increment to reimburse the Developer for Project Costs.

3.02.4 *City Plans and Development Program*

In addition to achieving the objectives of the Development Program, the proposed development is consistent with and works to achieve the development objectives of the City. The TIF Plan for the TIF District conforms to the general plan for development of the City as a whole.

3.02.5 *Land Acquisition*

The City does not plan to acquire property within the TIF District.

3.02.6 *Development Activities*

As of the date of approval of the TIF Plan, there are no development activities proposed in the TIF Plan that are subject to contracts.

3.02.7 *Need for Tax Increment Financing*

In the opinion of the City, the proposed development would not reasonably be expected to occur solely through private investment within the foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

The reasons and facts supporting this finding include the following. The City has determined that no other development is expected to occur on the site that would create a greater market value than the proposed expansion by the Developer, after adjusting for the tax increment assistance. Analysis of the site shows that continued and expanded industrial use results in a greater increase in market value than other possible land uses.

Furthermore, given the location of the property and the property's zoning classification, housing or other commercial uses are not appropriate or likely for the site. The City finds that

without the use of tax increment financing, the proposed and preferred economic development project will not occur.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed as described above and is shown in Exhibit I. This analysis indicates that the increase in estimated market value of the proposed development (less the present value of the projected tax increments for the maximum duration permitted by the TIF Plan) exceeds the estimated market value of the site prior to the establishment of the TIF District.

SECTION 3.03 TAX INCREMENT FINANCING DISTRICT

3.03.1 Designation

The TIF District is designated Tax Increment Financing (Economic Development) District No. 1-16.

3.03.2 Boundaries of TIF District

The boundaries of the TIF District are shown in Exhibit V. The TIF District includes the following parcels and encompasses all adjacent rights-of-way and abutting roadways to the property:

- 175-0035-00120; and
- 175-0035-00130

The parcels, the property within the TIF District, is described as follows: Lots 3 and 4, Block 2, NICHOLS PARK, EXCEPT minerals.

The boundaries of the TIF District is shown in Exhibit V.

3.03.3 Type of District

The TIF District is established as an “economic development” district pursuant to Minnesota Statutes Sections 469.174, Subd. 12 and 469.176, Subd. 4c. These sections of the TIF Act allow tax increments from an economic development district to be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if all the following conditions are met:

- (1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or
- (2) it will result in increased employment in the state; or
- (3) it will result in preservation and enhancement of the tax base of the state.

Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

- (1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;
- (2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;
- (3) research and development related to the activities listed in clause (1) or (2);
- (4) telemarketing if that activity is the exclusive use of the property;
- (5) tourism facilities; or

(6) space necessary for and related to the activities listed in clauses (1) to (5).

The Project, as described, does not meet these provisions, however the Project does qualify as an economic development district under the "small city" authority within the provisions of the TIF Act. The City meets the definition of a "small city" within the provisions in the TIF Act. Notwithstanding the provisions outlined above in this section of the TIF Plan, revenues derived from tax increments from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000 square feet of any separately owned commercial facility located within the municipal jurisdiction of a "small city", if the revenues derived from increments are spent to assist the facility directly or for administrative expenses, the assistance is necessary to develop the facility, and all of the increments, except those for administrative expenses, are spent only for activities within the TIF District.

A city is a small city for purposes of the TIF Act if the city was a small city in the year in which the request for certification was made and applies for the rest of the duration of the TIF District, regardless of whether the city qualifies or ceases to qualify as a small city.

SECTION 3.04 PLAN FOR USE OF TAX INCREMENT

3.04.1 *Estimated Tax Increment*

The original tax capacity of value of the TIF District will be set by the County upon request for certification. The original tax capacity value may change over time based on the use and tax classification of each parcel. For the purposes of this Plan, the estimated original tax capacity is \$927 based on the most recent published estimated market value of the parcels of \$61,800. The parcels within the TIF District are described in Section 3.03.2.

The total tax capacity value of the property after completion of planned development is estimated to be \$14,934. This amount is based on a total estimated market value of \$799,662 with property classified as commercial.

The difference between the total tax capacity value and the original tax capacity value is the captured tax capacity value for the creation of tax increment. It is the City's intent to retain 100% of the captured tax capacity value for the life of the TIF District.

The original tax rate for the TIF District, as certified by the county auditor, will be the sum of all the local tax rates excluding that portion of the school rate attributable to the general education levy (under Minnesota Statutes Section 126C.13) that apply to property in the TIF District. Estimates of tax increment included in the TIF Plan are based on a local tax rate of 123.337%, which is the local tax rate for taxes payable in 2018. The original tax rate for the TIF District will not be final until certified by the County Auditor.

Pursuant to Section 469.177, Subd. 2 of the TIF Act, it is found and declared that all of the captured tax capacity generated within the TIF District is necessary to finance or otherwise make permissible expenditures authorized by Section 469.176, Subd. 4 of the TIF Act.

The City elects that tax increment will be calculated as described in clause (a) of 469.177, Subd. 3, which means that the fiscal disparity contributions attributable to the TIF District will be made from property outside the boundaries of the TIF District.

Under these assumptions, the estimated annual tax increment upon completion of development will be \$17,214 (after deducting the State Auditor's Office fee of 0.36% of the tax increment distribution) in the first year of tax increment collection. The actual tax increment will vary according to the certified original tax capacity value and original tax rate, the actual property value produced by the proposed development and the changes in property value and State tax policy over the life of the TIF District.

Exhibit II contains the projected tax increment over the life of the TIF District.

3.04.2 Development Costs

The City will use tax increment to reimburse the Developer for Project Costs. Project Costs eligible for reimbursement include land acquisition, site improvements and preparation costs, utilities, and costs related to the establishment of the TIF District. In addition, the City may pay interest expense on any issued Tax Increment Bonds. The City plans to use 90% of the tax increment collected semi-annually to reimburse the Developer for Project Costs.

The City and the Developer will enter into a development agreement that sets the amount to be reimbursed and means for verifying costs eligible for reimbursement and the means of disbursing tax increment to the Developer.

The remaining 10% of the annual tax increment collected by the City will be used primarily to pay for eligible administrative expense.

3.04.3 Estimated Sources and Uses of Funds

The estimated sources of revenue, along with the estimated Project Costs of the TIF District, are itemized in Figure 3. These estimates are based on the best available information in the sources and uses of funds. Such costs are eligible for reimbursement from tax increment from the TIF District.

The City reserves the right to administratively adjust the amount of any of the Project Cost line items listed in Figure 3, so long as the total estimated Project Costs to be paid from the estimated tax increment revenues is not increased, not including interest expense.

Figure 3

	Total
Estimated Tax Increment Revenues (from tax increment generated by the district)	
Tax increment revenues distributed from the county	\$158,437
Interest and investment earnings	\$5,000
Sales/lease proceeds	\$0
Market value homestead credit	\$0
Total Estimated Tax Increment Revenues	\$163,437
Estimated Project/Financing Costs (to be paid or financed with tax increment)	
Project costs	
Land/building acquisition	\$60,000
Site improvements/preparation costs	\$51,371
Utilities	\$0
Other qualifying improvements	\$0
Construction of affordable housing	\$0
Small city authorized costs, if not already included above	\$0
Administrative costs	\$14,000
Estimated Tax Increment Project Costs	\$125,371
Estimated financing costs	
Interest expense	\$38,066
Total Estimated Project/Financing Costs to be Paid from Tax Increment	\$163,437
Estimated Financing	
Total amount of bonds to be issued	\$125,371

3.04.4 *Administrative Expense*

The City will retain up to ten percent (10%) of annual tax increment revenues, less fees paid to the County. The City will use these monies to pay for and reimburse the City for costs of administering the TIF District allowed by the TIF Act plus interest expense. Anticipated administrative expenses of the TIF District include annual audit of the fund for TIF District, preparation of annual reporting, legal publication of annual report, and administration of the development agreement. The City may also reimburse itself for costs associated with the establishment of the TIF District, including the TIF Plan.

3.04.5 *County Road Costs*

The proposed development will not substantially increase the use of county roads and necessitate the need to use tax increments to pay for county road improvements.

3.04.6 *Bonded Indebtedness*

The City intends to use tax increments on a pay-as-you-go basis pursuant to a proposed development agreement with a Developer. The amount of the pay-as-you-go obligation will be set pursuant to terms within the development agreement. The City may issue a tax increment revenue note to the Developer.

The City reserves the authority to loan or advance money from its general fund or any other fund it has legal authority to use to finance Project Costs, such as costs of administering the TIF District. An interfund loan or advance is defined in the TIF Act as a bond or a qualifying obligation. Before money is transferred, advanced, or spent, the loan or advance shall be authorized by resolution of the City. For the loan or advance to be repaid with TIF revenues, an interfund loan agreement must be in place before any loans or advances are made. The terms and conditions for repayment of the loan must be in writing and include, at minimum, (i) the principal amount of the loan or advance, (ii) the interest rate to be charged, and (iii) its maximum term. The maximum rate of interest that can be charged is limited to the annual rate charged by the State Courts or by the Department of Revenue, whichever is greater.

