

TIF ASSISTANCE AGREEMENT
BETWEEN

CITY OF NORTHFIELD, MINNESOTA

AND

HARVEST HILLS TOWNHOMES, LLC

This document drafted by:
Kutak Rock, LLP
60 South Sixth Street
Suite 3400
Minneapolis, Minnesota 55402

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS	2
Section 1.1. Definitions.....	2
ARTICLE II REPRESENTATIONS AND WARRANTIES	5
Section 2.1. Representations and Warranties of the City.....	5
Section 2.2. Representations and Warranties of the Developer.....	5
ARTICLE III UNDERTAKINGS BY DEVELOPER AND CITY	7
Section 3.1. Total Development Costs and Public Costs.....	7
Section 3.2. TIF Note.....	7
Section 3.3. Income Restrictions	9
Section 3.4. Developer to Pay City’s Fees and Expenses.....	10
Section 3.5. Compliance with Environmental Requirements.	10
Section 3.6. Construction Plans.	11
Section 3.7. Commencement and Completion of Construction.....	12
Section 3.8. Certificate of Completion.	12
Section 3.9. Encumbrance of the Development Property	13
Section 3.10. Business Subsidy Act.....	13
Section 3.11. Right to Collect Delinquent Taxes.....	13
Section 3.12. Review of Taxes.	14
Section 3.13. City’s Sustainable Building Policy	14
ARTICLE IV EVENTS OF DEFAULT	15
Section 4.1. Events of Default Defined	15
Section 4.2. Remedies on Default.....	15
Section 4.3. No Remedy Exclusive.....	16
Section 4.4. No Implied Waiver	16
Section 4.5. Indemnification of City.....	16
Section 4.6. Reimbursement of Attorneys’ Fees.	17
ARTICLE V ADDITIONAL PROVISIONS	18
Section 5.1. Restrictions on Use	18
Section 5.2. Reports.	18
Section 5.3. Limitations on Transfer and Assignment.....	18
Section 5.4. Conflicts of Interest.....	19
Section 5.5. Titles of Articles and Sections	19
Section 5.6. Notices and Demands	19
Section 5.7. No Additional Waiver Implied by One Waiver.	20
Section 5.8. Counterparts.....	20
Section 5.9. Law Governing	20
Section 5.10. Term; Termination.	20
Section 5.11. Provisions Surviving Rescission, Expiration or Termination.....	20
Section 5.12. Superseding Effect	20
Section 5.13. Relationship of Parties	20
Section 5.14. Venue	20

Section 5.15. Interpretation; Concurrence	21
EXHIBIT A DESCRIPTION OF TIF DISTRICT	A-1
EXHIBIT B LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY	B-1
EXHIBIT C PUBLIC DEVELOPMENT COSTS.....	C-1
EXHIBIT D FORM OF TAXABLE TIF NOTE.....	D-1
EXHIBIT E DECLARATION OF RESTRICTIVE COVENANTS.....	E-1
EXHIBIT F PERMITTED ENCUMBRANCES	F-1
EXHIBIT G CERTIFICATE OF COMPLETION OF PROJECT	G-1
EXHIBIT H PROJECT SOURCES AND USES	H-1

TIF ASSISTANCE AGREEMENT

THIS AGREEMENT, made as of the [__] day of [____], 2026, by and between the City of Northfield (the “City”), a municipal corporation and political subdivision under the laws of the State of Minnesota, and Harvest Hills Townhomes, LLC, a Minnesota limited liability company (the “Developer”).

WITNESSETH:

WHEREAS, pursuant to Minnesota Statutes, Sections 469.124 through 469.134, as amended (the “Municipal Development Act”), the City has undertaken a program to promote the development and redevelopment of land which is underutilized or characterized by blight within the City, and in connection therewith created the Master Development District (the “Development District”) and adopted a Development Program therefor (the “Development Program”); and

WHEREAS, pursuant to the provisions of Minnesota Statutes, Section 469.174 through 469.1794, as amended, (the “TIF Act”), the City has created, within the Development District, the Harvest Hills Tax Increment Financing District (a housing district) qualified as a housing tax increment financing district (the “TIF District”), the legal description of which is attached hereto as **Exhibit A**, and has adopted a tax increment financing plan therefor approved by the City Council of the City on May 19, 2026 (the “TIF Plan”) which provides for the use of tax increment financing in connection with certain development within the Development District and TIF District; and

WHEREAS, the Developer proposes the development of the property in the TIF District and construction of an approximately 38-unit multifamily townhome housing development, and all related amenities and improvements, to be constructed, owned and operated by the Developer on property within the TIF District and associated infrastructure (the “Project”); and

WHEREAS, the Developer has requested that the City use tax increment financing to assist the Developer with certain costs thereof in order to fill the gap between the Total Development Costs (as hereinafter defined) and the funds available to pay such costs;

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

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. All capitalized terms used and not otherwise defined herein shall have the following meanings unless a different meaning clearly appears from the context:

Administrative Costs has the meaning set forth in Section 3.4;

Agreement means this TIF Assistance Agreement, as the same may be from time to time modified, amended or supplemented;

Architect means [Architect name], a _____ as the architect for the Project;

Business Day means any day except a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City are authorized by law or executive order to close;

Certificate of Completion means a Certificate of Completion with respect to the Project executed by the City pursuant to Section 3.8, in substantially the form set forth in Exhibit F attached hereto;

City means the City of Northfield, Minnesota;

Completion Date means the date on which the Certificate of Completion with respect to the Project is executed by the City pursuant to pursuant to Section 3.8;

Construction Costs means the capital costs of the construction of the Project, including the costs of labor and materials; construction management and supervision expenses; insurance and payment or performance bond premiums; architectural and engineering fees and expenses; property taxes; usual and customary fees or costs payable to the City or any other public body with regulatory authority over construction of the Project (e.g. building permits and inspection fees); the developer fee; and all other costs chargeable to the capital account of the Project under generally accepted accounting principles;

Construction Documents means the following documents, all of which shall be in form and substance reasonably acceptable to the City: (a) evidence satisfactory to the City showing that the Project conforms to applicable zoning, subdivision and building code laws and ordinances, including a copy of the building permit for the Project; (b) a copy of the executed standard form of agreement between owner and architect for architectural services for the Project, if any, and (c) a copy of the executed General Contractor's contract for the Project, if any;

Construction Plans means the plans, specifications, drawings and related documents for the construction of the Project, which shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the building inspector of the City;

County means Rice County, Minnesota;

Declaration means the Declaration of Restrictive Covenants in substantially the form attached hereto as **Exhibit E**;

Developer means Harvest Hills Townhomes, LLC, a Minnesota limited liability company, and its authorized successors and assigns;

Design Drawings means the floor plans, renderings, elevations and material specifications for the Project prepared by the Architect;

Development Contract means the Development Agreement (Developer Installed Improvements) Harvest Hills Second, dated as of the date hereof, between the City and the Developer in connection with the construction of the Project and related public infrastructure;

Development Property means the real property legally described in **Exhibit B** attached to this Agreement;

Event of Default means any of the events described in Section 4.1 hereof;

Final Payment Date means the earliest of (i) the date on which the entire principal and accrued interest on the TIF Note has been paid in full; or (ii) February 1, 2048; or (iii) any earlier date this Agreement or the TIF Note is terminated or cancelled in accordance with the terms hereof or deemed paid in full; or (iv) the February 1 following the date the TIF District is terminated in accordance with the TIF Act;

General Contractor means Schrom Construction, Inc., a Minnesota corporation as the general contractor for the Project;

Payment Date means August 1, 2028 and each February 1 and August 1 thereafter to and including the Final Payment Date; provided, that if any such Payment Date should not be a Business Day, the Payment Date shall be the next succeeding Business Day;

Permitted Encumbrances means those encumbrances set forth in **Exhibit F**;

Pledged Tax Increments means for any six month period, 95% of the Tax Increments received by the City since the previous Payment Date;

Project means the construction of an approximately 38-unit affordable multifamily townhome rental housing development and all related amenities and improvements to be constructed, owned and operated by the Developer on the Development Property and associated infrastructure;

Public Development Costs means the Public Development Costs of the Project identified on **Exhibit C** attached hereto and any other cost incurred by the Developer, or its assigns, that the City determines is eligible for reimbursement with Pledged Tax Increments;

Qualified Project Period has the meaning as defined in the Declaration;

Reimbursement Amount means the lesser of (i) \$1,915,000 or (ii) the Public Development Costs actually incurred and paid by the Developer, or (iii) the amount determined pursuant to Section 3.2(10);

Site Plan means the site plan prepared for the Development Property approved by the City;

State means the State of Minnesota;

Tax Increments means the tax increments derived from the Development Property and the improvements thereon which have been received, and are permitted to be retained, by the City in accordance with the TIF Act including, without limitation, Minnesota Statutes, Section 469.177; Section 469.176, subdivision 4h; and Section 469.175, subdivision 1a, as the same may be amended from time to time; provided that the term “Tax Increments” shall specifically not include any amounts of tax increment generated by the TIF District which pursuant to the applicable terms of the TIF Act (as it may exist or be amended from time to time) may be required to be paid to or reserved for the State, the County, or any other entity or official; for purposes of this definition, “derived from the Development Property and the improvements thereon” means the portion of Tax Increments actually received by the City from the TIF District determined by the City, in its sole determination, to have been derived from the Development Property;

Termination Date means the Final Payment Date;

TIF Act means Minnesota Statutes, Sections 469.174 through 469.1794, as amended;

TIF District means the Harvest Hills Tax Increment Financing District (a housing district) consisting of the property legally described in **Exhibit A** attached hereto, which was established as a housing district under the TIF Act;

TIF Note means the Taxable Tax Increment Revenue Note (Harvest Hills Townhomes Project) to be executed by the City and delivered to the Developer pursuant to Article III hereof, a form of which is attached hereto as **Exhibit D**;

TIF Plan means the tax increment financing plan approved for the TIF District;

Total Development Costs means all Construction Costs and any other costs of the development of the Project to be incurred by the Developer as set forth in **Exhibit H**; and

Unavoidable Delays means delays, outside the control of the party claiming their occurrence, which are the direct result of strikes, lockouts or other labor troubles, prolonged adverse weather or acts of God, fire or other casualty to the Project, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, acts of any federal, state or local governmental unit (other than the City in properly exercising its rights under this Agreement) which directly result in delays, war, invasion, rebellion, revolution, insurrection, riots or civil war, or unavailability or shortage of supply of construction materials or construction labor, other than by reason of non-payment of costs of the same.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the City. The City makes the following representations and warranties:

(1) The City is a municipal corporation and political subdivision duly organized and existing under the Constitution and laws of the State and has the power to enter into this Agreement and carry out its obligations hereunder.

