

TIF ASSISTANCE AGREEMENT

BETWEEN

CITY OF NORTHFIELD, MINNESOTA

AND

REBOUND STENCIL DEVELOPMENT, LLC

This document drafted by:  
KENNEDY & GRAVEN, CHARTERED (JSB)  
470 U.S. Bank Plaza  
200 South Sixth Street  
Minneapolis, Minnesota 55402  
(P) 612-337-9300

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## TIF ASSISTANCE AGREEMENT

THIS AGREEMENT, made as of the \_\_\_\_\_ day of October, 2019, by and between the City of Northfield (the “City”), a municipal corporation and political subdivision under the laws of the State of Minnesota, and Rebound Stencil Development, LLC, a Minnesota limited liability company (the “Developer”).

### WITNESSETH:

WHEREAS, pursuant to Minnesota Statutes, Section 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 5th and Washington Tax Increment Financing District (a redevelopment district) qualified as a redevelopment 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 October 1, 2019 (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 to acquire certain property, demolish existing blighted buildings thereon, and construct an approximately 100,000 square foot, four-story, 79-unit multifamily rental housing facility with related parking and infrastructure, to be located at the intersection of 5th and Washington Streets in the City (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 Tushie-Montgomery Associates, P.C., a Minnesota professional corporation, 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 3.9;

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 Section 3.9;

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 shall mean the following documents, all of which shall be in form and substance reasonably acceptable to City: (a) evidence satisfactory to 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;

Developer means Rebound Stencil Development, 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 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 have 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 Stencil Group II, LLC, a South Dakota limited liability company as the general contractor for the Project;

Lookback Pro Forma means the financial pro forma for the Project in the form attached hereto as **Exhibit G**.

Payment Date means August 1, 2022 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;

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 acquisition of the Development Property, demolition of existing blighted buildings, and construction of an approximately 100,000 square foot, four-story, 79-unit multifamily rental housing facility with related parking and infrastructure, to be located at the intersection of 5th and Washington Streets in the City;

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;

Reimbursement Amount means the lesser of (i) \$1,800,000 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; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time; for purposes of this definition, “derived from the Development Property and the improvements thereon” means the portion of Tax Increment 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 5th and Washington Tax Increment Financing District (a redevelopment district) consisting of the property legally described in **Exhibit A** attached hereto, which was established as a redevelopment district under the TIF Act;

TIF Note means the Taxable Tax Increment Revenue Note (5th and Washington 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 F**; 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 of Minnesota 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 “redevelopment district” within the meaning of Minnesota Statutes, Section 469.174, Subdivision 10.

(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 will 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.

## ARTICLE III

### UNDERTAKINGS BY DEVELOPER AND CITY

#### Section 3.1. Total Development Costs and Public Costs.

(1) Based on the Developer's representation that the Total Development Costs for the Project are approximately \$15,000,000, that the sources of revenue available to pay such costs, excluding the tax increment assistance contemplated herein, do not exceed \$13,200,000, and that the Developer is unable to obtain additional private financing or investment 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. The Developer must provide the City copies of all executed financing documents related to financing the Total Development Costs of the Project.

(2) 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 \$1,800,000.

(3) As of January 2, 2021, the estimated market value of the Development Property, as improved, is expected to be approximately \$9,300,000.

(4) 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.

(5) 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.

(6) 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 lesser of (i) the Reimbursement Amount or (ii) the amount determined pursuant to Section 3.2(11), 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 when: (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 per **Exhibit C** 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 Developer shall have obtained from the City a certificate of occupancy for all rental units in the Project and a Certificate of Completion as provided in this Agreement; (C) 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; (D) the Developer shall be in material compliance with each term or provision of this Agreement required to have been satisfied as of such date; (E) the Developer shall have submitted the final sources and uses for the Project in accordance with Section 3.2(10); and (F) the Developer shall have submitted the final sources and uses for the Project in accordance with Section 3.2(11) and the City shall have determined any adjustment to the Reimbursement Amount pursuant to Section 3.2(11). 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 5.00% per annum or the rate per annum on the Developer's financing for the acquisition and construction 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. The principal amount of TIF Note shall be the Reimbursement Amount.

(4) 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.

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

(6) 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.

(7) 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.

(8) The City's obligation to make payments on the TIF Note on any Payment Date is subject to Section 3.12(2) and Section 3.13 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.