3.04.7 *Duration of TIF District*

The TIF Act allows tax increments to be collected from the TIF District for a period not to exceed eight (8) years from the date of receipt of the first tax increment. The City reserves the right to collect tax increments for this period to undertake additional eligible activities within the TIF District.

Under the current schedule for development, the first tax increment is estimated to be collected in 2020 (construction completed in 2018) creating the authority to collect tax increments through 2028. The City expects to request decertification of the TIF District after reimbursement of all Project Costs but no later than after the final receipt of taxes payable to occur no later than 8 years after the first year of tax increment collection.

3.04.8 *Estimated Impact on Other Taxing Jurisdictions*

Exhibits III and IV show the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The City believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The City anticipates minimal impact of the proposed development on city-provided services. A slight increase in water and sewer usage is expected. It is anticipated that there may be a slight but manageable increase in police and fire protection duties due to the development.

3.04.9 *Prior Planned Improvements*

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District. The City will include this statement with the request for certification to the County Auditor. If building permits had been issued during this time period, then the County Auditor would increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

ARTICLE IV – ADMINISTERING THE TIF DISTRICT

SECTION 4.01 FILING AND CERTIFICATION

The filing and certification of the TIF Plan consists of the following steps:

1. Upon adoption of the TIF Plan, the City shall submit a copy of the TIF Plan to the Minnesota Department of Revenue and the Office of the State Auditor.
2. The City shall request that the Auditor of the County to certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the Auditor in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements.
3. The City shall send the County Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District and shall request that the County Assessor review and certify this assessment agreement as reasonable.

SECTION 4.02 MODIFICATIONS OF THE TAX INCREMENT FINANCING PLAN

The City reserves the right to modify the TIF District and the TIF Plan. Under current State Law, the following actions can only be approved after satisfying all the necessary requirements for approval of the original TIF Plan (including notifications and public hearing):

- Reduction or enlargement in the geographic area of the Development District or the TIF District.
- Increase in the amount of bonded indebtedness to be incurred.
- Increase in the amount of capitalized interest.
- Increase in that portion of the captured net tax capacity to be retained by the City.
- Increase in the total estimated Project Costs.
- Designation of additional property to be acquired by the City.

Other modifications can be made by resolution of the City Council. In addition, the original approval process does not apply if (1) the only modification is elimination of parcels from the TIF District and (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The City must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

SECTION 4.03 FOUR-YEAR KNOCKDOWN RULE

The four-year Knockdown Rule requires that if after four years from certification of the TIF District no demolition, rehabilitation, renovation or site improvement, including a qualified improvement of an adjacent street, has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The City must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the City or owner of the parcel subsequently commences any of the above activities, the City shall certify to the County Auditor that such activity has commenced and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

SECTION 4.04 FIVE-YEAR RULE

Revenues derived from tax increments paid by properties in the TIF District will be spent only to assist the Facility directly and for administrative expenses. The tax increment financing assistance is necessary to develop the Facility, and all of the increments, except those for administrative expenses, will be spent only for activities within the TIF District

Revenues derived from tax increments paid by properties in the TIF District are considered to have been “spent” within the TIF District if such amounts are:

- actually paid to a third party for activities performed within the TIF District within five years after certification of the TIF District;
- used to pay bonds that were issued and sold to a third party, the proceeds of which are reasonably expected on the date of issuance to be spent within the later of the five-year period or a reasonable temporary period or are deposited in a reasonably required reserve or replacement fund.
- used to make payments or reimbursements to a third party under binding contracts for activities performed within the TIF District, which were entered into within five years after certification of the TIF District; or
- used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the TIF District.

It is anticipated that all revenues derived from tax increments paid by properties in the TIF District will be spent or obligated within this time period, except for administrative expenses. Unless the TIF Plan is modified within this five-year period and additional expenditures are authorized, revenues derived from tax increments paid by properties in the TIF District will only be used to pay for authorized Project Costs as shown in Figure 3.

SECTION 4.05 FINANCIAL REPORTING AND DISCLOSURE REQUIREMENTS

The City will comply with the annual reporting requirements of State law pursuant to the guidelines of the Office of the State Auditor. Under current law, the City must prepare and submit a report on the TIF District on or before August 1 of each year. The City must also annually publish in a newspaper of general circulation in the City an annual statement for the TIF District.

The reporting and disclosure requirements outlined in this section begin with the year the TIF District is certified, and shall end in the year in which both the TIF District has been decertified and all tax increments have been spent or returned to the county for redistribution. Failure to meet these requirements, as determined by the State Auditors Office, may result in suspension of distribution of tax increment.

SECTION 4.06 BUSINESS SUBSIDY COMPLIANCE

The Authority will comply with the business subsidies requirements specified in Minnesota Statutes, Sections 116J.993 to 116J.995.

Exhibit I

**City of Mountain Iron
Tax Increment Financing District No. 1-16 (Economic Development)
Present Value Analysis As Required By Statute
Minnesota Statutes 469.175(3)(2)
Daycare Center**

1	Estimated Future Market Value w/ Tax Increment Financing	832,214 ¹
2	Payable 2018 Market Value	<u>61,800</u>
3	Market Value Increase (1-2)	770,414
4	Present Value of Future Tax Increments	<u>130,900</u>
5	Market Value Increase Less PV of Tax Increments	639,514
6	Estimated Future Market Value w/o Tax Increment Financing	64,316 ¹
7	Payable 2018 Market Value	<u>61,800</u>
8	Market Value Increase (6-7)	<u>2,516</u>
9	Increase in MV From TIF	<u><u>636,998</u></u> ²

¹ Assume 0.50% annual appreciation over 8 year life of district.

² Statutory compliance achieved if increase in market value from TIF (Line 9) is greater than or equal to zero.

TAX INCREMENT FINANCING (ECONOMIC DEVELOPMENT) DISTRICT NO. 1-16

Exhibit II

City of Mountain Iron

Tax Increment Financing District No. 1-16 (Economic Development)

Daycare Center

Projected Tax Increment Cash Flow - Fiscal Disparities Paid from Outside TIF District ⁷

TIF District Year	Value Year	Taxes Payable Year	Taxable Market Value ^{1,4}	New Tax Capacity	Base Tax Capacity ³	Fiscal Disparities Contribution	Captured Tax Capacity	Assumed Original Tax Rate ²	100.00%	4.00%
									Tax Increment ⁵	Present Value of Tax Increment ⁶
1	2019	2020	799,662	14,934	(927)		14,007	123.337%	17,214	16,601
2	2020	2021	803,660	15,013	(927)		14,086	123.337%	17,310	32,647
3	2021	2022	807,678	15,091	(927)		14,164	123.337%	17,407	48,156
4	2022	2023	811,717	15,171	(927)		14,244	123.337%	17,505	63,146
5	2023	2024	815,775	15,250	(927)		14,323	123.337%	17,602	77,634
6	2024	2025	819,854	15,330	(927)		14,403	123.337%	17,701	91,638
7	2025	2026	823,954	15,411	(927)		14,484	123.337%	17,800	105,174
8	2026	2027	828,073	15,491	(927)		14,564	123.337%	17,898	118,255
9	2027	2028	832,214	15,573	(927)		14,646	123.337%	17,999	130,900
TOTAL =									158,437	

Key Assumptions

- 1 Taxable market value annual growth assumption = 0.50%
- 2 Pay 2018 tax rates.
- 3 Base Taxable Market Value = \$61,800 175-0035-00120 175-0035-00130
- 4 Assumption for New Taxable Market Value assumes 8,520 building SF at \$93/SF plus the value of the land.
- 5 Estimated total tax increment is after deducting the State Auditor's Office fee of 0.36% of the tax increment distribution.
- 6 Present value is calculated based on semi-annual payments, stated rate in the schedule above, and beginning date of: 12/1/2019.
- 7 All amounts are estimated and do not represent agreement by the City on any amount of assistance or terms.

Exhibit III

**City of Mountain Iron
Tax Increment Financing District No. 1-16 (Economic Development)
Impact on Other Taxing Jurisdictions
(Taxes Payable 2018)
Daycare Center**

ANNUAL TAX INCREMENT

Estimated Annual Captured Tax Capacity (Full Development)	\$14,646
Payable 2018 Local Tax Rate	123.337%
Estimated Annual Tax Increment	\$18,064

Percent of Tax Base

	Net Tax Capacity (NTC)	Captured Tax Capacity	Percent of Total NTC
City of Mountain Iron	2,349,368	14,646	0.62%
St. Louis County	184,614,656	14,646	0.01%
Mt Iron/Buhl School District ISD 712	3,627,532	14,646	0.40%

Dollar Impact of Affected Taxing Jurisdictions

	Net Tax Capacity (NTC)	% of Total	Tax Increment Share	Added Local Tax Rate
City of Mountain Iron	48.808%	39.573%	7,148	0.304%
St. Louis County	67.295%	54.562%	9,856	0.005%
Mt Iron/Buhl School District ISD 712	6.257%	5.073%	916	0.025%
Other	0.977%	0.792%	143	
Totals	123.337%	100.000%	18,063	

NOTE NO. 1: Assuming that ALL of the captured tax capacity would be available to all taxing jurisdictions even if the City does not create the TIF District, the creation of the TIF District will reduce tax capacities and increase the local tax rate as illustrated in the above tables.