(2) The City has taken the actions necessary to establish the TIF District as a “housing district” within the meaning of Minnesota Statutes, Section 469.174, Subdivision 11.

(3) The development contemplated by this Agreement is in conformance with the development objectives set forth in the Development Program and the TIF Plan.

(4) The City makes no representation or warranty, either express or implied, as to the Development Property or its condition, or that the Development Property shall be suitable for the Developer’s purposes or needs.

(5) No member of the City Council, or officer of the City, has either a direct or indirect financial interest in this Agreement, nor will any member of the City Council, or officer of the City, benefit financially from this Agreement within the meaning of Minnesota Statutes, Sections 412.311 and 471.87.

Section 2.2. Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(1) The Developer is a Minnesota limited liability company duly and validly organized and existing in good standing under the laws of the State, and has power and authority to enter into this Agreement and to perform its obligations hereunder and is not in violation of any provision of the laws of the State.

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

(3) 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, limited by or conflicts with or results in a breach of, the terms, conditions or provision of any contractual restriction, evidence of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(4) The Developer understands that the City may subsidize or encourage the development of other developments in the City, including properties that compete with the Development Property and the Project, and that such subsidies may be more favorable than the

terms of this Agreement, and that the City has informed the Developer that development of the Development Property will not be favored over the development of other properties

(5) No member of the City Council, or officer of the City, has either a direct or indirect financial interest in this Agreement, nor will any member of the City Council, or officer of the City, benefit financially from this Agreement within the meaning of Minnesota Statutes, Sections 412.311 and 471.87.

ARTICLE III

UNDERTAKINGS BY DEVELOPER AND CITY

Section 3.1. Total Development Costs and Public Costs.

(1) The Developer's estimate of the Total Development Costs of the Project and sources of revenue to pay such costs are set forth in **Exhibit H** attached hereto.

(2) Based on the Developer's representation that the Total Development Costs for the Project are approximately \$12,874,476, that the sources of revenue available to pay such costs, excluding the tax increment assistance contemplated herein, is \$10,959,476, and that the Developer is unable to obtain additional private financing for the estimated Total Development Costs, the City has agreed to provide tax increment financing subject to the terms and conditions as hereinafter set forth. At the request of the City, the Developer must provide the City copies of all executed financing documents related to financing the Total Development Costs of the Project.

(3) The parties agree that the Public Development Costs to be incurred by the Developer are essential to the successful completion of the Project. The Developer anticipates that the Public Development Costs for the Project which are identified on **Exhibit C** attached hereto will be at least \$1,915,000.

(4) As of January 2, 2028, the estimated market value of the Development Property, as improved, is expected to be at least \$10,792,000.

(5) The Developer has acquired or has entered into a purchase agreement pursuant to which it will acquire fee title to the Development Property, and will cause the Project to be constructed 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, energy conservation, building code and public health laws and regulations.

(6) The Developer shall, in a timely manner, comply with all requirements necessary to obtain, or cause to be obtained, 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 for the construction and operation of the Project.

(7) The Total Development Costs shall be paid by the Developer, and the City shall reimburse the Developer for the Public Development Costs in the Reimbursement Amount solely through the issuance of the TIF Note as provided herein.

Section 3.2. TIF Note.

(1) The TIF Note will be originally issued to the Developer, as provided in Section 3.2(2), in a principal amount equal to the Reimbursement Amount and shall be dated as of its date of issuance. The principal of the TIF Note and interest thereon shall be payable on a pay-as-you-go basis solely from the Pledged Tax Increments as provided below.

(2) The TIF Note shall be issued, in substantially the form attached hereto as **Exhibit D** and interest will commence to accrue on the TIF Note only if: (A) the Developer shall have submitted written proof and other documentation as may be reasonably satisfactory to the City of the exact nature and amount of the Public Development Costs incurred by the Developer, together with such other information or documentation as may be reasonably necessary and satisfactory to the City to enable the City to substantiate the Developer's tax increment expenditures for Public Development Costs in accordance with Exhibit C attached hereto and/or to comply with its tax increment reporting obligations to the Commissioner of Revenue, the Office of the State Auditor or other applicable official; (B) the City shall have received evidence that the Declaration has been recorded against the Development Property; (C) the Developer shall have obtained from the City a certificate of occupancy for all residential units in the Project and a Certificate of Completion as provided in this Agreement; (D) the Developer shall have paid all of the City's Administrative Costs required to have been paid as of such date in accordance with Section 3.4 hereof; (E) the Developer is in material compliance with each term or provision of this Agreement and the Development Contract required to have been satisfied as of such date; (F) the Development Contract has been executed by the Developer in a form acceptable to the City; and (G) the Developer has submitted the final sources and uses for the Project in accordance with Section 3.2(10). The documentation provided in accordance with Section 3.2(2)(A) shall include specific invoices for the particular work from the contractor or other provider and shall include paid invoices, copies of remittances and/or other suitable documentary proofs of the Developer's payment thereof.

(3) Subject to the provisions thereof, the TIF Note shall bear simple, non-compounding interest at the rate equal to the lesser of 6.00% per annum or the rate per annum on the Developer's construction financing for the Project. Interest shall be computed on the basis of a 360 day year consisting of twelve 30-day months. Principal and interest on the TIF Note will be payable on each Payment Date; however, the sole source of funds required to be used for payment of the City's obligations under this Section and correspondingly under the TIF Note shall be the Pledged Tax Increments received in the 6-month period preceding each Payment Date. On each Payment Date the Pledged Tax Increment shall be credited against the accrued interest then due on the TIF Note and then applied to reduce the principal. In the event the Pledged Tax Increments are not sufficient to pay the accrued interest, the unpaid accrued interest shall be carried forward without interest. All Tax Increments in excess of the Pledged Tax Increments necessary to pay the principal and accrued interest on the TIF Note are not subject to this Agreement, and the City retains full discretion as to any authorized application thereof. To the extent that the Pledged Tax Increments are insufficient through the Final Payment Date, to pay all amounts otherwise due on the TIF Note, said unpaid amounts shall then cease to be any debt or obligation of the City whatsoever.

(4) No interest will accrue during any period in which payments have been suspended pursuant to Section 4.2.

(5) Any interest accruing on Pledged Tax Increments held by the City pending payment to the Developer on the TIF Note shall accrue to the account of the TIF District.

(6) The TIF Note shall be a special and limited obligation of the City and not a general obligation of the City, and only Pledged Tax Increments shall be used to pay the principal of and interest on the TIF Note.

(7) The City's obligation to make payments on the TIF Note on any Payment Date is subject to Section 3.12(3) and shall be conditioned upon the requirement that (A) there shall not at that time be an Event of Default that has occurred and is continuing under this Agreement that has not been cured during the applicable cure period, (B) this Agreement shall not have been terminated pursuant to Section 4.2, and (C) all conditions set forth in Section 3.2(2) have been satisfied as of such date.

(8) The TIF Note shall be governed by and payable pursuant to the additional terms thereof, as actually executed, in substantially the form set forth in **Exhibit D**. In the event of any conflict between the terms of the TIF Note and the terms of this Section 3.2, the terms of the TIF Note shall govern. The issuance of the TIF Note is pursuant and subject to the terms of this Agreement.

(9) In accordance with Section 469.1763, Subdivision 3 of the TIF Act, conditions for delivery of the TIF Note must be met within 5 years after the date of certification of the TIF District by the County. If the conditions are not satisfied by such date, the City has no further obligations under this Section 3.2.

(10) The financial assistance to the Developer under this Agreement is based on certain assumptions regarding likely costs and expenses associated with constructing the Project. The City and Developer agree that the Developer's representations of the Total Development Costs will be reviewed at the time of completion of construction of the Project. Upon submitting the request for the Certificate of Completion under Section 3.8, the Developer shall submit the final sources and uses for the Project in the form set forth in **Exhibit H** based on actual Total Development Costs as incurred and documented. If the actual Total Development Costs at completion decrease by more than \$100,000 below the amount shown in **Exhibit H**, the Reimbursement Amount will be reduced by 50% of the amount of the decrease in the Total Development Costs which exceeds \$100,000.