(9) 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.

(10) 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.

(11) 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 F** 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 Total Development Cost amount shown in **Exhibit F**, the Reimbursement Amount will be reduced by reduced \$0.50 per dollar of the decrease in the Total Development Costs which exceeds \$100,000.

Section 3.3. Compliance With Affordability Requirements. The Developer's financing for the Project requires that at least 8 rental housing units in the Project shall be occupied by or available for rent to persons whose income does not exceed 60% of the area-wide median family income for the standard metropolitan statistical area which includes the City as that figure is determined and announced from time to time by HUD, as adjusted for family size. The Developer hereby represents, covenants and agrees that it will comply with such income restriction and all affordable housing requirements imposed in connection therewith.

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 \$5,000 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 finalizing Design Drawings and Construction Plans for the Project, the Developer shall participate in the Energy Efficient Buildings (EEB) program with Xcel Energy. The Developer shall certify to the City in writing that it has completed such energy use assessment and provide the City such final reports and recommendations.

(2) Prior to the commencement of construction of the Project, the Developer shall 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, and the Site Plan and Design Drawings submitted to the City and shall provide for design, quality, materials and building finishes of the finished Project to be substantially similar to those which were presented to the City in connection with the Developer's request for tax increment financing assistance and identified on the preliminary building elevations which were shared publicly. The City Administrator, or designee, 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. The City Administrator, or designee, on behalf of the City shall approve the Construction Plans for purposes of this Agreement if: (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 for purposes of this Agreement but only if the Construction Plans provided to the City are complete and final and meet all requirements necessary for the Developer to submit a complete application for a building permit.

(3) 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, or (d) exterior materials included in the final Design Drawings and Construction Plans 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 for purposes of this Agreement but only if such amendment provided to the City is complete and final and meets all requirements necessary for the Developer to submit a complete application for a building permit.

(4) 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 or of any State or City building or other code requirements that may apply. 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 and does not relieve the Developer of the obligation to comply with applicable

federal, State and local laws, ordinances, rules and regulations, or to construct the Project in accordance therewith.

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 December 1, 2019 and shall substantially complete the Project by May 31, 2021. 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 May 1, 2020 or the Developer fails to obtain a certificate of occupancy for the Project by November 30, 2021. 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 inspect the Project 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 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 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 E** 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 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; 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.

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, Section 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. 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) 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 continue to make payments on the TIF Note but only to the extent that the Pledged Tax Increment relates to property taxes paid with respect to the market value of

the Development Property not being challenged as part of the Tax Appeal as determined by the City in its sole discretion and the City will withhold the Pledged Tax Increment related to property taxes paid with respect to the market value of the Development Property being challenged as part of the Tax Appeal as determined by the City in its sole discretion. The City will apply any withheld amount 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, as applicable, attributable to the disputed tax payments is finalized.

### Section 3.13. TIF Lookback

(1) Generally. 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 the Developer agree that those assumptions will be reviewed at the times described in this Section, and that the amount of TIF Note may be adjusted accordingly.

(2) Definitions. For the purposes of this Section, the following terms have the following definitions:

“Calculation Date” means 60 days after the earlier of (i) the date of the execution of a purchase agreement or other agreement for any Transfer (as defined in Section 5.3) in whole or in part of the Project; or (ii) 15 years after the date of issuance of the Certificate of Completion for the Project.

“Hypothetical Sale” means the hypothetical sale of the Project to a hypothetical bona fide third party purchaser at a price equal to the Hypothetical Sale Value less the amount of any mortgage lien(s) encumbering the applicable Minimum Improvements.

“Hypothetical Sale Value” means the valuation of the Project determined as follows: (i) The Developer and the City shall first attempt to determine by good faith negotiations for up to 60 days following the Calculation Date and upon agreement between the Developer and the City within such 60-day period regarding the hypothetical fair market value of the Project in an arms-length sale transaction, the “Hypothetical Sale Value” shall mean such agreed upon hypothetical fair market value; or (ii) If no such hypothetical fair market value of the Project can be agreed upon by the Developer and the City within such 60-day period, then the “Hypothetical Sale Value” shall be determined by appraisal as follows: the Developer and the City shall mutually agree to appoint a Qualified Appraiser within 30 days after the end of such 60-day period or the Qualified Appraiser shall be appointed by a judge of the Rice County District Court. The Qualified Appraiser shall be required to prepare its appraisal report within 30 days of its appointment hereunder. The compensation of the third Qualified Appraiser shall be borne equally by the parties.