NOTE NO. 2: Assuming that NONE of the captured tax capacity would be available to the taxing jurisdiction if the City did not create the Tax Increment TIF District, then the plan has virtually no initial effect on the tax capacities of the taxing jurisdictions. However, once the TIF District is established, allowable costs paid from the increments, and the TIF District is terminated, all taxing jurisdictions will experience an increase in their tax base.

TAX INCREMENT FINANCING (ECONOMIC DEVELOPMENT) DISTRICT NO. 1-16

Exhibit IV

City of Mountain Iron

Tax Increment Financing District No. 1-16 (Economic Development)

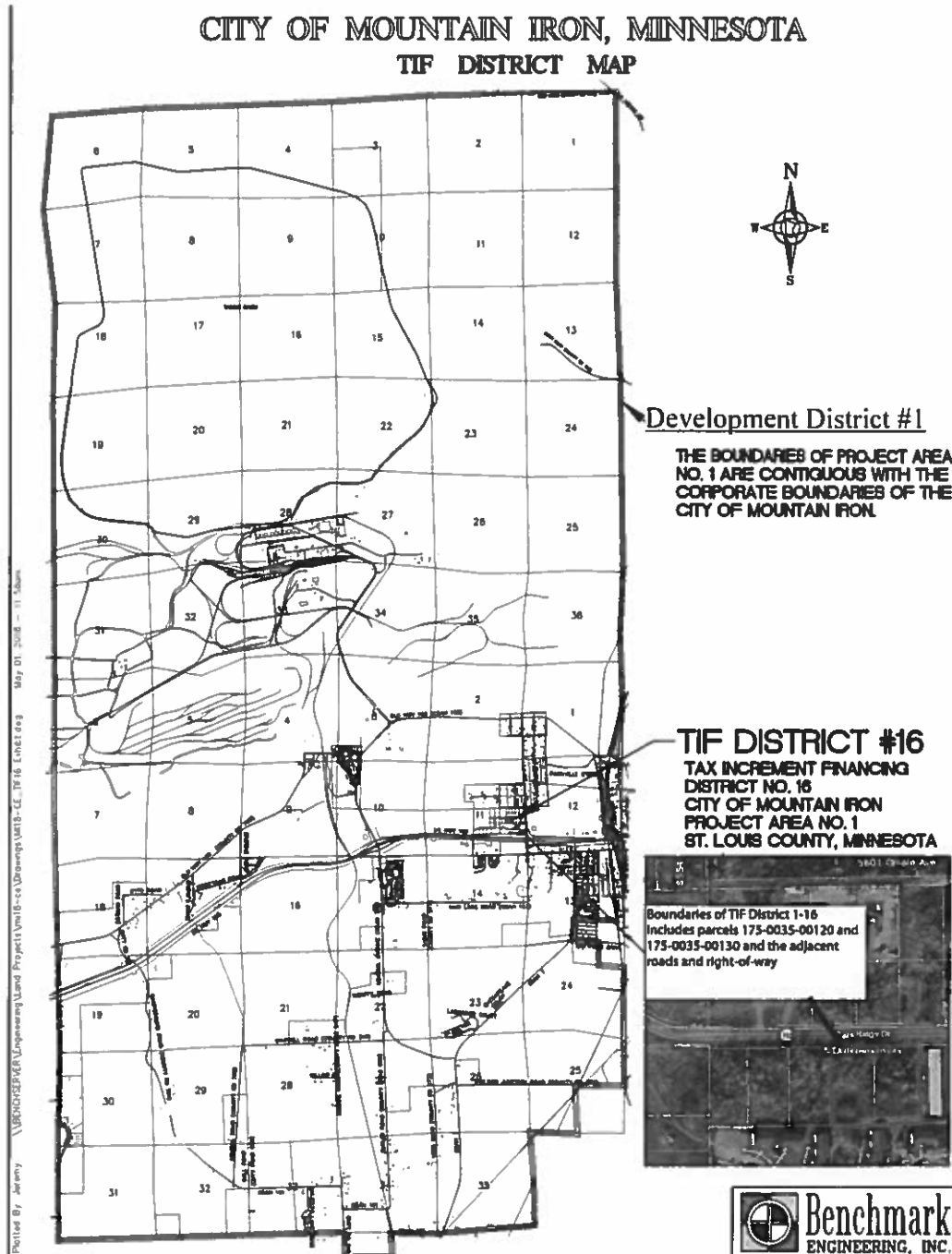
Daycare Center

Estimated Tax Increments Over Maximum Life of District

Based on Pay 2018 Tax Rate = 123.337% 48.808% 67.295% 6.257% 0.977%

TIF District	Taxes Payable Year	New Taxable Market Value	New Tax Capacity	Base Tax Capacity	Captured Tax Capacity	Estimated Total Tax Increment	City TIF Related Share	County TIF Related Share	School TIF Related Share	Other TIF Related Share
1	2020	799,662	14,934	(927)	14,007	17,276	6,837	9,426	876	137
2	2021	803,660	15,013	(927)	14,086	17,373	6,875	9,479	881	138
3	2022	807,678	15,091	(927)	14,164	17,470	6,913	9,532	886	139
4	2023	811,717	15,171	(927)	14,244	17,568	6,952	9,585	891	140
5	2024	815,775	15,250	(927)	14,323	17,666	6,991	9,639	896	140
6	2025	819,854	15,330	(927)	14,403	17,765	7,030	9,693	901	141
7	2026	823,954	15,411	(927)	14,484	17,864	7,069	9,747	906	142
8	2027	828,073	15,491	(927)	14,564	17,963	7,109	9,801	911	142
9	2028	832,214	15,573	(927)	14,646	18,064	7,148	9,856	916	144
Total						159,009	62,924	86,758	8,064	1,263

Exhibit V
Boundaries of Development District No. 1 and Tax Increment Financing District No. 1-16



Note: The boundaries of Development District No. 1, shown as "Project Area #1 on the map, is coterminous with the boundaries of the City of Mountain Iron. The boundaries of TIF District No. 16 includes all adjacent roadways, rights-of-way and other areas wherein will be installed or upgraded the various public improvements necessary for and part of the overall project.



CITY OF MOUNTAIN IRON

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RESOLUTION NUMBER 18-18

AUTHORIZING INTERFUND LOAN FOR ADVANCE OF CERTAIN COSTS IN CONNECTION WITH TAX INCREMENT FINANCING DISTRICT NO. 1-16

BE IT RESOLVED BY THE CITY COUNCIL OF MOUNTAIN IRON, MINNESOTA:

Section 1. Background.

1.01. The City has established Tax Increment Financing District No. 1-16 (the "TIF District") within the Development District No. 1 (the "Development District") pursuant to Minnesota Statutes, Sections 469.174 to 469.1794, as amended (the "TIF Act") and Sections 469.124 to 469.134, as amended.

1.02. Subject to the approval by the City Council, the City may incur certain costs related to the TIF District, which costs may be financed on a temporary basis from available City funds.

1.03. Under Section 469.178, Subdivision 7 of the TIF Act, the City is 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 The City has also determined that it may be necessary to finance up to \$14,000 in administrative costs associated with the TIF District (the "Administrative Costs") using City funds legally authorized for such purpose, and to reimburse such funds from tax increments from the TIF District when received.).

1.05. Accordingly, the City hereby designates the payment of the Special Assessments, as an interfund loan in accordance with the terms of this resolution and the TIF Act.

Section 2. Repayment of Interfund Loan.

2.01. The City hereby authorizes the advance of up to \$14,000 in legally available City funds to pay the Administrative Costs. The loan shall bear interest at the rate of 4% per annum (the "Interfund Loan"). Interest accrues on the principal amount from the date of closing on the Development Property to the Developer under the Purchase Agreement (hereafter, the "Closing Date"). The interest rate is no more than the greatest of the rate specified under Minnesota Statutes, Section 270C.40 and Section 549.09, both in effect for calendar year 2018, and will not be adjusted.

2.02. Principal and interest ("Payments") on the Interfund Loan shall be paid semi-annually on each August 1 and February 1 (each a "Payment Date"), commencing on the first Payment Date on which the City has Available Tax Increment (defined below), or on any other dates determined by the City Administrator, through the date of last receipt of tax increment from the TIF District.

2.03. Payments on the Interfund Loan will be made solely from Available Tax Increment, which is defined as 90% of tax increment from the TIF District received by the City from Sherburne County, Minnesota in the six-month period before any Payment Date. Payments shall be applied first to accrued interest, and then to unpaid principal. Simple interest will accrue from the Closing Date, unless otherwise specified by the City Administrator.

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 without premium or penalty.

2.05. This resolution is evidence of an internal borrowing by the City 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. 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. The City shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the final Payment Date.

2.06. The City may at any time make a determination to forgive the outstanding principal amount and accrued interest on the Interfund Loan to the extent permissible under law.