Section 3.3. Income Restrictions. The Developer hereby represents, covenants and agrees as follows:

(1) The Project is intended for occupancy by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state or municipal legislation, or the regulations promulgated under any of those acts; and

(2) No more than 20% of the square footage of any building of the Project financed with the proceeds of the TIF Note will consist of commercial, retail or other non-residential uses; and

(3) In accordance with the Declaration, commencing on the Completion Date and continuing until the end of the Qualified Project Period (as defined in the Declaration), at least 20% (i.e. at least 8) of the residential units shall be occupied by or available for rent to persons whose income does not exceed 50% of the area-wide median family income for the standard

metropolitan statistical area which includes Northfield, Minnesota, as that figure is determined and announced from time to time by HUD, as adjusted for family size (“Median Income”); and

(4) The Developer will provide the City an annual certification in the form attached as **Exhibit C** to the Declaration (the “Compliance Certificate”) evidencing compliance with the requirements of paragraph (3) above, and, if requested by the City, the income verifications from tenants used to meet such requirements. The annual certification shall also include the vacancy rate for the preceding calendar year. The annual certification shall be provided on or before July 1 of each year commencing July 1, 2028, and shall cover the preceding calendar year.

(5) The provisions of this Section 3.3 shall be incorporated into the Declaration in substantially the form attached as **Exhibit E**, and recorded against the Development Property prior to the issuance of the TIF Note.

Section 3.4. Developer to Pay City’s Fees and Expenses. The Developer will pay all of the City’s reasonable Administrative Costs (as defined below) and must pay such costs to the City within 30 days after receipt of a written invoice from the City describing the amount and nature of the costs to be reimbursed. For the purposes of this Agreement, the term “Administrative Costs” means out of pocket costs incurred by the City together with staff and consultant (including reasonable legal, financial advisor, etc.) costs of the City, all attributable to or incurred in connection with the establishment of the TIF District and the TIF Plan and review, negotiation and preparation of this Agreement (together with any other agreements entered into between the parties hereto contemporaneously therewith) and review and approvals of other documents and agreements in connection with the Project. In addition, certain engineering, environmental advisor, legal, land use, zoning, subdivision and other costs related to the development of the Development Property are required to be paid, or additional funds deposited in escrow, as provided in accordance with the City’s planning, zoning, and building fee schedules. The parties agree and understand that Developer deposited with the City \$_____ toward payment of the City’s Administrative Costs. If such costs exceed such amount, then at any time, but not more often than monthly, the City will deliver written notice to Developer setting forth any additional fees and expenses, together with suitable billings, receipts or other evidence of the amount and nature of the fees and expenses, and Developer agrees to pay all fees and expenses within 30 days of City’s written request. Any unused amount of such deposit shall be returned to the Developer.

Section 3.5. Compliance with Environmental Requirements.

(1) The Developer shall comply with all applicable local, state, and federal environmental laws and regulations, and will obtain, and maintain compliance under, any and all necessary environmental permits, licenses, approvals or reviews.

(2) The City makes no warranties or representations regarding, nor does it indemnify the Developer with respect to, the existence or nonexistence on or in the vicinity of the Development Property or anywhere within the TIF District of any toxic or hazardous substances or wastes, pollutants or contaminants (including, without limitation, asbestos, urea formaldehyde, the group of organic compounds known as polychlorinated biphenyls, petroleum products including gasoline, fuel oil, crude oil and various constituents of such products, or any hazardous substance as defined in the Comprehensive Environmental Response, Compensation and Liability

Act of 1980 (“CERCLA”), 42 U.S.C. §§ 961-9657, as amended) (collectively, the “Hazardous Substances”).

(3) The Developer agrees to take all necessary action to remove or remediate any Hazardous Substances located on the Development Property to the extent required by and in accordance with all applicable local, state and federal environmental laws and regulations.

Section 3.6. Construction Plans.

(1) Prior to the commencement of construction of the Project, the Developer will deliver to the City the Construction Plans, Construction Documents and a sworn construction cost statement certified by the Developer and the General Contractor (the “Sworn Construction Cost Statement”) all in form and substance reasonably acceptable to the City. The Construction Plans for the Project shall be consistent with the Development Program, this Agreement, and all applicable State and local laws and regulations, the City’s Sustainable Building Policy, and the Site Plan and Design Drawings previously submitted to the City. In addition, the Construction Plans will include the sustainable building design measures required for the Project as further detailed in Section 3.13 hereof. The City’s building official and the City Administrator, on behalf of the City shall promptly review any Construction Plans upon submission and deliver to the Developer a written statement approving the Construction Plans or a written statement rejecting the Construction Plans and specifying the deficiencies in the Construction Plans. Approval of the Construction Plans by the City’s building official and the City Administrator on behalf of the City may be withheld unless: (i) the Construction Plans substantially conform to the terms and conditions of this Agreement; (ii) the Construction Plans are consistent with the goals and objectives of the Development Program and the TIF Plan; (iii) the Construction Plans comply with the Site Plan and Design Drawings; and (iv) the Construction Plans do not violate any applicable federal, State or local laws, ordinances, rules or regulations. If the Construction Plans are not approved by the City, then the Developer shall make such changes as the City may reasonably require and resubmit the Construction Plans to the City for approval, which will not be unreasonably withheld, unreasonably conditioned or unreasonably delayed. If the City has not rejected the Construction Plans in writing within 30 calendar days of submission, such Construction Plans shall automatically be deemed approved by the City but only if the Construction Plans provided to the City are complete and final and meet all requirements necessary for the City to issue a building permit.

(2) No changes shall be made to the Construction Plans for the Project without the City’s prior written approval, unless the aggregate of such changes do not increase or decrease the Total Development Costs by more than 10%. No changes which materially alter (a) the Project’s Site Plan, (b) exterior appearance, (c) construction quality, (d) exterior materials included in the final Design Drawings and Construction Plans, or (e) the sustainable building design measures required for the Project as further detailed in Section 3.13 hereof shall be made without the City’s prior written consent. The approval of the City will not be unreasonably withheld, conditioned or delayed. If an amendment or prior written approval from the City is necessary with respect to a change in the Construction Plans, if the City has not rejected such amendment in writing within 30 calendar days of submission of such amendment, the amendment to Construction Plans shall automatically be deemed approved by the City but only if such amendment provided to the City is

complete and final and meets all requirements necessary for the City to issue a building permit or determine compliance with an applicable building permit.

(3) The approval of the Construction Plans, or any proposed amendment to the Construction Plans, by the City does not constitute a representation or warranty by the City that the Construction Plans or the Project comply with any applicable building code, health or safety regulation, zoning regulation, environmental law or other law or regulation, or that the Project will meet the qualifications for issuance of a certificate of occupancy, or that the Project will meet the requirements of the Developer or any other users of the Project. Approval of the Construction Plans, or any proposed amendment to the Construction Plans, by the City will not constitute a waiver of an Event of Default. Nothing in this Agreement shall be construed to relieve the Developer of its obligations to receive any required approval of the Construction Plans from any City department.

Section 3.7. Commencement and Completion of Construction. Subject to the terms and conditions of this Agreement and to Unavoidable Delays, the Developer will commence construction of the Project by August 31, 2026 and shall substantially complete the Project by December 31, 2027. Notwithstanding the foregoing, failure of the Developer to commence construction or substantially complete the Project shall not be an Event of Default hereunder unless the Developer fails to commence construction of the Project by December 31, 2026 or the Developer fails to obtain a certificate of occupancy for the Project by June 1, 2028. The Project will be constructed by the Developer on the Development Property in conformity with the Construction Plans approved by the City. Prior to completion, upon the request of the City, and subject to applicable safety rules, the Developer will provide the City reasonable access to the Development Property. "Reasonable access" means at least one site inspection per week during regular business hours. During construction, marketing and rentals of the Project, the Developer will deliver progress reports to the City from time to time as reasonably requested by the City.

Section 3.8. Certificate of Completion. The Developer shall notify the City when construction of the Project has been substantially completed. The City shall, within 20 days after such notification, conduct any inspections of the Project it deems necessary in order to determine whether the Project has been constructed in substantial conformity with the approved Construction Plans. If the City determines that the Project has not been constructed in substantial conformity with the approved Construction Plans, the City shall deliver a written statement to the Developer indicating in adequate detail the specific respects in which the Project has not been constructed in substantial conformity with this Agreement and the approved Construction Plans and Developer shall have a reasonable period of time to remedy such deficiencies. The City shall re-inspect the Project within a reasonable period of time after receiving notice that such deficiencies have been remedied in order to determine whether the Project has been constructed in substantial conformity with this Agreement and the approved Construction Plans and this Agreement. Within a reasonable period of time after determining that the Project has been constructed in substantial conformity with the approved Construction Plans, the City will furnish to the Developer a Certificate of Completion substantially in the form attached hereto as **Exhibit G** certifying the completion of the Project. The Certificate of Completion issued for the Project shall conclusively satisfy and terminate the agreements and covenants of the Developer in this Agreement solely with respect to construction of the Project. The issuance of a Certificate of Completion under this Agreement shall not be construed to relieve the Developer of any inspection or approval required

by any City department in connection with the construction, completion or occupancy of the Project nor shall it relieve the Developer of any other obligations under this Agreement.