“Net Operating Income” means all net rental income from the Project received in the last fiscal year prior to the Calculation Date, subject to the following adjustments: (i) if the Project has not reached Stabilization as of the Calculation Date, income will be calculated as the sum of actual rent, parking and miscellaneous income plus assumed rent, parking and miscellaneous income for the space needed to reach 93% lease-up at rates equal to the average rent and parking income from actual leases and miscellaneous income as of the Calculation Date; (ii) from that

total will be deducted actual fees, operating and management expenses as outlined in the Lookback Pro Forma attached as **Exhibit G** hereto (if Stabilization has occurred) or estimated fees, operating and management expenses as if the Project were 93% leased (if Stabilization has not occurred).

“Qualified Appraiser” means an appraiser, experienced in appraising rental housing facilities, who is licensed by the State, holds the designation “MAI”, and is not affiliated with the Developer.

“Stabilization” means 93% of the rental units in the Project are leased.

(3) Lookback Calculation. Any Transfer of the Project shall be for fair market value in an arms-length transaction. On the Calculation Date, the Developer shall deliver to the City reasonable evidence of its actual annualized cumulative internal rate of return (the “IRR”) from the Project, calculated as of the applicable Calculation Date. If the Transfer of the Project has occurred by the Calculation Date, then IRR shall be calculated based on actual equity, revenues and expenses in substantially in the format of the Lookback Pro Forma attached as **Exhibit G** hereto. If the Transfer of the Project has not occurred by the Calculation Date, then the IRR shall be calculated based on a Hypothetical Sale and otherwise based on actual equity, revenues and expenses in substantially in the format of the Lookback Pro Forma attached as **Exhibit G** hereto.

The Developer agrees to provide to the City any background documentation reasonably related to the financial data, upon written request from the City or the City’s financial consultant. The City may, by written request, require Developer to deliver to the City a written certificate of a certified public accountant regarding Total Development Costs and revenues, to be provided at Developer’s expense.

The amount by which the IRR exceeds 16% shall be referred to as the “Excess Percentage.” The Excess Percentage, multiplied by Developer’s equity in the Project (as calculated for purposes of determining the IRR), is the “Participation Amount.” If the City determines that there is a Participation Amount, the City shall deliver written notice to the Developer stating the Participation Amount. Upon delivery of such notice, the Developer shall arrange for repayment of 50% of the Participation Amount (the “City’s Share”) to the City (i) pursuant to a reduction in the outstanding amount of the TIF Note to the extent the City’s Share does not exceed the outstanding amount payable under the TIF Note plus (ii) a payment directly to the City in the amount of any excess of the City’s Share above the outstanding amount payable under the TIF Note.

Section 3.14. Insurance. The Developer will provide and maintain or cause to be maintained at all times and, from time to time at the request of the City, furnish the City with proof of payment of premiums on insurance of amounts and coverages normally obtained for properties similar to the Project.

## 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 May 1, 2020, 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 November 30, 2021.

(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 this Agreement or if any certification, representation, or warranty by the Developer to the City is untrue or misrepresented.

(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 a 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 it receives 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 their 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 aforesaid 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 “redevelopment district” under Section 469.174, Subdivision 10, 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 a rental housing development in accordance with this Agreement until the Termination Date.

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 30 Business 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:

Rebound Stencil Development, LLC  
1010 Dale Street N  
Saint Paul MN 55117  
Attn: President

(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. 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.

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.

**REBOUND STENCIL DEVELOPMENT, LLC,**  
a Minnesota limited liability company

By: \_\_\_\_\_  
Name: Brett D. Reese  
Its: President

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.

<b>Parcel Number</b>	<b>Address</b>
22.06.2.25.081	116 5th St. East
22.06.2.25.082	112 5th St. East
22.06.2.25.097	510 Washington St.
22.06.2.25.030	N/A
22.06.2.25.040	N/A
22.06.2.25.041	N/A
22.06.2.25.042	N/A

## **EXHIBIT B**

### **LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY**

A portion of the property located at the intersection of 5<sup>th</sup> Street East and Washington Street, in the City and identified with the parcel numbers below

<b>Parcel Number</b>	<b>Address</b>
22.06.2.25.081	116 5th St. East
22.06.2.25.082	112 5th St. East
22.06.2.25.097	510 Washington St.