2.07. The City 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 upon approval.

DULY ADOPTED BY THE CITY COUNCIL THIS 18th DAY OF JUNE, 2018.

Mayor Gary Skalko

ATTEST:

City Administrator



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RESOLUTION NUMBER 19-18

APPROVING A CONTRACT FOR PRIVATE DEVELOPMENT WITH GRUBA PROPERTIES LLC

WHEREAS, the City of Mountain Iron, Minnesota is a municipal corporation political subdivision under the laws of the State of Minnesota (the "City"), and exercises powers under Sections 469.124 through 469.134 and 469.174 through 469.1794, as amended (the "Act");

WHEREAS, pursuant to the Act, the City is authorized to assist the development of real property by private enterprise;

WHEREAS, the City Council (the "City Council") intends to enter into a Contract for Private Development (the "Development Agreement"), with Gruba Properties LLC (the "Developer"), for the development of certain property located within Tax Increment Financing District No. 1-16 in the City (the "Project");

WHEREAS, the Project consists generally of the construction of an approximate 8,500 square foot childcare facility to be owned by the Developer and leased to Iron Range Tykes Learning Center (the "Project");

WHEREAS, the Developer has represented to the City that construction of the Project would not be undertaken by the Company, and in the opinion of the Company would not be economically feasible within the reasonably foreseeable future, without the assistance and benefit to the Company provided in the Development Agreement; and

WHEREAS, the City believes that the development of the Project, and fulfillment generally of the terms of the Development Agreement, are in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable state and local laws and requirements under which the Project will be undertaken.

NOW, THEREFORE:

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MOUNTAIN IRON, MINNESOTA that the City Council believes that the development of the Project pursuant to the Development Agreement, and fulfillment generally of the Development Agreement, are in the vital and best interests of the City and the health, safety, morals and welfare of the residents of the City, furthers the City's plan of economic development for the City, and furthers the aims and purposes of the Act.

BE IT FURTHER RESOLVED, that the City authorizes the Mayor and City Administrator, on behalf of the City, to negotiate the final terms of the Development Agreement, subject to the requirements of the Act and the Tax Increment Financing Plan prepared for Tax Increment Financing District No. 1-16 and to execute the Development Agreement and all such other documents and instruments as may be necessary to facilitate the Project, so long as any such documents, and instruments are consistent with the provisions of the Development Agreement.

DULY ADOPTED BY THE CITY COUNCIL THIS 18th DAY OF JUNE, 2018.

Mayor Gary Skalko

ATTEST:

City Administrator

CONTRACT FOR PRIVATE DEVELOPMENT

by and between

CITY OF MOUNTAIN IRON, MINNESOTA

and

GRUBA PROPERTIES LLC

dated as of

June 18, 2018

This instrument was drafted by:

Fryberger, Buchanan, Smith & Frederick, P.A.
302 West Superior Street, Suite 700
Duluth, Minnesota 55802

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CONTRACT FOR PRIVATE DEVELOPMENT

This Contract for Private Development (the "Agreement") is made as of June 18, 2018, by and between the CITY OF MOUNTAIN IRON, MINNESOTA, a municipal corporation and political subdivision of the State of Minnesota (the "City") and GRUBA PROPERTIES LLC, a Minnesota limited liability company (the "Company").

RECITALS

WHEREAS, the City is authorized to exercise development and redevelopment powers within its jurisdiction pursuant to Minnesota Statutes, Sections 469.124 through 469.134 (the "Development District Act"), and Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the "TIF Act"); and

WHEREAS, in furtherance of the objectives of the Development District Act, the City has undertaken a program to stimulate new development in areas of the City that are already built up in order to provide employment opportunities; to improve the tax base; to improve the general economy of the State of Minnesota (the "State"); to provide impetus for commercial development; to protect pedestrians from vehicle traffic and inclement weather; to provide the necessary linkage between peripheral parking facilities and places of employment and shopping; to provide off-street parking to serve the shoppers and employees of the district; to provide open space relief within the district; and to provide other facilities as are outlined in the Development Program (the "Development Program") for Development District No. 1, as amended (the "Development District") approved by the City; and

WHEREAS, the City has additionally established Tax Increment Financing (Economic Development) District Number 1-16 located in the Development District, as amended (hereinafter referred to as the "TIF District") pursuant to the TIF Act and adopted a Tax Increment Financing Plan therefor (hereinafter referred to as the "TIF Plan") prepared in accordance with the TIF Act; and

WHEREAS, Company intends to acquire from the City of Mountain Iron's Economic Development Authority certain real property located in the Project Area, more particularly described in **Exhibit B** attached hereto and made a part hereof (which property as so described is hereinafter referred to as the "Development Property") and intends to construct an approximately 8,500 square foot childcare facility to be located on the Development Property to be owned by the Company and leased to Iron Range Tykes Learning Center; and

WHEREAS, in order to achieve the objectives of the Development Program, the City is considering providing substantial aid and assistance, including through tax increment financing, to finance certain Project Costs, as hereinafter defined, for the Project, as hereinafter defined; and

WHEREAS, payment of a portion of such financing would be secured by a pledge of certain tax increment hereinafter described; and

WHEREAS, the City believes that the development of the Project and the preservation and enhancement of the tax base by the Project, and fulfillment generally of this Agreement, are

in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable state and local laws and requirements under which the proposed project will be undertaken.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual obligations of the parties hereto, each of them hereby covenant and agree as follows:

ARTICLE I DEFINITIONS; EXHIBITS

Section 1.1 Definitions. As used in this Agreement, the following terms have the following respective meanings:

"Agreement" means this Contract for Private Development, as originally executed or as it may from time to time be modified, amended or supplemented pursuant to the provisions hereof.

"Available Tax Increment" means 90 percent of the Tax Increment received by the City from the County with respect to the Project from the TIF District during the six months preceding any Payment Date.

"Certificate of Completion" means the certificate to be provided to the Company, in the form attached hereto as **Exhibit A**.

"City" means the City of Mountain Iron, Minnesota.

"City Council" means the City Council of the City of Mountain Iron, Minnesota.

"Company" means Gruba Properties LLC, a Minnesota limited liability company, or its permitted successors or assigns under this Agreement.

"Construction Plans" means the plans, specifications, drawings and related documents on the construction work to be performed by the Company on the Development Property which (a) shall be the plans and drawings and related documents in conformance with city zoning requirements, and (b) shall include at least the following: (i) site plan; (ii) foundation plan; (iii) floor plan for each floor; (iv) cross sections of the building (length and width) and elevations (all sides); (v) landscape plan; and (vi) a narrative description on exterior building materials.

"County" means St. Louis County, Minnesota.

"Deposit" has the meaning provided in Section 3.2(a) hereof.

"Development District" means Development District No. 1, established by the City pursuant to the Development District Act on October 5, 1983, as amended.

"Development District Act" means Minnesota Statutes, Sections 469.124 through 469.134, both inclusive, as amended.

"Development Program" means the Development Program for the Development District, approved by the City on October 5, 1983, as amended and modified and as may be further amended or modified.

"Development Property" means the real property described in **Exhibit B** of this Agreement.

"Event of Default" has the meaning provided in Section 8.1 hereof.

"Indemnified Parties" has the meaning provided in Section 6.3 hereof.

"MIEDA" means the Mt. Iron Economic Development Authority, Mountain Iron, Minnesota, a public body, corporate and politic and political subdivision.

"Minimum Improvements" means, at a minimum, an approximately 11,500 square foot commercial-retail facility to be constructed on the Development Property, as such improvements are described in the Construction Plans.

"Net Proceeds" has the meaning provided in Section 5.5 hereof.

"Payment Date" means June 1 and December 1, which are payment dates under the TIF Note, and are expected to commence on June 1, 2020, and continue through December 1, 2028.

"Project" means the Development Property and the Minimum Improvements.

"Project Costs" means the cost of acquiring the Development Property and the Project Costs identified in **Exhibit D** hereto.

"Project Administrator" means the City Administrator of the City.

"State" means the State of Minnesota.

"Tax Increment" means that portion of the real property taxes which are paid with respect to the Development Property and the improvements thereon, subject to Section 4.3 hereof, and which are remitted to the City as tax increment of the TIF District pursuant to the TIF Act. The term Tax Increment does not include any amounts retained by or payable to the State Auditor under Section 469.177, Subd. 11 of the TIF Act or any amounts retained or payable to the County for administrative fees.

"Termination Date" means December 1, 2028, or such earlier date that the TIF Note is paid in full.

"TIF Act" means Minnesota Statutes, Sections 469.174 to 469.1794, as amended.

"TIF District" means Tax Increment Financing (Economic Development) District No. 1-16 to be located within the Development District which qualifies as an economic development district under the TIF Act.

"TIF Note" means one or more Tax Increment Revenue Notes which are expected to be executed and delivered by the City to Company pursuant to Section 4.2 in the maximum

aggregate principal amount of \$111,371 to provide the funds for payment of a portion of the Project Costs, as described in Section 4.2 hereto; the definition of the TIF Note shall also include any notes thereafter issued to refund the TIF Note.