Section 3.9. Encumbrance of the Development Property. Until the Final Payment Date, without the prior written consent of the City, neither the Developer nor any successor in interest to the Developer will engage in any financing or any other transaction creating any mortgage or other encumbrance or lien upon the Development Property, or portion thereof, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attach to the Development Property except for the purpose of obtaining funds only to the extent necessary for financing or refinancing the acquisition and construction of the Project (including, but not limited to, land and building acquisition, labor and materials, professional fees, development fees, real estate taxes, reasonably required reserves, construction interest, organization and other direct and indirect costs of development and financing, costs of constructing the Project, and an allowance for contingencies) including without limitation regulatory agreements and land use restriction agreements in connection with such financings; provided, however, this provision shall not be considered a waiver of the requirements of Section 5.3 with respect to any Transfer of the TIF Note in connection with any such financing or refinancing nor shall anything contained in this Section prohibit the Developer from making transfers in accordance with Section 5.3. The City hereby consents to any mortgages securing the Developer's construction financing for the Project and to the succession of the mortgagee thereunder (or any assignee of the mortgagee) or any purchasers at or after foreclosure thereof, by the successful bidder at the sale, to title to the Development Property, and to any other Permitted Encumbrances set forth in **Exhibit F**; provided, however, this provision shall not be considered a waiver of the requirements of Section 5.3 with respect to any Transfer of the TIF Note in connection with any such mortgage. Notwithstanding the foregoing, the TIF Note shall be terminated by the City in the event that any mortgagee (or any assignee of the mortgagee) or any purchasers at or after foreclosure thereof, by the successful bidder at the sale, to the title to the Development Property, terminates the Declaration, in accordance with its terms, or does not otherwise comply with the Declaration.

Section 3.10. Business Subsidy Act. The subsidy granted to the Developer pursuant to this Agreement is assistance for housing and therefore the provisions of Minnesota Statutes, Sections 116J.993 to 116J.995 do not apply. No portion of the tax increment assistance shall be used to construct any commercial space.

Section 3.11. Right to Collect Delinquent Taxes. The Developer acknowledges that the City is providing substantial aid and assistance in furtherance of the Project through reimbursement of Public Development Costs. To that end, the Developer agrees for itself, its successors and assigns, that in addition to the obligation pursuant to statute to pay real estate taxes, it is also obligated by reason of this Agreement, to pay before delinquency all real estate taxes assessed against the Development Property and the Project. The Developer acknowledges that this obligation creates a contractual right on behalf of the City through the Termination Date to sue the Developer or its successors and assigns, to collect delinquent real estate taxes related to the Development Property and any penalty or interest thereon and to pay over the same as a tax payment to the county auditor. In any such suit in which the City is the prevailing party, the City shall also be entitled to recover its costs, expenses and reasonable attorney fees.

Section 3.12. Review of Taxes.

(1) The Developer agrees that prior to the Termination Date it will not cause a reduction in the real property taxes paid in respect of the Development Property through: (i) willful destruction of the Development Property or any part thereof; or (ii) willful refusal to reconstruct damaged or destroyed property. Other than “4d(1)” classification as provided in the following paragraph, the Developer also agrees that it will not, prior to the Termination Date, apply for an exemption from or a deferral of property tax on the Development Property pursuant to any law, or transfer or permit transfer of the Development Property to any entity whose ownership or operation of the property would result in the Development Property being exempt from real property taxes under State law.

(2) In the event the Developer obtains designation of the Development Property as low income rental property classified as “4d(1)” under Minnesota Statutes, Section 273.13, subdivision 25, the Developer expressly agrees and acknowledges that the City will issue the TIF Note, or require the Developer to exchange the TIF Note for a replacement TIF Note if previously issued, in a principal amount determined based on revised projections of Pledged Tax Increments as calculated by the City or its tax increment financing consultant, taking into account the reduced present value of Tax Increments resulting from the change in classification and any payments previously made under the TIF Note. Notwithstanding the date the City determines the adjusted principal amount of the TIF Note, such adjustment will date back to the date on which any such change in classification affects Pledged Tax Increments.

(3) The Developer shall notify the City within 10 days of filing any petition to seek reduction in market value or property taxes on any portion of the Development Property under any State law (referred to as a “Tax Appeal”). If as of any Payment Date, any Tax Appeal is then pending, the City will withhold the Pledged Tax Increment until such Tax Appeal is fully resolved. The City will release any withheld amount for payment of the TIF Note to the extent not reduced as a result of the Tax Appeal promptly after the Tax Appeal is fully resolved and the amount of Pledged Tax Increment is finalized as determined by the City.

Section 3.13. City’s Sustainable Building Policy. The Developer agrees to comply with the City’s Sustainable Building Policy, in the form revised and adopted by the City Council on March 3, 2026, as Resolution 2026-028. The Developer’s plan to comply with this policy has been approved by the City and will be enforced in accordance with the Development Contract.

ARTICLE IV

EVENTS OF DEFAULT

Section 4.1. 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:

(1) Failure by the Developer to timely pay any ad valorem real property taxes assessed with respect to the Development Property.

(2) Subject to Unavoidable Delays, failure by the Developer to commence construction of the Project by December 31, 2026, and to proceed with due diligence to substantially complete the construction of the Project pursuant to the terms, conditions and limitations of this Agreement and obtain a certificate of occupancy from the City by June 1, 2028.

(3) Failure of the Developer to observe or perform any other material covenant, condition, obligation or agreement on its part to be observed or performed under the Declaration, the Development Contract, or this Agreement, including, without limitation, compliance with the requirements set forth in Section 3.3 hereof.

(4) If, prior to the Completion Date, the Developer shall

(a) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 1978, as amended or under any similar federal or state law; or

(b) be adjudicated as bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Developer, as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within 90 days after the filing thereof; or a receiver, trustee or liquidator of the Developer, or of the Project, or part thereof, shall be appointed in any proceeding brought against the Developer, and shall not be discharged within 90 days after such appointment, or if the Developer, shall consent to or acquiesce in such appointment.

Notwithstanding anything to the contrary set forth in this Agreement the lenders providing construction or permanent financing for the Project shall have the right, but not the obligation, to cure an Event of Default during the cure period provided for the Developer.

Section 4.2. Remedies on Default. Whenever any Event of Default referred to in Section 4.1 occurs and is continuing, the City, as specified below, may take any one or more of the following actions after the giving of 30 days’ written notice to the Developer, but only if the Event of Default has not been cured within said 30 days; provided that if such Event of Default cannot be reasonably cured within the 30 day period, and the Developer has provided assurances reasonably satisfactory to the City that it is proceeding with due diligence to cure such default, such 30 day cure period shall be extended for a period deemed reasonably necessary by the City to effect the cure, but in any event not to exceed 180 days:

(1) The City may suspend its performance under this Agreement and the TIF Note until such default is cured or the City determines that it has received assurances from the Developer, deemed reasonably adequate by the City, that the Developer will cure its default and continue its performance under this Agreement. Interest on the TIF Note shall not accrue during the period of any suspension of payment.

(2) The City may terminate this Agreement and/or cancel the TIF Note.

(3) The City may take any action, including legal or administrative action, in law or equity, which may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant of the Developer under this Agreement.

Notwithstanding anything to the contrary set forth in this Agreement the lenders providing construction or permanent financing for the Project shall have the right, but not the obligation, to cure an Event of Default during the cure period provided for the Developer.

Section 4.3. 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 such 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 4.4. No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 4.5. Indemnification of City.

(1) The Developer releases from and covenants and agrees that the City, and its governing bodies' members, officers, agents, including the independent contractors, consultants and legal counsel, servants and employees thereof (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 occurring at or about or resulting from any defect in the Project, or any other loss, cost expense, or penalty, except to the extent caused by any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties.

(2) Except for any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties or willful breach by the City of its obligations under this Agreement, the Developer agrees to protect and defend the Indemnified Parties, now and forever, and further agrees to hold the Indemnified Parties harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from the actions or inactions of the Developer (or if other persons acting on its behalf or under its direction or control) under this Agreement, or the transactions contemplated hereby or the acquisition,

construction, installation, ownership, and operation of the Project; including, without limitation, any pecuniary loss or penalty (including interest thereon at the rate of 5% per annum from the date such loss is incurred or penalty is paid by the City) as a result of the Project failing to cause the TIF District to qualify as a “housing district” under Section 469.174, Subdivision 11, of the Act, or to violate limitations as to the use of Tax Increments as set forth in Section 469.176, subd. 4d.

(3) All covenants, stipulations, promises, agreements and obligations of 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, as the case may be.

Section 4.6. Reimbursement of Attorneys’ Fees. If an Event of Default referred to in Section 4.1 occurs, and the City shall employ attorneys or incur other reasonable expenses for the collection of payments due hereunder, or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer contained in this Agreement, the Developer will within 30 days reimburse the City for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

ARTICLE V

ADDITIONAL PROVISIONS

Section 5.1. Restrictions on Use. The Developer agrees for itself, its successors and assigns and every successor in interest to the Development Property, or any part thereof, that the Developer and such successors and assigns shall operate, or cause to be operated, the Project as an affordable multifamily townhome rental housing development in accordance with this Agreement and the Declaration until the end of the Qualified Project Period.

Section 5.2. Reports. The Developer shall provide the City reports in a timely manner with such information about the Project as the City may reasonably request for purposes of satisfying any reporting requirements imposed by law on the City.

Section 5.3. Limitations on Transfer and Assignment.