## **EXHIBIT C**

### **PUBLIC DEVELOPMENT COSTS**

Land acquisition

Site grading and improvements

Underground and above ground utilities

Parking

All costs eligible for reimbursement under the TIF Act

**EXHIBIT D**

**FORM OF TAXABLE TIF NOTE**

No. R-1

**[\$1,800,000]**

UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
COUNTIES OF RICE AND DAKOTA  
CITY NORTHFIELD, MINNESOTA  
TAXABLE TAX INCREMENT REVENUE NOTE  
(5TH AND WASHINGTON 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 Rebound Stencil Development, LLC, a Minnesota limited liability company or its registered assigns (the “Registered Owner”), the principal amount of [\_\_\_\_\_ **and 00/100 Dollars (\$1,800,000)**], 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 October \_\_, 2019, as the same may be amended from time to time (the “TIF Assistance Agreement”), by and between the City and Rebound Stencil Development, 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 5.00% 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, 2022 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 469.177; 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; for purposes of this definition, “derived from the Development Property and the improvements thereon” means the portion of Tax Increment 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. 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 Section 3.12(2) and Section 3.13 of the Development Agreement and is 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, and (ii) the TIF Assistance Agreement shall not have been terminated pursuant to Section 4.2, 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 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 (5th and Washington Project)



**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, they will generate fewer taxes and fewer tax increments than originally contemplated.

2. Damage or Destruction. If the Project is damaged or destroyed after completion, their 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. Multi-Owner District. In determining the amount of tax increment generated by the development property, Rice County may allocate a sharing factor when there are multiple tax parcels of land in the tax increment financing district. This may result in a lower amount of tax increment attributable to the development property than if the development property was the only parcel in the district. In addition, the sharing factor calculation is not consistent with the method that the City will use to determine Pledged Tax Increments.

**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] Rebound Stencil Development, LLC (the “Developer”) [secured in part by] the Taxable Tax Increment Revenue Note (5th and Washington Project), a pay-as-you-go tax increment revenue note (the “Note”) in the original principal amount of [**\$1,800,000**] [dated \_\_\_\_\_, 20\_\_ of]/[to be issued by] the City of Northfield, Minnesota (the “City”).

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 are completed at a lesser level of value than originally contemplated, they will generate fewer taxes and fewer tax increments than originally contemplated.

2. Damage or Destruction. If the Project is damaged or destroyed after completion, their 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. Multi-Owner District. In determining the amount of tax increment generated by the development property, Rice County may allocate a sharing factor when there are multiple tax parcels of land in the tax increment financing district. This may result in a lower amount of tax increment attributable to the development property than if the development property was the only parcel in the district. In addition, the sharing factor calculation is not consistent with the method that the City will use to determine Pledged Tax Increments.

F. The Note Holder acknowledges that the Note was issued as part of a TIF Assistance Agreement between the City and the Developer dated October \_\_, 2019 (“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**

**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 Rebound Stencil Development, LLC, a Minnesota limited liability company (the “Developer”) have entered into a TIF Assistance Agreement (the “TIF Assistance Agreement”), dated October \_\_, 2019; 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 3.9 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 F

### PROJECT SOURCES AND USES

**5th Street Lofts**  
**City of Northfield**  
**Project Sources and Uses**  
**79-unit Apartment Unit Development**

SOURCES				
Debt		Amount	Percent	Per Unit
Debt A:	Private Financing	10,241,250	73.8%	129,636
Debt B:	EDA Loan	250,000	1.8%	3,165
<b>Subtotal</b>		<b>10,491,250</b>	<b>75.6%</b>	<b>132,801</b>
Other Sources				
Category	Sources	Amount	Percent	Per Unit
Equity	Developer Cash	3,163,750	22.8%	40,047
Local_Grant	EDA Land	212,000	1.5%	2,684
Local_Grant	EDA Funds	10,000	0.1%	127
<b>Subtotal</b>		<b>3,385,750</b>	<b>24.4%</b>	<b>42,858</b>
<b>TOTAL SOURCES</b>		<b>13,877,000</b>	<b>100.0%</b>	<b>175,658</b>

  