“TIF Plan” means the Tax Increment Financing Plan for Tax Increment Financing (Economic Development) District No. 1-16, approved by the City on June 18, 2018, as such plan may be amended or modified.

“Transfer” has the meaning provided in Article VI hereof.

“Unavoidable Delays” means delays, outside the control of the party claiming its occurrence, which are the direct result of strikes, other labor troubles, material shortages, severe or prolonged bad weather, acts of God, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, state, or local government unit (other than the City) which directly result in delays, and any delays resulting from other causes which are beyond the reasonable control of the party to be excused.

Section 1.2 Exhibits. The Exhibits to this Agreement are the following:

- (a) Exhibit A: Form of Certificate of Completion
- (b) Exhibit B: Legal Description of Development Property
- (c) Exhibit C: Form of Tax Increment Revenue Note
- (d) Exhibit D: Project Costs

ARTICLE II – REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations, Warranties and Covenants by the City. The City represents, warrants and covenants that:

(a) The City has the powers to exercise economic development under the Development District Act and the TIF Act and has the power to enter into this Agreement and carry out its obligations hereunder.

(b) The Development District was created, adopted and approved in accordance with the terms of the Development District Act.

(c) The TIF District is an economic development district within the meaning of Section 469.174, Subdivision 12 and Section 469.176, Subdivision 4c of the TIF Act and was created, adopted and approved in accordance with the terms of the TIF Act.

(d) No part of this Agreement shall be construed as a representation or warranty of the City as to the condition (including soil condition) of the Development Property or as to its suitability for the Company’s purposes and needs.

(e) The City will act in a timely manner, consistent with statutory and the City’s procedural requirements, with regard to all approvals required under this Agreement.

Section 2.2 Representations, Warranties and Covenants by the Company. The Company represents, warrants and covenants that:

(a) Company is a limited liability company duly organized and existing under the laws of the State of Minnesota, is qualified to do business in the State of Minnesota, and is not in violation of any provisions of law or regulations of the State.

(b) The Company will construct the Minimum Improvements upon the Development Property and will cause the Project to be operated in accordance with the terms of this Agreement, the Development Program, and all local, state, and federal laws and regulations (including, but not limited to, environmental, zoning, building code and public health laws and regulations).

(c) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented or limited by, or in conflict with or will result in a breach of, the terms, conditions or provisions of any evidence of indebtedness, agreement or instrument of whatever nature to which Company is now a party or by which it is bound, or will constitute a default under any of the foregoing.

(d) The Company will cooperate with the City with respect to any litigation commenced with respect to the Development Property or the Minimum Improvements, except for litigation in which the City and the Company are adverse parties.

(e) The Company reasonably believes that the financing commitments which are available to the Company to finance construction and equipping of the Minimum Improvements, together with the Company's equity, will be sufficient to enable the Company to successfully complete the Minimum Improvements in conformance with the Construction Plans and in accordance with the schedule contemplated in this Agreement.

(f) The construction of the Minimum Improvements would not be undertaken by the Company, and in the opinion of the Company would not be economically feasible within the reasonably foreseeable future, without the assistance and benefit to the Company provided for in this Agreement.

(h) The Company expects that, barring Unavoidable Delays, the Minimum Improvements will be substantially completed before April 1, 2019.

(i) The Company shall obtain, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state and federal laws and regulations which must be obtained or met before the Minimum Improvements may be lawfully constructed.

(j) The Company has not received any notice or communication from local, state or federal officials or any private party that the Company's activities respecting the Development Property or the construction of the Minimum Improvements on the Development Property may or will be in violation of any law or regulation (including environmental laws and regulations).

ARTICLE III – CONDITIONS PRECEDENT

Section 3.1 Conditions Precedent. The City's obligation to aid and assist the Company's proposed Project in accordance with the Development Program, the TIF Plan and this Agreement, including through the assistance of tax increment financing to finance certain Project Costs described in Section 4.1 herein, shall be subject to the following conditions precedent:

- (i) the Company shall be in material compliance with all terms and provisions of this Agreement;
- (ii) the Company shall have submitted evidence of financing the Project, reasonably acceptable to the City, for the construction and equipping of the Minimum Improvements;
- (iii) the Construction Plans for each phase of the Minimum Improvements have been submitted and approved pursuant to Section 5.2 hereof;
- (iv) the Company shall have entered into a contract or contracts for construction of the Minimum Improvements; and
- (v) the Company and the City shall have executed this Agreement after approval by the City Council of the City.

The Company agrees that if the conditions precedent provided hereinabove are not satisfied, the City shall have no obligation under this Agreement.

Section 3.2 Payment of Administrative Costs. The Company agrees to reimburse the City for all costs of the City incurred with respect to establishing the TIF District in excess of the costs allowed by the TIF Act to be paid from Tax Increment retained by the City. Such costs include, but are not limited to legal fees, postage, publication costs, long distance telephone charges, printing and photo duplication costs, fees and disbursements of the City's financial and tax increment advisor, legal fees and recording fees, among others.

ARTICLE IV – PROJECT COSTS; TIF NOTE

Section 4.1 Project Costs. The City has determined that, in order to make development of the Minimum Improvements financially feasible, it is necessary to reimburse Company for a portion of the Project Costs, subject to the terms of Section 4.2 and this Agreement.

Section 4.2 Financing for Certain Project Costs.

(a) The Company certifies that the Project Costs will not be less than \$1,000,000. Accordingly, and in consideration of the Company's obligations and performance under this Agreement, and in order to defray a portion of such costs over time, the City shall execute and deliver to the Company the TIF Note in the form attached to this Agreement as **Exhibit C**. The TIF Note shall be executed and delivered by the City to Company no later than 30 days after the Company complies with paragraph (c) of this Section 4.2 so long as no Event of Default exists

which has not been cured under this Agreement. Interest payable on the TIF Note shall start to accrue as of the later of the following dates: (i) the Company provides the City the documentation for Project Costs; and (ii) the City issues a Certificate of Completion for the Minimum Improvements. Notwithstanding the foregoing, the TIF Note issued in connection with the acquisition cost of the Development Property (the "Development Property TIF Note") shall: (i) match the terms of the promissory note dated June 19, 2018 issued by the Developer in favor of MIEDA (the "Developer Promissory Note"); (ii) have priority to Available Tax Increment over any other TIF Note issued pursuant to this Agreement; and (iii) payment under the Development Property TIF Note will be made directly to MIEDA on behalf of the Developer to make payments on the Developer Promissory Note.

(b) The Company acknowledges and agrees, as provided in the TIF Note, that payments under the TIF Note are to be made only as and to the extent that the City shall be able to receive and retain Available Tax Increment on the Payment Dates specified in the TIF Note. If there is insufficient Available Tax Increment on any Payment Date, the Available Tax Increment shall be applied to interest first and thereafter to principal. There shall be no interest on unpaid interest as it accrues. The City shall not be obligated to make any payment or any further payment or payments as provided in the TIF Note if:

(i) There is an Event of Default by the Company under this Agreement that has not been cured as of the Payment Date; or

(ii) There is a Transfer without prior approval from the City as provided in Article VI hereof.

(c) The Company further acknowledges and agrees that the City has no obligation to issue and deliver to the Company the TIF Note until:

(i) The Company has provided the City with documentation satisfactory to the City (invoices, receipts, canceled checks, etc.) showing payment of at least \$111,371 in costs authorized under the TIF Plan and Section 4.1 of this Agreement, or such lesser amount as may be approved by the City, in which case the TIF Note shall reflect a lesser amount as the maximum principal amount equal to the costs authorized herein; and

(ii) The City has issued the Certificate of Completion for the Minimum Improvements.

(d) The TIF Note will be issued without registration under the State or federal securities laws pursuant to an exemption for such issuance; and, accordingly, the TIF Note may not be assigned or transferred in whole or in part, except in accordance with applicable exemptions from such registration requirements and with the consent of the City. Each assignment or transfer of the TIF Note shall attest full compliance with applicable State and federal security laws.

Section 4.3. No Representation Regarding Available Tax Increment. The City's financial commitment for payment of the TIF Note under this Agreement is a revenue obligation only and will be paid by the City only out of Available Tax Increment for the TIF Note. The City makes no representations or warranties that the Available Tax Increment will be sufficient to pay the Company on the TIF Note. The Company acknowledges that Available Tax

Increment is subject to calculation by the County and changes in State law and that some or all of the TIF Note may not be paid prior to the Termination Date. The Company acknowledges that the estimates of Available Tax Increment which may have been made by the City or its agents, officers or employees are estimates only, are made for the sole use and benefit of the City and are not intended for the Company's reliance.

ARTICLE V – CONSTRUCTION OF MINIMUM IMPROVEMENTS

Section 5.1 Construction of Minimum Improvements. The Company agrees that it will construct the Minimum Improvements on the Development Property in conformance with approved Construction Plans. The Company agrees that at all times it will operate and maintain, preserve and keep the Minimum Improvements or cause such improvements to be maintained, preserved and kept with the appurtenances and every part and parcel thereof in good repair and condition. The Company agrees that the scope and scale of the Minimum Improvements to be constructed shall not be significantly less than the scope and scale of the Minimum Improvements as detailed and outlined in the Construction Plans. The City shall have no obligation whatsoever to operate or maintain the Minimum Improvements.