(1) Except as provided in Sections 3.9 and 5.3(4), the Developer will not sell, assign, convey, lease or transfer in any other mode or manner (collectively, "Transfer") this Agreement, the TIF Note, or the Development Property or the Project, or any interest therein, without the express written approval of the City, which consent will not be unreasonably withheld, conditioned or delayed. The City shall, within 20 days after such a written request for approval of a Transfer, deliver a written statement to the Developer indicating whether the Transfer is approved or specifying the additional conditions to be satisfied in accordance with Section 5.3(2). The provisions of this Section 5.3 apply to all subsequent Transfers by authorized transferees;

(2) The City shall be entitled to require, as conditions to any approval of any Transfer of this Agreement, the Development Property, the Project, or the TIF Note in connection therewith, which approval will not be unreasonably withheld, conditioned or delayed, that:

(a) 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 the Developer;

(b) Any proposed transferee, by instrument in writing satisfactory to the City shall, for itself and its successors and assigns, and expressly for the benefit of the City have expressly assumed any of the remaining obligations of the Developer under this Agreement and agreed to be subject to all the conditions and restrictions to which the Developer is subject;

(c) There shall be submitted to the City for review all instruments and other legal documents involved in effecting transfer, and if approved by City, its approval shall be indicated to the Developer in writing;

(d) Any proposed transferee of the TIF Note shall (i) execute and deliver to the City the Acknowledgment Regarding TIF Note in the form included in **Exhibit 2** to the TIF Note and (ii) surrender the TIF Note to the City either in exchange for a new fully registered note or for transfer of the TIF Note on the registration records for the TIF Note maintained by the City;

(e) The Developer and its transferees shall comply with such other conditions as are necessary in order to achieve and safeguard the purposes of the Act, the TIF Act and this Agreement; and

(f) In the absence of a specific written agreement by the City to the contrary, no such transfer or approval by the City thereof shall be deemed to relieve the Developer or any other party bound in any way by this Agreement or otherwise with respect to the construction of the Project, from any of its obligations with respect thereto.

(3) The Developer agrees to pay all reasonable legal fees and expenses of the City, including fees of the City Attorney's office and outside counsel retained by the City to review the documents submitted to the City in connection with any Transfer.

(4) Nothing contained in this Section shall prohibit the Developer from (i) entering into leases with tenants in the ordinary course of business, or (ii) entering into easements or other agreements necessary for the operation of the Project.

Section 5.4. Conflicts of Interest. No member of the governing body or other official of the City shall have any financial interest, direct or indirect, in this Agreement, the Development Property or the Project, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the City shall be personally liable to the City in the event of any default or breach by the Developer or successor or on any obligations under the terms of this Agreement.

Section 5.5. 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 its provisions.

Section 5.6. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by any party to any other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and

(a) in the case of the Developer is addressed to or delivered personally to:

Harvest Hills Townhomes, LLC
704 Parkway Avenue, Minnesota
Eagle Lake, Minnesota 56024
Attn: Troy Schrom

With copies to: _____

(b) in the case of the City is addressed to or delivered personally to the City at:
City of Northfield, Minnesota
801 Washington Street
Northfield, Minnesota 55057
Attn: City Administrator

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

Section 5.7. No Additional Waiver Implied by One Waiver. If any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 5.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 5.9. Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 5.10. Term; Termination. Except as provided in the Declaration, and unless this Agreement is terminated earlier in accordance with its terms this Agreement shall terminate on the Termination Date. After the Termination Date, if requested by the Developer, the City will provide a termination certificate as to the Developer's obligations hereunder.

Section 5.11. Provisions Surviving Rescission, Expiration or Termination. Sections 4.5 and 4.6 shall survive any rescission, termination or expiration of this Agreement with respect to or arising out of any event, occurrence or circumstance existing prior to the date thereof.

Section 5.12. Superseding Effect. This Agreement reflects the entire agreement of the parties with respect to the development of the Development Property, and supersedes in all respects all prior agreements of the parties, whether written or otherwise, with respect to the development of the Development Property.

Section 5.13. Relationship of Parties. Nothing in this Agreement is intended, or shall be construed, to create a partnership or joint venture among or between the parties hereto, and the rights and remedies of the parties hereto shall be strictly as set forth in this Agreement. All covenants, stipulations, promises, agreements and obligations of 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.

Section 5.14. Venue. All matters, whether sounding in tort or in contract, relating to the validity, construction, performance, or enforcement of this Agreement shall be controlled by and determined in accordance with the laws of the State of Minnesota, and the Developer agrees that all legal actions initiated by the Developer or City with respect to or arising from any provision

contained in this Agreement shall be initiated, filed and venued exclusively in the State of Minnesota, Rice County, District Court and shall not be removed therefrom to any other federal or state court.

Section 5.15. Interpretation; Concurrence. The language in this Agreement shall be construed simply according to its generally understood meaning, and not strictly for or against any party and no interpretation shall be affected by which party drafted any part of this Agreement. By executing this Agreement, the parties acknowledge that they (a) enter into and execute this Agreement knowingly, voluntarily and willingly of their own volition with such consultation with legal counsel as they deem appropriate; (b) have had a sufficient amount of time to consider this Agreement's terms and conditions, and to consult an attorney before signing this Agreement; (c) have read this Agreement, understand all of its terms, appreciate the significance of those terms and have made the decision to accept them as stated herein; and (d) have not relied upon any representation or statement not set forth herein.

IN WITNESS WHEREOF, the City has caused this Agreement to be duly executed in its name and on its behalf, and the Developer has caused this Agreement to be duly executed in its name and on its behalf, on or as of the date first above written.

CITY OF NORTHFIELD, MINNESOTA

By _____
Its Mayor

By _____
Its Administrator

This is a signature page to the TIF Assistance Agreement.

HARVEST HILLS TOWNHOMES, LLC a
Minnesota limited liability company

By: _____
Name: _____
Its: _____

This is a signature page to the TIF Assistance Agreement.

EXHIBIT A

DESCRIPTION OF TIF DISTRICT

The area encompassed by the TIF District shall also include all street or utility right-of-ways located upon or adjacent to the property described below.

A portion of Outlot A, Harvest Hills, Rice County, Minnesota (PID: 22.12.4.26.022) to be replatted as:

[insert legal description]

EXHIBIT B

LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY

A portion of Outlot A, Harvest Hills, Rice County, Minnesota (PID: 22.12.4.26.022) to be replatted as:

[insert legal description]

EXHIBIT C

PUBLIC DEVELOPMENT COSTS

Land acquisition (up to 53.4% of the cost of the property in the TIF District)

Site grading and improvements (up to 53.4% of such cost in the TIF District)

Street and trail improvements (up to 53.4% of such cost in the TIF District)

Underground and above ground utilities (up to 53.4% of such cost in the TIF District)

Any additional sitework, soil correction, public infrastructure, permits, fees or other public improvement costs eligible for reimbursement under the TIF Act which are directly attributable to the affordable rental housing Project on the Development Property

EXHIBIT D

FORM OF TAXABLE TIF NOTE

No. R-1

[\$1,915,000]

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTIES OF RICE AND DAKOTA
CITY NORTHFIELD, MINNESOTA
TAXABLE TAX INCREMENT REVENUE NOTE
(HARVEST HILLS TOWNHOMES PROJECT)

_____, 20____

The City of Northfield, Minnesota (the “City”), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay the amounts hereinafter described (the “Payment Amounts”) to Harvest Hills Townhomes, LLC, a Minnesota limited liability company or its registered assigns (the “Registered Owner”), the principal amount of [_____] **and 00/100 Dollars (\$1,915,000)**, but only in the manner, at the times, from the sources of revenue, and to the extent hereinafter provided.

This Note is issued pursuant to that certain TIF Assistance Agreement, dated as of [_____] 2026, as the same may be amended from time to time (the “TIF Assistance Agreement”), by and between the City and Harvest Hills Townhomes, LLC. (the “Developer”). Unless otherwise defined herein or unless context requires otherwise, undefined terms used herein shall have the meanings set forth in the TIF Assistance Agreement.

This Note shall bear simple, non-compounding interest at the rate equal to the lesser of 6.00% per annum or the rate per annum on the Developer’s construction financing for the Project; provided that no interest shall accrue on this Note during any period that an Event of Default has occurred, and such Event of Default is continuing, under the TIF Assistance Agreement and City has exercised its remedy under the TIF Assistance Agreement to suspend payment on the Note. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The amounts due under this Note shall be payable on August 1, 2028 and on each February 1 and August 1 thereafter to and including the earlier of the earliest of (i) the date on which the entire principal and accrued interest on the TIF Note has been paid in full; or (ii) February 1, 2048; or (iii) any earlier date the TIF Assistance Agreement or this Note is cancelled in accordance with the terms of the TIF Assistance Agreement or deemed paid in full; or (iv) the February 1 following the date the TIF District is terminated in accordance with the TIF Act (the “Final Payment Date”) or, if the first should not be a Business Day (as defined in the TIF Assistance Agreement) the next succeeding Business Day (collectively, the “Payment Dates”). On each Payment Date, the City shall pay by check or draft mailed to the person that was the Registered Owner of this Note at the close of the last business day preceding such Payment Date an amount equal to 95% of the Tax Increments (as hereinafter defined) received by the City during the 6-month period preceding such

Payment Date (“Pledged Tax Increments”). “Tax Increments” are the tax increments derived from the Development Property (as defined in the TIF Assistance Agreement) and the improvements thereon which have been received and are permitted to be retained by the City in accordance with the Minnesota Statutes, Sections 469.174 through 469.1794, as the same may be amended or supplemented from time to time (the “TIF Act”) including, without limitation, Minnesota Statutes, Section 469. 469.177; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time. Payments on this Note shall be payable solely from the Pledged Tax Increments. All payments made by the City under this Note shall first be applied to accrued interest and then to principal. If Pledged Tax Increments are insufficient to pay any accrued interest due, such unpaid interest shall be carried forward without interest.

This Note shall terminate and be of no further force and effect following the Final Payment Date defined above, or any date upon which the City shall have terminated the TIF Assistance Agreement under Section 4.2 thereof or on the date that all principal and interest payable hereunder shall have been or deemed paid in full, whichever occurs earliest. This Note may be prepaid in whole or in part at any time without penalty.

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

The City’s payment obligations hereunder shall be subject to adjustment pursuant to Section 3.12(3) of the TIF Agreement and are further subject to the conditions that (i) no Event of Default under Section 4.1 of the TIF Assistance Agreement shall have occurred and be continuing at the time payment is otherwise due hereunder, including without limitation failure to obtain the Compliance Certificate in accordance with Section 3.3 of the TIF Assistance Agreement and deliver the Declaration (as defined therein), and (ii) the TIF Assistance Agreement shall not have been terminated pursuant to Section 4.2 of the TIF Agreement, and (iii) all conditions set forth in Section 3.2(2) of the TIF Assistance Agreement have been satisfied as of such date. Any such suspended and unpaid amounts shall become payable, without interest accruing thereon in the meantime, if this Note has not been terminated in accordance with Section 4.2 of the TIF Assistance Agreement and said Event of Default shall thereafter have been cured in accordance with such Section 4.2. If pursuant to the occurrence of an Event of Default under the TIF Assistance Agreement the City elects, in accordance with the TIF Assistance Agreement to cancel and rescind the TIF Assistance Agreement and/or this Note, the City shall have no further debt or obligation under this Note whatsoever. Reference is hereby made to all of the provisions of the TIF Assistance Agreement, for a fuller statement of the rights and obligations of the City to pay the principal of this Note and the interest thereon, and said provisions are hereby incorporated into this Note as though set out in full herein.

THIS NOTE IS A SPECIAL, LIMITED REVENUE OBLIGATION AND NOT A GENERAL OBLIGATION OF THE CITY AND IS PAYABLE BY THE CITY ONLY FROM THE SOURCES AND SUBJECT TO THE QUALIFICATIONS STATED OR REFERENCED HEREIN. THIS NOTE IS NOT A GENERAL OBLIGATION OF THE

CITY, AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS NOTE AND NO PROPERTY OR OTHER ASSET OF THE CITY, SAVE AND EXCEPT THE ABOVE-REFERENCED PLEDGED TAX INCREMENTS, IS OR SHALL BE A SOURCE OF PAYMENT OF THE CITY'S OBLIGATIONS HEREUNDER.

The Registered Owner shall never have or be deemed to have the right to compel any exercise of any taxing power of the City or of any other public body, and neither the City nor any person executing or registering this Note shall be liable personally hereon by reason of the issuance or registration thereof or otherwise.

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

This Note may be assigned only as provided in Section 5.3 of the TIF Assistance Agreement and subject to the assignee executing and delivering to the City the Acknowledgment Regarding TIF Note in the form included in **Exhibit 2**. Additionally, in order to assign the Note, the assignee shall surrender the same to the City either in exchange for a new fully registered note or for transfer of this Note on the registration records maintained by the City for the Note. Each permitted assignee shall take this Note subject to the foregoing conditions and subject to all provisions stated or referenced herein.

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

IN WITNESS WHEREOF, the City of Northfield, Minnesota by its City Council, has caused this Note to be executed by the manual signatures of its Mayor and City Administrator and has caused this Note to be issued on and dated as of the date first written above.

CITY OF NORTHFIELD, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

Signature Page for Tax Increment Revenue Note (Harvest Hills Townhomes Project)

CERTIFICATION OF REGISTRATION

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

NAME AND ADDRESS OF <u>REGISTERED OWNER</u>	DATE OF <u>REGISTRATION</u>	SIGNATURE OF <u>CITY FINANCE</u> <u>DIRECTOR</u>
Harvest Hills Townhomes, LLC. 704 Parkway Avenue, Minnesota Eagle Lake, Minnesota 56024 Attn: Troy Schrom	_____, 20__	_____

_____	_____, 20__	_____

_____	_____, 20__	_____

**Exhibit 1
to Taxable TIF Note**

RISK FACTORS

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

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

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

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

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

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

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

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

“compress” the difference between the tax capacity rates applicable to residential homestead properties and commercial and industrial properties.

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

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

10. Affordable Housing Declaration. The TIF District will cease to qualify as a housing tax increment financing district and the TIF Note will terminate if the Project ceases to be operated in accordance with the Declaration required by and defined in the TIF Assistance Agreement defined in the attached Note.

Exhibit 2
to Taxable TIF Note

ACKNOWLEDGMENT REGARDING TIF NOTE

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

A. On the date hereof the Note Holder has [acquired from]/[made a loan (the “Loan”) [to/for the benefit] of] Harvest Hills Townhomes, LLC. (the “Developer”) [secured in part by] the Taxable Tax Increment Revenue Note (Harvest Hills Townhomes Project), a pay-as-you-go tax increment revenue note (the “Note”) in the original principal amount of up to [\$1,915,000] [dated _____, 20__ of]/[to be] issued by the City of Northfield, Minnesota (the “City”) in accordance with that certain TIF Assistance Agreement between the City and the Developer dated _____, 2026 (“TIF Assistance Agreement”).

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

C. The Note Holder represents and warrants that:

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

2. The Note Holder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of acquiring [the Note]/[an interest in the Note as collateral for the Loan].

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

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

5. The Note Holder is [a bank or other financial institution] / [the owner of the property from which the tax increments which are pledged to the Note are generated].

D. The Note Holder understands that the Note is payable solely from certain tax increments derived from certain properties located in a tax increment financing district, if and as received by the City. The Note Holder acknowledges that the City has made no representation or covenant, express or implied, that the revenues pledged to pay the Note will be sufficient to pay,

in whole or in part, the principal and interest due on the Note. Any amounts which have not been paid on the Note on or before the final maturity date of the Note shall no longer be payable, as if the Note had ceased to be an obligation of the City. The Note Holder understands that the Note will never represent or constitute a general obligation, debt or bonded indebtedness of the City, the State of Minnesota, or any political subdivision thereof and that no right will exist to have taxes levied by the City, the State of Minnesota or any political subdivision thereof for the payment of principal and interest on the Note.

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

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

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

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

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

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

6. Reductions in Taxes Levied. If property taxes are reduced due to decreased municipal levies, taxes and tax increments will be reduced. Reasons for such reduction could include lower local expenditures or changes in state aids to municipalities. For instance, in 2001 the Minnesota Legislature enacted an education funding reform that

involved the state increasing school aid in lieu of the local general education levy (a component of school district tax levies).

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

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

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

10. Affordable Housing Declaration. The TIF District will cease to qualify as a housing tax increment financing district and the TIF Note will terminate if the Project ceases to be operated in accordance with the Declaration required by and defined in the TIF Assistance Agreement defined below.

F. The Note Holder acknowledges that the Note was issued pursuant to the TIF Assistance Agreement, and that the City has the right to suspend payments under this Note and/or terminate the Note upon an Event of Default under the TIF Assistance Agreement.

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

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

Note Holder:

By _____
Name: _____
Its _____

EXHIBIT E

DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS, dated _____, 2026 (the “Declaration”), by HARVEST HILLS TOWNHOMES, LLC, a Minnesota limited liability company (the “Developer”), is given for the benefit of the CITY OF NORTHFIELD, MINNESOTA, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (the “City”).

RECITALS

WHEREAS, the City and the Developer entered into that certain TIF Assistance Agreement, dated [____], 2026, (the “TIF Agreement”); and

WHEREAS, pursuant to the TIF Agreement, the Developer is obligated to cause construction of an approximately 38-unit affordable multifamily townhome rental housing development, and all related amenities and improvements (the “Project”) on the property described in **EXHIBIT A** hereto (the “Property”), and to cause compliance with certain affordability covenants described in Section 3.3 of the TIF Agreement; and

WHEREAS, Section 3.3 of the TIF Agreement requires that the Developer cause to be executed an instrument in recordable form substantially reflecting the covenants set forth in Section 3.3 of the TIF Agreement; and

WHEREAS, the Developer intends, declares, and covenants that the restrictive covenants set forth herein will be and are covenants running with the Property for the term described herein and binding upon all subsequent owners of the Property for the term described herein, and are not merely personal covenants of the Developer; and

WHEREAS, capitalized terms in this Declaration have the meaning provided in the TIF Agreement unless otherwise defined herein.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Developer agrees as follows:

1. Term of Restrictions.

(a) Occupancy Restrictions. The term of the Occupancy Restrictions set forth in Section 3 of this Declaration will commence on the date a certificate of occupancy is received from the City for all residential units on the Property and continue through the Termination Date defined below (the “Qualified Project Period”).

(b) Termination of Declaration. This Declaration shall terminate on December 31 of the year in which the TIF District is terminated in accordance with the TIF Act which is expected to be December 31, 2053, unless earlier terminated in accordance with the following paragraph.

In addition, in the event of foreclosure or transfer of title by deed in lieu of foreclosure, upon completion of the foreclosure and expiration of the applicable redemption period, or recording of a deed in lieu of foreclosure, any mortgagee (or any assignee of the mortgagee) or any purchasers at or after foreclosure thereof, by the successful bidder at the sale, to the title to the Development Property, may terminate this Declaration, by providing written notice to the City and by filing a termination document in the applicable real property records in Rice County, and thereafter this Declaration shall be of no further force and effect; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of this Declaration as the result of the foreclosure, or the delivery of a deed in lieu of foreclosure, or a similar event, the Developer or any related person (within the meaning of Section 1.103-10(e) of the Treasury Regulations) obtains an ownership interest in the Project for federal income tax purposes.

Each of the events set forth in the first two paragraphs of this Section 1(b) are referred to individually and collectively herein as the “Termination Date”. The Developer acknowledges, on behalf of itself and its successors and assigns that, upon any termination of this Declaration prior to the payment in full of the TIF Note, the City will terminate the TIF Note.

(c) Removal from Real Estate Records. After the Termination Date of this Declaration, the City will, upon request by the Developer or its assigns, file any document appropriate to remove this Declaration from the real estate records of Rice County, Minnesota.