Section 5.2 Construction Plans.

(a) Before commencement of construction of a phase of the Minimum Improvements, the Company shall submit to the City the Construction Plans for such phase. The Construction Plans provide for construction of the Minimum Improvements and shall be in substantial conformity with the Development Program, this Agreement, and all applicable State and local building and zoning laws and regulations. The Project Administrator, on behalf of the City, shall review and approve the Construction Plans in writing if: (i) the Construction Plans substantially conform in all material respects to the terms and conditions of this Agreement relating thereto; (ii) the Construction Plans substantially conform in all material respects to all applicable federal, State and local laws, ordinances, rules and regulations; (iii) the Construction Plans are adequate to provide for construction of the Minimum Improvements; and (iv) no Event of Default has occurred and remains uncured. As soon as the plans for construction of the Minimum Improvements are complete, copies shall be filed with the Project Administrator.

(b) If prior to the issuance of the Certificate of Completion for the Minimum Improvements, the Company desires to make any material change in the Construction Plans after their approval by the City, the Company shall submit the proposed change to the City for its approval. If the Construction Plans as modified by the proposed change conform to the requirements of this Section with respect to such previously approved Construction Plans, the Project Administrator shall approve the proposed change and notify the Company in writing of its approval. Such change in the Construction Plans shall, in any event, be deemed approved by the Project Administrator unless rejected in whole or in part by written notice by the Project Administrator to the Company setting forth in detail the reasons therefor. Such rejection shall be made within ten days after receipt of the notice of such change or such change shall be deemed approved. The City's approval of any change in the Construction Plans shall not be unreasonably withheld.

Section 5.3 Commencement and Completion of Construction. Subject to Unavoidable Delays, the Company shall commence construction of the Minimum Improvements,

by September 1, 2018 and complete construction of the Minimum Improvements by the Completion Date, or on such other date to which the parties shall mutually agree in writing.

Section 5.4 Certificate of Completion.

(a) Promptly after substantial completion of the Minimum Improvements, in accordance with the provisions of this Agreement, and upon written request made by the Company, the City will furnish the Company with a Certificate of Completion, in substantially the form set forth in **Exhibit A** attached hereto. Compliance by the Company with all the terms of this Agreement shall be a condition precedent to the issuance of the Certificate of Completion. The Certificate of Completion for the Minimum Improvements shall be a conclusive determination of satisfaction and termination of the agreements and covenants in this Agreement with respect to the obligations of the Company to construct the Minimum Improvements.

(b) If the City determines that it cannot issue the Certificate of Completion, it shall, within ten days after written request by the Company, provide the Company with a written statement indicating in adequate detail in what respect the Company has failed to complete either the Minimum Improvements in accordance with the provisions of this Agreement or is otherwise in default under the terms of this Agreement, and what measures or acts it will be necessary for the Company to take or perform in order to obtain the respective Certificate of Completion.

Section 5.5 Insurance.

(a) The Company will provide and maintain, or cause its contractors to provide and maintain, at all times during the process of constructing the Minimum Improvements, an All Risk Broad Form Basis Insurance Policy and from time to time during that period at the request of the City, furnish the City with proof of payment of premiums on policies covering the following:

(i) Builder's risk insurance, written on the so-called "Builder's Risk - Completed Value Basis," in an amount equal to 100% of the insurable value of the applicable portion of the Minimum Improvements at the date of completion, and with coverage available in nonreporting form on the so-called "all risk" form of policy; the interest of the City shall be protected in accordance with a clause in form and content satisfactory to the City;

(ii) Comprehensive general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual liability insurance) together with an Owner's Protective Liability Policy with limits against bodily injury and property damage of not less than \$1,000,000 for each occurrence (to accomplish the above-required limits an umbrella excess liability policy may be used). The City and the City shall be listed as an additional insured on the policy; and

(iii) Workers' compensation insurance with statutory coverage.

The policies of insurance required pursuant to clauses (i) and (ii) above shall be in a form and content reasonably satisfactory to the City and shall be placed with financially sound and reputable insurers licensed to transact business in the State, the liability insurer to be rated A or

better in Best Insurance Guide. The policy of insurance delivered pursuant to clause (i) above shall contain an agreement of the insurer to give not less than 30 days advance written notice to the City in the event of cancellation of such policy or change affecting the coverage thereunder.

(b) Upon completion of construction of the Minimum Improvements and prior to the Termination Date, the Company shall maintain, or cause to be maintained, at its costs and expense, and from time to time at the request of the City shall furnish proof of the payment of premiums on insurance as follows:

(i) Insurance against loss and/or damage to the Minimum Improvements under a policy or policies covering such risks as are ordinarily insured against by similar businesses;

(ii) Comprehensive general public liability insurance including personal injury liability (with employee exclusion deleted) against liability for injuries to persons and/or property, in the minimum amount for each occurrence and for each year of \$1,000,000;

(iii) Such other insurance including workers' compensation insurance respecting all employees of the Company in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure; provided that the Company may be self-insured with respect to all or any part of its liability for workers' compensation.

(c) All insurance required in this section shall be taken out and maintained in responsible insurance companies selected by the Company which is authorized under the laws of the State to assume the risks covered thereby. At the request of the City, the Company will deposit annually with the City copies of policies evidencing all such insurance, or a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect. Unless otherwise provided in this Article V, each policy shall contain a provision that the insurer shall not cancel or modify it without giving written notice to the Company and the City at least 30 days before the cancellation or modification becomes effective. In lieu of separate policies, the Company may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein, in which event the Company shall deposit with the City a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Minimum Improvements.

(d) The Company agrees to notify the City immediately in the case of damage exceeding \$100,000 in amount to or destruction of the Minimum Improvements or any portion thereof resulting in fire or other casualty. In such event, the Company will forthwith repair, reconstruct and restore the Minimum Improvements to substantially the same or an improved condition or value as they existed prior to the event causing such damage, and to the extent necessary to accomplish such repair, reconstruction, and restoration, the Company will apply the Net Proceeds received by the Company to the payment or reimbursement of the cost thereof. The Company shall complete the repair, reconstruction and restoration of the Minimum Improvements whether or not the Net Proceeds received by Company for such purposes are sufficient to pay for the same. Any Net Proceeds remaining after completion of such repairs, reconstruction and restoration shall be the property of the Company.

(e) The parties hereto agree that all of the insurance provisions set forth in this article shall terminate upon termination of this Agreement. Notwithstanding anything to the contrary herein, the application of any insurance proceeds shall, in all respects, be subordinate and subject to the rights under a mortgage on the Development Property.

ARTICLE VI – PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER; INDEMNIFICATION

Section 6.1 Representation as to Development. The Company represents and agrees that its undertakings with respect to the Development Property pursuant to this Agreement are and will be used for the purpose of development of the Development Property.

Section 6.2 Prohibitions Against Assignment and Transfer of Development Agreement. Company represents and agrees that prior to completion of the Minimum Improvements and prior to the issuance of the Certificate of Completion for the Minimum Improvements:

(a) Except only by way of security for the purposes of obtaining financing necessary to enable the Company or any successor in interest to the Development Property, or any part thereof, to perform its obligations with respect to completing the Minimum Improvements under this Agreement, it has not made or created and will not make or create or suffer to be made or created any total or partial sale, assignment, conveyance, or lease, or any trust or power, or transfer in any other mode or form of or with respect to the Agreement or the Development Property or any part thereof or any interest therein, or any contract or agreement to do any of the same (collectively, a "Transfer"), without the prior written approval of the City, which approval shall not be unreasonably withheld, if the Company wants to assign or Transfer at any point throughout the term of this Agreement. In the event the City approves a Transfer, the City will complete a written statement indicating whether Company, before or at the time of the Transfer, has been or is in default as to any of the obligations of this Agreement, and stating that this Agreement is in full force and effect between the transferee and the City.

(b) In the event Company, upon Transfer, seeks to be released from and seeks to assign its rights and obligations under this Agreement, the City shall be entitled to require, except as otherwise provided in this Agreement, as conditions to any such approval that: (i) any proposed transferee shall have the qualifications and financial responsibility, as determined by the City, necessary and adequate to fulfill the obligations undertaken in this Agreement by Company; (ii) any proposed transferee, by instrument in writing satisfactory to the City and in form recordable among the land records, shall for itself and its successors and assigns, and expressly for the benefit of the City, have expressly assumed all the obligations of the Company under this Agreement; and (iii) there shall be submitted to the City for review all instruments and other legal documents involved in effectuating transfers described herein; and if approved by the City its approval shall be indicated to the Company in writing. In the absence of specific written agreement by the City to the contrary, no such Transfer approval by the City hereof shall be deemed to relieve Company, or any other party bound in any way by this Agreement or otherwise with respect to the construction of the Minimum Improvements, from any of its obligations with respect thereto. Nor shall Company or any other party bound by this Agreement be released from any obligations hereunder without the written release of the City.

(c) After issuance of the Certificate of Completion on the Minimum Improvements, Company may transfer or assign any portion of the Development Property or the Minimum Improvements or Company's interest in this Agreement without the consent of the City, provided that the transferee or assignee agrees in writing to be bound by all Company's obligations remaining hereunder. Company shall submit to the City written evidence of any such transfer or assignment, including the transferee or assignee's express assumption of Company's obligations under this Agreement relating to the period after the date of such transfer or assignment. If Company provides such evidence of transfer and assumption, Company shall be released from liability under this Agreement. If Company fails to provide such evidence of transfer and assumption, Company shall remain bound by all its obligations under this Agreement arising after the date of such transfer or assignment.

Section 6.3 Release and Indemnification Covenants.

(a) The Company releases from and covenants and agrees that the City and their governing body members, officers, agents, including their independent contractors, consultants and legal counsel, servants and employees (hereinafter, for purposes of this Section, collectively the "Indemnified Parties") shall not be liable for and agrees to indemnify and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person resulting from any defect in the Project, except for loss or damage to property or any injury to or death of any person resulting from any defect in the Project resulting from the negligence, any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties.

(b) Except for the negligence, any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties, the Company agrees to protect and defend the Indemnified Parties now and forever and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Project, provided that this indemnification shall not apply to the warranties made or obligations undertaken by the City in this Agreement.

(c) The City and the Indemnified Parties shall not be liable for any damage or injury to the persons or property of the Company or officers, agents, servants, or employees or any other person who may be about the Development Property or the Minimum Improvements due to any act of negligence of any person, except the Indemnified Party.

(d) All covenants, stipulations, promises, agreements and obligations of the City or the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City, and not of any governing body member, officer, agent, servant or employee of the City.

(e) The Company additionally agrees to pay or reimburse the City for expenses incurred by the City in the event of a request for information by the State Department of Revenue or State Auditor regarding the TIF Note or an investigation or audit by the State Department of Revenue or the State Auditor relating to the TIF Note, or any other type of inquiry, random or otherwise, by the State Department of Revenue or the State Auditor with respect to the TIF Note, the Company or the Project.

- (f) This Section 6.3 shall survive the termination of this Agreement.

ARTICLE VII – REAL ESTATE TAXES

Section 7.1 Real Estate Taxes. The Company shall pay when due and prior to the imposition of penalty all real estate taxes and installments of special assessments, if any, payable with respect to the Development Property and the improvements thereon for real estate taxes due and payable in 2018 and thereafter.

Section 7.2 Tax Increment. In order to complete the Minimum Improvements, the Company agrees that certain improvements are needed to prepare the Development Property for completion and operation of the Minimum Improvements. Accordingly, and in consideration of the Company's obligations and performance under this Agreement, and in order to defray a portion of such costs, the City shall issue the TIF Note to reimburse the Company for the Project Costs.

Section 7.3. Requests for Reduction of Real Estate Taxes. The Company acknowledges that the sole source of money to make the payments on the TIF Note is the Available Tax Increment derived from the Development Property and Minimum Improvements. The Company shall notify the City of any administrative or judicial review affecting the market value of the Development Property and the improvements thereon for real estate tax purposes. In such event, the City will continue to make payments under the TIF Note to the Company but reduced based upon the Company's requested reduction in assessed market value and/or real estate taxes, with any additional Tax Increment available for payment being withheld from the Company until such time that the administrative or judicial review affecting the Development Property and the improvements thereon is finally determined.

ARTICLE XIII – EVENTS OF DEFAULT

Section 8.1 Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean, whenever it is used in this Agreement, any one or more of the following events, but only if the subject event has not been cured within 60 days after receipt of written notice of such failure from the City, or if the event is by its nature incurable within 60 days, the Company does not, within such 60-day period, provide assurances reasonably satisfactory to the City that the failure will be cured as soon as reasonably possible:

(a) failure by the Company to observe or perform any material covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement;

(b) failure by the Company to pay when due the real estate taxes and installments of special assessments, if any, with respect to the Development Property and the improvement thereon due and payable in 2019 and thereafter; or

(c) If the Company shall:

(i) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act or under any similar federal or State law;

- (ii) make an assignment for benefit of its creditors;
 - (iii) admit in writing its inability to pay its debts generally as they become due;
- or;
- (iv) be adjudicated a bankrupt or insolvent.

Section 8.2 Remedies on Default. Whenever any Event of Default referred to in Section 8.1 of this Agreement occurs and is continuing, the City may exercise the following rights under this Section 8.2:

(a) The City may suspend its performance under the Agreement and until it receives assurances from the Company, deemed adequate by the City, that the Company will cure its default and continue its performance under the Agreement.

(b) The City may cancel and rescind the Agreement.

(c) The City may withhold the Certificate of Completion and the TIF Note.

(d) The City may cancel and rescind the TIF Note.

(e) The City may take whatever action, including legal, equitable or administrative action, which may appear necessary or desirable to the City to collect any payments due under this Agreement, or to enforce the performance and observance of any obligation, agreement, or covenant of the Company under this Agreement.

Section 8.3 Modification for Benefit of Mortgagees. In order to facilitate the obtaining of financing for the construction of the Minimum Improvements, the City agrees to any reasonable modification of Section 5.5 with respect to the disposition of the Net Proceeds of any insurance to accommodate the interests of the holder of a first mortgage; provided, however, that the City determines, in its reasonable judgment, that any such modification will adequately protect the legitimate interests and security of the City with respect to the Project.

Section 8.4 No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party hereto, 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 hereunder.

Section 8.6 Agreement to Pay Attorneys' Fees and Expenses.

(a) Whenever any Event of Default occurs and the City shall employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement of performance or observance of any obligation or agreement on the part of the Company herein contained, the Company agrees that it shall, on demand therefor, pay to the City the reasonable fees of such attorneys and such other expenses so incurred by the City.

(b) Whenever the City fails to perform its obligations under this Agreement and the Company shall employ attorneys or incur other expenses for collection of payments due or to become due or for the enforcement of performance or observance of any obligation or agreement on the part of the City herein contained, the City shall pay to the Company the reasonable fees of such attorneys and such other expenses so incurred by the Company.

ARTICLE IX – ADDITIONAL PROVISIONS

Section 9.1 Restrictions on Use. The Company agrees for itself, its successors and assigns and every successor in interest to the Development Property, or any part thereof, that the Company and such successor and assigns shall devote and use the Development Property for purposes permitted by the City's zoning ordinance.

Section 9.2 Titles of Articles and Sections. Any titles of the several parts, Articles and Sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of the provisions hereof.

Section 9.3 Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under the Agreement by one party to the others shall be sufficiently given or delivered if sent by registered or certified mail, postage prepaid, return receipt requested, or delivered personally; and

(a) In the case of the Company, is mailed to or delivered personally to Gruba Properties LLC, at 57 Vermillion Drive, Virginia, Minnesota 55792; Attention: Shawntel Gruba;

(b) In the case of the City, is mailed to or delivered personally to 8586 Enterprise Drive South, Mountain Iron, Minnesota 55768-8260; Attention: City Administrator;

or at such other address with respect to either such party hereto as that party may, from time to time, designate in writing and forward to the other as provided in this Section.

Section 9.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 9.5 Law Governing. This Agreement will be governed by and construed in accordance with the laws of the State of Minnesota.

Section 9.6 Amendments. This Agreement may be amended in writing upon mutual agreement of the City and the Company.

Section 9.7 Recording. The Company or the City on behalf of the Company shall record this Agreement and any amendments thereto or a memorandum of this Agreement with the St. Louis County Recorder. The Company shall pay all costs for recording.

Section 9.8 Survival. All of the terms, representations, warranties and covenants in this Agreement shall survive and remain in force for the benefit of the parties after the delivery to the Company of the Deed and the Certificates of Completion as provided herein, except for those covenants and restrictions specifically released by the Certificates of Completion.

Section 9.9 Termination of Agreement. This Agreement shall terminate on the earlier of (i) the Termination Date; (ii) the date the Agreement is canceled and rescinded under Section 3.1 or 8.2 hereof; or (iii) such other date as is mutually agreeable to the parties hereto. Except for Section 6.3, the Company shall have no obligations under this Agreement after the Termination Date. At the request of the Company, the City shall provide an acknowledgment, in recordable form, that the Termination Date has occurred.

(remainder of page intentionally left blank)

IN WITNESS WHEREOF, the City and the Company have caused this Agreement to be duly executed as of the date first above written.

CITY OF MOUNTAIN IRON, MINNESOTA

By _____
Gary Skalko, Mayor

By _____
Craig J. Wainio, City Administrator

STATE OF MINNESOTA)
) ss.
COUNTY OF ST LOUIS)

The foregoing instrument was acknowledged before me on _____, 2018, by Gary Skalko and Craig J. Wainio, the Mayor and City Administrator, respectively, of the City of Mountain Iron, Minnesota, a municipal corporation and political subdivision, on behalf of the City.

Notary Public

(Signature page to Contract for Private Development by and between City of Mountain Iron, Minnesota and Gruba Properties LLC)

GRUBA PROPERTIES LLC

By _____
Its _____

STATE OF MINNESOTA)
) ss.
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018, by Shawntel Gruba, the owner of Gruba Properties LLC, a Minnesota limited liability company, on behalf of the corporation.