2. Project Restrictions.

(a) The Developer represents, warrants, and covenants that:

(i) All leases of residential units to Qualifying Tenants (as defined in Section 3(a)(i) hereof) will contain clauses, among others, wherein each individual lessee:

(1) Certifies the accuracy of the statements made in its application and Eligibility Certification (as defined in Section 3(a)(ii) hereof); and

(2) Agrees that the family income at the time the lease is executed will be deemed a substantial and material obligation of the lessee’s tenancy; that the lessee will comply promptly with all requests for income and other information relevant to determining low or moderate income status from the Developer or the City, and that the lessee’s failure or refusal to comply with a request for information with respect thereto will be deemed a violation of a substantial obligation of the lessee’s tenancy.

(b) The Developer will permit any duly authorized representative of the City to inspect the books and records of the Developer pertaining to the income of Qualifying Tenants residing in the Project.

3. Occupancy Restrictions. The Developer represents, warrants, and covenants that:

(a) Qualifying Tenants. Throughout the Qualified Project Period, at least 20% (i.e. at least 8) of the residential units will be occupied (or treated as occupied as provided herein) or held vacant and available for occupancy by Qualifying Tenants. “Qualifying Tenants” means those persons and families who are determined from time to time by the Developer to have combined adjusted income that does not exceed 50% of the median income for the standard metropolitan statistical area which includes Northfield, Minnesota, as that figure is determined and announced from time to time by HUD, as adjusted for family size (the “Median Income”) for the applicable calendar year. For purposes of this definition, the occupants of a residential unit will not be deemed to be Qualifying Tenants if all the occupants of such residential unit at any time are “students,” as defined in Section 152(f)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), not entitled to an exemption under the Code. The determination of whether an individual or family is of low or moderate income will be made at the time the tenancy commences and on an ongoing basis thereafter, determined at least annually. If during their tenancy a Qualifying Tenant’s income exceeds 140% of the Median Income, the next available residential unit (determined in accordance with the Code and applicable regulations) (the “Next Available Unit Rule”) must be leased to a Qualifying Tenant or held vacant and available for occupancy by a Qualifying Tenant. If the Next Available Unit Rule is violated, the residential unit will not continue to be treated as a Qualifying Unit.

(b) Certification of Tenant Eligibility. As a condition to initial and continuing occupancy, each person who is intended to be a Qualifying Tenant will be required annually to sign and deliver to the Developer a Certification of Tenant Eligibility substantially in the form attached as **EXHIBIT B** hereto, or in any other form as may be approved by the City (the “Eligibility Certification”), in which the prospective Qualifying Tenant certifies as to having a qualifying low or moderate income. In addition, the Qualifying Tenant will be required to provide whatever other information, documents, or certifications are deemed necessary by the City to substantiate the Eligibility Certification, on an ongoing annual basis, and to verify that the tenant continues to be a Qualifying Tenant within the meaning of Section 3(a) hereof. Eligibility Certifications will be maintained on file by the Developer until the later of (i) December 31, 2055 or (ii) two years after the date the TIF District is terminated in accordance with the TIF Act with respect to each Qualifying Tenant who resides in a residential unit or resided therein during the Qualified Project Period.

(c) Lease. The form of lease to be utilized by the Developer in renting any residential units in the Project to any person who is intended to be a Qualifying Tenant will provide for termination of the lease and consent by the person to immediate eviction for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by the person with respect to the Eligibility Certification.

(d) Annual Report. The Developer covenants and agrees that during the term of this Declaration, it will prepare and submit to the City on or before July 1 of each year, a certificate substantially in the form of **EXHIBIT C** hereto, executed by the Developer, (a) identifying the tenancies and the dates of occupancy (or vacancy) for all Qualifying Tenants in the Project, including the percentage of the residential units of the Project which were occupied by Qualifying Tenants (or held vacant and available for occupancy by Qualifying Tenants) at all times during the year preceding

the date of the certificate; (b) describing all transfers or other changes in ownership of the Project or any interest therein; and (c) stating, that to the best knowledge of the person executing the certificate after due inquiry, all the residential units were rented or available for rental on a continuous basis during the year to members of the general public and that the Developer was not otherwise in default under this Declaration during the year.

(e) Notice of Non-Compliance. The Developer will immediately notify the City if at any time during the term of this Declaration fewer dwelling units in the Project than the percentage set forth in Section 3(a) above are occupied or available for occupancy as required by the terms of this Declaration.

4. Transfer Restrictions. Except as provided in Section 1(b) above, the Developer covenants and agrees that the Developer will cause or require as a condition precedent to any conveyance, transfer, assignment, or any other disposition of the Project prior to the termination of the Occupancy Restrictions provided herein (the "Transfer") that the transferee of the Project pursuant to the Transfer assume in writing, in a form acceptable to the City, all duties and obligations of the Developer under this Declaration, including this Section 4, in the event of a subsequent Transfer by the transferee prior to expiration of the Occupancy Restrictions provided herein (the "Assumption Agreement"). The Developer will deliver the Assumption Agreement to the City prior to the Transfer.

5. Enforcement.

(a) The Developer will permit, during normal business hours and upon reasonable notice, any duly authorized representative of the City to inspect any books and records of the Developer regarding the Project with respect to the incomes of Qualifying Tenants.

(b) The Developer will submit any other information, documents or certifications requested by the City which the City deems reasonably necessary to substantiate the Developer's continuing compliance with the provisions specified in this Declaration.

(c) The Developer acknowledges that the primary purpose for requiring compliance by the Developer with the restrictions provided in this Declaration is to ensure compliance of the property with the housing affordability covenants set forth in Section 3.3 of the TIF Agreement, and by reason thereof, the Developer, in consideration for assistance provided by the City under the TIF Agreement that makes possible the construction of the Project (as defined in the TIF Agreement) on the Property, hereby agrees and consents that the City will be entitled, after the giving of 30 days' written notice to the Developer, but only if the breach has not been cured within said 30 days, for any breach of the provisions of this Declaration, and in addition to all other remedies provided by law or in equity, to enforce specific performance by the Developer of its obligations under this Declaration in a state court of competent jurisdiction. The Developer hereby further specifically acknowledges that the City cannot be adequately compensated by monetary damages in the event of any default hereunder.

(d) The Developer understands and acknowledges that, in addition to any remedy set forth herein for failure to comply with the restrictions set forth in this Declaration, the City may exercise any remedy available to it under Article IV of the TIF Agreement in accordance with the terms thereof.

6. Indemnification. The Developer hereby indemnifies, and agrees to defend and hold harmless, the City from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees and expenses), causes of action, suits, allegations, claims, demands, and judgments of any nature arising from the consequences of a legal or administrative proceeding or action brought against them, or any of them, on account of any failure by the Developer to comply with the terms of this Declaration, or on account of any representation or warranty of the Developer contained herein being untrue.

7. Agent of the City. The City will have the right to appoint an agent to carry out any of its duties and obligations hereunder, and will inform the Developer of any agency appointment by written notice.

8. Severability. The invalidity of any clause, part or provision of this Declaration will not affect the validity of the remaining portions thereof.

9. Notices. All notices to be given pursuant to this Declaration must be in writing and will be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to any other place as a party may from time to time designate in writing. The Developer and the City may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications are sent. The initial addresses for notices and other communications are as follows:

To the City:

City of Northfield, Minnesota
801 Washington Street
Northfield, Minnesota 55057
Attn: City Administrator

To the Developer:

Harvest Hills Townhomes, LLC
704 Parkway Avenue, Minnesota
Eagle Lake, Minnesota 56024
Attn: Troy Schrom

With copies to: _____

10. Governing Law. This Declaration is governed by the laws of the State of Minnesota and, where applicable, the laws of the United States of America.

11. Attorneys' Fees. In case any action at law or in equity, including an action for declaratory relief, is brought against the Developer to enforce the provisions of this Declaration, the Developer agrees to pay the reasonable attorneys' fees and other reasonable expenses paid or incurred by the City in connection with the action.

12. Declaration Binding. This Declaration and the covenants contained herein will run with the real property comprising the Project and will bind the Developer and its successors and assigns and all subsequent owners of the Project or any interest therein, and the benefits will inure to the City and its successors and assigns until the Termination Date of this Declaration as provided in Section 1(b) hereof.

IN WITNESS WHEREOF, the Developer has caused this Declaration of Restrictive Covenants to be signed by its respective duly authorized representatives, as of the day and year first written above.

HARVEST HILLS TOWNHOMES, LLC.

By: _____

Name: _____

Its: _____

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____, 2026, by _____, the _____ of Harvest Hills Townhomes, LLC, a Minnesota limited liability company.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
KUTAK ROCK, LLP (JSB)
60 South Sixth Street
Suite 3400
Minneapolis, Minnesota 55402

This Declaration is acknowledged and consented to by:

CITY OF NORTHFIELD, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

STATE OF MINNESOTA)
) SS.
COUNTY OF RICE)

The foregoing instrument was acknowledged before me this _____, 2026, by _____, the Mayor of the City of Northfield, Minnesota a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, on behalf of said municipality.

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF RICE)

The foregoing instrument was acknowledged before me this _____, 2026, by _____, the City Administrator of the City of Northfield, Minnesota, a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, on behalf of said municipality.