Notary Public

EXHIBIT A

FORM OF CERTIFICATE OF COMPLETION

WHEREAS, the CITY OF MOUNTAIN IRON, MINNESOTA, a municipal corporation and political subdivision of the State of Minnesota (the "City"), has entered into a Contract for Private Development dated as of June 18, 2018, with Gruba Properties LLC, a Minnesota limited liability company ("Company"), recorded in the office of the County Recorder in and for the County of St. Louis and the State of Minnesota, as Document No. _____ (the "Development Agreement"), regarding the land described on Exhibit A attached hereto in the County of St. Louis and the State of Minnesota (collectively, the "Property").

WHEREAS, said Contract for Private Development incorporated and contained certain covenants and restrictions with regard to the completion of the Minimum Improvements, as defined therein; and

WHEREAS, the Company has, to the present date, performed such covenants and conditions insofar as it is able in a manner deemed sufficient by the City to permit the execution and recording of this Certificate.

NOW, THEREFORE, this is to certify that all building construction and other physical improvements on the Minimum Improvements specified to be done and made by the Company on the Property have been completed and the above covenants and conditions in the Contract for Private Development have been performed by the Company and that the provisions for completion of the Minimum Improvements contained therein are hereby released absolutely and forever insofar as they apply to the Property, and the County Recorder or the Registrar of Titles in and for the County of St. Louis and State of Minnesota is hereby authorized to accept for recording and to record the filing of this instrument, to be a conclusive determination of the satisfactory termination of the covenants and conditions of the Contract for Private Development relating to the completion of the construction of the Minimum Improvements.

CITY OF MOUNTAIN IRON, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

STATE OF MINNESOTA)
) ss.
COUNTY OF ST LOUIS)

The foregoing instrument was acknowledged before me on _____, 2018, by _____ and _____, the Mayor and City Administrator, respectively, of the City of Mountain Iron, Minnesota, a municipal corporation and political subdivision, on behalf of the City.

Notary Public

EXHIBIT A
to
FORM OF CERTIFICATE OF COMPLETION

Lots 3 and 4, Block 2, NICHOLS PARK, EXCEPT minerals.

Parcel Nos. 175-0035-00120 and 175-0035-00130

EXHIBIT B
LEGAL DESCRIPTION

Lots 3 and 4, Block 2, NICHOLS PARK, EXCEPT minerals.

Parcel Nos. 175-0035-00120 and 175-0035-00130

EXHIBIT C
FORM OF TAX INCREMENT REVENUE NOTE

No. R-____

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ST. LOUIS

CITY OF MOUNTAIN IRON, MINNESOTA

TAX INCREMENT REVENUE NOTE, SERIES 2018

Principal Amount

Annual Rate

5.25%

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE FEDERAL SECURITIES ACT OF 1933 AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF FOR VALUE, OR TRANSFERRED, WITHOUT (i) AN OPINION OF COUNSEL APPROVED BY THE ISSUER THAT SUCH SALE, DISPOSITION OR TRANSFER MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE FEDERAL SECURITIES ACT OF 1933 AND UNDER APPLICABLE STATE SECURITIES LAWS, OR (ii) SUCH REGISTRATION. THE TRANSFERABILITY OF THIS NOTE IS SUBJECT TO RESTRICTIONS (a) REQUIRED BY FEDERAL AND STATE SECURITIES LAWS AND THE RULES, REGULATIONS, AND INTERPRETATIONS OF THE GOVERNMENTAL AGENCIES ADMINISTERING SUCH LAWS, AND THE PROCEDURE ESTABLISHED BY THE ISSUER TO EFFECT COMPLIANCE THEREWITH, GOVERNING UNREGISTERED SECURITIES, AND (b) AGREED TO BY THE OWNER OF SUCH SECURITIES.

THIS NOTE HAS NOT BEEN REGISTERED UNDER CHAPTER 80A OF THE MINNESOTA SECURITIES LAWS OR APPLICABLE STATE BLUE SKY LAWS AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF FOR VALUE EXCEPT PURSUANT TO REGISTRATION OR OPERATION OF LAW.

The CITY OF MOUNTAIN IRON, MINNESOTA, a municipal corporation and political subdivision of the State of Minnesota (the "City"), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay the Principal Amount specified above at the Annual Rate specified above (the "Payment Amounts"), to Gruba Properties LLC, a Minnesota limited liability company (the "Registered Owner"), or its registered assigns, but only in the manner, at the times, from the sources of revenue, and to the extent hereinafter provided.

The Payment Amounts due on this Note shall be payable solely from, and to the extent that the City shall receive the Available Tax Increment, as hereinafter defined.

For purposes of this Note, Available Tax Increment shall mean 90% of the Tax Increment received by the City from St. Louis County with respect to the Development Property described on Exhibit A hereto and improvements thereon, located in the City's Tax Increment Financing (Economic Development) District No. 1-16 (the "TIF District") within its Development District No. 1, during the six months preceding any Payment Date specified below and which the City is entitled to retain pursuant to the provisions of Minnesota Statutes, Sections 469.174 through 469.1794, as the same may be amended or supplemented from time to time (the "TIF Act") (after deduction of the state auditor fee and the County Auditor fee) and subject to Section 4.3 of the Agreement. Interest payable on this Note shall start to accrue as of the later of the following dates: (i) the Registered Owner provides the City the documentation for Project Costs as required by the Agreement; and (ii) the City issues the Certificate of Completion for the Minimum Improvements. Payments under this Note shall be applied first to accrued interest and then to the unpaid principal amount hereof. There shall be no accruing on any unpaid interest. The payments on this Note shall be made by the City on a semi-annual basis on June 1 and December 1 commencing June 1, 2020, and continuing through December 1, 2028 (each referred to herein as a "Payment Date"). This Note shall terminate and be of no further force and effect on December 1, 2028, or upon payment in full of the principal and interest on this Note, or on any date upon which the City shall have terminated the Agreement (hereinafter defined), whichever occurs earliest ("Maturity").

The City's obligation hereunder to pay each Payment Amount on the respective Payment Dates shall be further conditioned on the fact that there shall not at the time have occurred and be continuing an Event of Default under that certain Contract for Private Development, dated as of June 18, 2018, as the same may be amended from time to time (the "Agreement"), by and between the City and the Registered Owner, and, further, if pursuant to the occurrence of an Event of Default under the Agreement the City elects to cancel and rescind the Agreement, the City shall have no further debt or obligation under this Note whatsoever. Reference is hereby made to the provisions of the Agreement for a fuller statement of the definitions of Tax Increment and Available Tax Increment and the rights and obligations of the City to pay the Payment Amounts of this Note, and said provisions are hereby incorporated into this Note as though set out in full herein.

This Note is a revenue obligation 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. Neither the full faith and credit nor the taxing powers of the City are 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 Available Tax Increment, is or shall be a source of payment of the City's obligations hereunder.

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. The obligations on this Note are payable solely from Available Tax Increment as defined in the Agreement derived from the City's Tax Increment Financing (Economic Development) District No. 1-16 which the City duly established within its Development District No. 1, as amended.

Except as hereinafter qualified and subject to Section 6.2(b) of the Agreement, this Note may not be assigned but, upon such assignment, the assignor shall promptly notify the City at the

office of the City Administrator by registered mail, and the assignee shall surrender the same to the City Administrator either in exchange for a new fully registered note or for transfer of this Note on the registration records for the Note maintained by the City. 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 Mountain Iron, Minnesota, by its City Council, has caused this Note to be executed by the manual signatures of its Chair and attested by its City Administrator and has caused this Note to be issued on and dated _____, _____.

CITY OF MOUNTAIN IRON, MINNESOTA

By _____
Its Mayor

ATTEST:

By _____
Its City Administrator

CERTIFICATE OF REGISTRATION

It is hereby certified that the foregoing Note, as originally issued on _____, _____, was on said date registered in the name of Gruba Properties LLC and that, at the request of the Registered Owner of this Note, the undersigned has this day registered the Note in the name of such Registered Owner, as indicated in the registration blank below, on the books kept by the undersigned for such purposes.

Registered Owner	Date of Registration	Signature of City Administrator
Gruba Properties LLC 57 Vermillion Drive Virginia, Minnesota 55792 Federal Tax ID No.: 82-4474545		<hr/>

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Note and all rights thereunder, and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Note on the books kept for registration of the within Note, with full power of substitution in the premises.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or any change whatsoever.

The City Administrator will not effect transfer of this Note unless the information concerning the assignee requested below is provided.

Name and Address: _____

Taxpayer Identification Number: _____

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EXHIBIT A
TO TAX INCREMENT REVENUE NOTE
Development Property

Lots 3 and 4, Block 2, NICHOLS PARK, EXCEPT minerals.

Parcel Nos. 175-0035-00120 and 175-0035-00130

EXHIBIT D
PROJECT COSTS

Improvement	Estimated Cost
Land Acquisition	\$60,000
Site Improvements	\$51,371
TOTAL	\$111,371