Notary Public

EXHIBIT A TO DECLARATION OF RESTRICTIVE COVENANTS

Legal Description

A portion of Outlot A, Harvest Hills, Rice County, Minnesota (PID: 22.12.4.26.022) to be replatted as:

[insert legal description]

EXHIBIT B TO DECLARATION OF RESTRICTIVE COVENANTS

Certification of Tenant Eligibility

TENANT INCOME CERTIFICATION ☐ Initial Certification ☐ Recertification ☐ Other _____	Effective Date: _____ Move-in Date: _____ (MM/DD/YY): _____
--	---

PART I. DEVELOPMENT DATA

Property Name: Harvest Hills Apartments Address: _____, Northfield, Minnesota	County: Rice Unit Number: _____	BIN #: _____ # Bedrooms: _____
--	---------------------------------------	---

PART II. HOUSEHOLD COMPOSITION

HH Br #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Br #	(A) Employment or Wages	(B) Soc. Security / Pensions	(C) Public Assistance	(D) Other Income
TOTAL	\$	\$	\$	\$
Add totals from (A) through (D) above			TOTAL INCOME (E):	\$

PART IV. INCOME FROM ASSETS				
HH Mbr#	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			\$	\$
Enter Column (H) Total Passbook Rate if over \$5,000 \$ _____ x 2.00 % = (J) Imputed Income				\$
Enter the greater of the total column I, or J: imputed income TOTAL INCOME FROM ASSETS (K)				\$
(L) Total Annual Household Income from all sources [Add (E) + (K)]				\$

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full-time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____ Signature	_____ (Date)	_____ Signature	_____ (Date)
_____ Signature	_____ (Date)	_____ Signature	_____ (Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY			
TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES From Item (L) on page 1	\$	Household Meets Income Restriction at: ☐ 60% ☐ 50% ☐ 40% ☐ 30% ☐ ____%	RECERTIFICATION ONLY: Current Income Limit x 140% \$ _____ Household income exceeds 140% at recertification: ☐ Yes ☐ No Household Size at Move-in: _____
Current Income Limit per Family Size:	\$ _____		
Household Income at Move-in \$ _____			

PART VI. RENT

Not Applicable

PART VII. STUDENT STATUSARE ALL OCCUPANTS FULL-TIME
STUDENTS?☐ yes ☐ noIf yes, enter student explanation**
(also attach documentation)Enter
1-4

Student explanation:

1. TANF assistance
2. Job training program
3. Single parent/dependent child
4. Married/joint return*

Exception for married/joint return is the only exception available for units necessary to qualify tax-exempt bonds.*PART VIII. PROGRAM TYPE**

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification

a. Tax Credit ☐ b. HOME ☐ c. Tax Exempt ☐ d. AHDP ☐ e. _____ ☐
(Name of Program)

See Part V above.

Income Status

☐ ≤ 50% AMGI
☐ ≤ 60% AMGI
☐ ≤ 80% AMGI
☐ ≤ OI **

Income Status

☐ 50% AMGI
☐ 60% AMGI
☐ 80% AMGI
☐ OI **

Income Status

☐ ≤ 50% AMGI
☐ ≤ 80% AMGI
☐ ≤ OI **

Income Status

☐ _____
☐ _____
☐ ≤ OI **

** Upon recertification, household was determined over income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER / REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible Declaration of Restrictive Covenants, to live in a unit in this Project.

SIGNATURE OF OWNER / REPRESENTATIVE_____
DATE

INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I – Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
Property Name	Enter the name of the development.
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
Address	Enter the unit number.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II – Household Composition

List all occupants of the unit. State each household member's relationship to the head of the household by using one of the following coded definitions:

H	Head of household	S	Spouse
A	Adult co-tenant	O	Other family member
C	Child	F	Foster child
L	Live-in caretaker	N	None of the above

Enter the date of birth, student status, and Social Security number or alien registration number for each occupant.

If there are more than seven occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III – Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the 12 months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.)
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D) above. Enter this amount.

Part IV – Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the 12 months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
Column (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).

TOTALS Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

Row (K) Enter the Greater of the total in Column (I) or (J)

Row (L) Total Annual Household Income from All Sources Add (E) and (K) and enter the total

EXHIBIT C TO DECLARATION OF RESTRICTIVE COVENANTS

Certificate of Continuing Program Compliance

Date: _____

The following information with respect to the Project located at _____, Northfield, Minnesota (the "Project"), is being provided by Harvest Hills Townhomes, LLC (the "Owner") to the City of Northfield, Minnesota (the "City"), pursuant to that certain Declaration of Restrictive Covenants, dated [____], 2026 (the "Declaration"), with respect to the Project:

(A) The total number of residential units which are available for occupancy is 38. The total number of these units occupied is _____.

(B) The vacancy rate at the Project in the last 12 months is ____%.

(C) The following residential units which are included in (B) above, have been re-designated as residential units for Qualifying Tenants since _____, 20____, the date on which the last "Certificate of Continuing Program Compliance" was filed with the City by the Owner:

Unit Number	Previous Designation of Unit (if any)	Replacing Unit Number
_____	_____	_____
_____	_____	_____

(D) The following residential units are considered to be occupied by “Qualifying Tenants,” as the term is defined in the Declaration based on the information set forth below (for a total of 5 units):

	Unit Number	Last Name of Tenant	Number of Persons Residing in the Unit	Number of Bedrooms	Total Adjusted Gross Income	Date of Initial Occupancy	Date Vacated and Held for Qualifying Tenants, if Applicable
1							
2							
3							
4							
5							

(E) The Owner has obtained a “Certification of Tenant Eligibility,” in the form provided as **EXHIBIT B** to the Declaration, from each Tenant named in (D) above, and each such Certificate is being maintained by the Owner in its records with respect to the Project. Attached hereto is the most recent “Certification of Tenant Eligibility” for each Tenant named in (D) above who signed such a Certification since _____, 20____, the date on which the last “Certificate of Continuing Program Compliance” was filed with the City by the Owner.

(F) In renting the residential units in the Project, the Owner has not given preference to any particular group or class of persons (except for persons who qualify as Qualifying Tenants); and none of the units listed in (D) above have been rented for occupancy entirely by students, no one of which is entitled to file a joint return for federal income tax purposes. All of the residential units in the Project have been rented pursuant to a written lease, and the term of each lease is at least 12 months.

(G) The information provided in this “Certificate of Continuing Program Compliance” is accurate and complete, and no matters have come to the attention of the Owner which would indicate that any of the information provided herein, or in any “Certification of Tenant Eligibility” obtained from the Tenants named herein, is inaccurate or incomplete in any respect.

(H) The following transfers or other changes in ownership of the Project or any interest therein have occurred in the last 12 months: [None] or [describe_____]

(I) To the best knowledge of the person executing this certificate after due inquiry, all the residential units were rented or available for rental on a continuous basis during the year to members of the general public.

(J) The Owner certifies that as of the date hereof ____% of the residential dwelling units in the Project are occupied or held open for occupancy by Qualifying Tenants, as defined and provided in the Declaration.

(K) The Project is in continuing compliance with the Declaration.

IN WITNESS WHEREOF, I have hereunto affixed my signature, on behalf of the Owner, on _____, 20__.

HARVEST HILLS TOWNHOMES, LLC

By: _____
Its: _____

EXHIBIT F

PERMITTED ENCUMBRANCES

1. Taxes and installments of special assessments not yet due and payable.
2. Drainage and utility easement approved by the City for the benefit of the Development Project.
3. Common Interest Community Number, [If applicable]
4. Mortgage to [Construction Lender], as the construction lender for the Project.

EXHIBIT G

CERTIFICATE OF COMPLETION OF PROJECT

_____, 20__

WHEREAS, the CITY OF NORTHFIELD, MINNESOTA, a municipal corporation under the laws of the State of Minnesota (the “City”), and Harvest Hills Townhomes, LLC, a Minnesota limited liability company (the “Developer”) have entered into a TIF Assistance Agreement (the “TIF Assistance Agreement”), dated [____], 2026; and

WHEREAS, the TIF Assistance Agreement requires the Developer to construct a Project (as that term is defined in the TIF Assistance Agreement);

WHEREAS, the Developer has constructed the Project in a manner deemed sufficient by the City to permit the execution of this certification in accordance with Section 3.8 of the TIF Assistance Agreement;

NOW, THEREFORE, this is to certify that the Developer has constructed the Project in accordance with the TIF Assistance Agreement. The remaining covenants of the Developer under the TIF Assistance Agreement are not intended to run with title to the Development Property or bind successors in title to the Development Property.

The City has, as of the date and year first above written, set its hand hereon.

CITY OF NORTHFIELD, MINNESOTA

By _____
Its City Administrator

STATE OF MINNESOTA)
) SS.
COUNTY OF RICE)

The foregoing instrument was acknowledged before me this ____ day of _____, 20__, by _____, the City Administrator of the City of Northfield, Minnesota, a municipal corporation and existing under the laws of the State of Minnesota, on behalf of said City.

Notary Public

EXHIBIT H
PROJECT SOURCES AND USES

Phase 1 - 38-unit townhome development

ESTIMATED SOURCES OF FUNDS			
	Amount	Pct.	Per Unit
First Mortgage	9,200,000	71%	242,105
Equity	3,674,476	29%	96,697
TOTAL SOURCES	12,874,476	100%	338,802

ESTIMATED USES OF FUNDS			
	Amount	Pct.	Per Unit
Land Acquisition	1,000,000	8%	26,316
Construction Costs / Contingency	8,393,974	65%	220,894
Infrastructure Improvements	1,400,000	11%	36,842
Grading & Excavation	785,000	6%	20,658
Soil Testing	9,500	0%	250
Sitework	78,850	1%	2,075
Permits/Fees	412,528	3%	10,856
Professional Services	248,674	2%	6,544
Financing and Construction Interest Costs	545,950	4%	14,367
TOTAL PROJECT COSTS	12,874,476	100%	338,802