USES				
		Amount	% of Cost	Per Unit
<b>ACQUISITION COSTS</b>		<b>862,000</b>	<b>6.2%</b>	<b>10,911</b>
	Land Cost	650,000	4.7%	8,228
	Other - EDA Land	212,000	1.5%	2,684
<b>CONSTRUCTION COSTS</b>		<b>10,400,000</b>	<b>74.9%</b>	<b>131,646</b>
	Residential Building (w/ site and infrastructure)	10,400,000	74.9%	131,646
<b>PROFESSIONAL SERVICES</b>		<b>450,000</b>	<b>3.2%</b>	<b>5,696</b>
	Architectural & Engineering Fees	450,000	3.2%	5,696
<b>FINANCING COSTS</b>		<b>1,215,000</b>	<b>8.8%</b>	<b>15,380</b>
	Bridge Loan Fees	380,000	2.7%	4,810
	Construction Period Interest	583,000	4.2%	7,380
	Construction Loan Closing	182,000	1.3%	2,304
	Syndication Fees	60,000	0.4%	759
	Redevelopment TIF Study (EDA Funds)	10,000	0.1%	127
<b>DEVELOPER FEE</b>		<b>650,000</b>	<b>4.7%</b>	<b>8,228</b>
	Developer Fee	650,000	4.7%	8,228
<b>CASH ACCOUNTS/ESCROWS/RESERVES</b>		<b>300,000</b>	<b>2.2%</b>	<b>3,797</b>
	Management Startup/Leasing Reserves	300,000	2.2%	3,797
<b>TOTAL USES</b>		<b>13,877,000</b>	<b>100%</b>	<b>175,658</b>

9/24/2019

# EXHIBIT G LOOKBACK PRO FORMA

## 5th Street Lofts City of Northfield 15-Year Operating Projection

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
<b>Income</b>															
<b>Rental Income</b>															
Gross Potential Rent	1,150,815	1,173,863	1,197,412	1,221,360	1,245,767	1,270,703	1,296,117	1,322,040	1,348,480	1,375,450	1,402,959	1,431,018	1,458,638	1,488,831	1,518,808
Less: 5.0% Stabalized Vacancy	(220,183)	(58,697)	(59,871)	(61,088)	(62,289)	(63,535)	(64,806)	(66,102)	(67,424)	(68,772)	(70,148)	(71,551)	(72,982)	(74,442)	(75,930)
<b>Total Rental Income</b>	<b>930,632</b>	<b>1,115,237</b>	<b>1,137,541</b>	<b>1,160,292</b>	<b>1,183,498</b>	<b>1,207,168</b>	<b>1,231,311</b>	<b>1,256,938</b>	<b>1,283,056</b>	<b>1,309,677</b>	<b>1,336,811</b>	<b>1,364,467</b>	<b>1,392,656</b>	<b>1,421,389</b>	<b>1,450,878</b>
<b>Other Residential Income</b>															
Parking	51,408	52,436	53,485	54,555	55,648	56,769	57,904	59,052	60,233	61,437	62,666	63,919	65,198	66,502	67,832
Miscellaneous	20,145	20,548	20,959	21,378	21,806	22,242	22,687	23,140	23,603	24,075	24,557	25,048	25,549	26,060	26,581
Less: Vacancy	(4,020)	(1,027)	(1,048)	(1,069)	(1,090)	(1,112)	(1,134)	(1,157)	(1,180)	(1,204)	(1,228)	(1,252)	(1,277)	(1,303)	(1,328)
<b>Total Other Residential Income</b>	<b>67,524</b>	<b>71,967</b>	<b>73,396</b>	<b>74,964</b>	<b>76,361</b>	<b>77,988</b>	<b>79,446</b>	<b>81,036</b>	<b>82,666</b>	<b>84,309</b>	<b>85,996</b>	<b>87,715</b>	<b>89,469</b>	<b>91,266</b>	<b>93,084</b>
<b>Effective Gross Income (EGI)</b>	<b>998,156</b>	<b>1,187,193</b>	<b>1,210,937</b>	<b>1,235,166</b>	<b>1,260,859</b>	<b>1,285,066</b>	<b>1,310,767</b>	<b>1,336,972</b>	<b>1,363,712</b>	<b>1,390,986</b>	<b>1,418,806</b>	<b>1,447,182</b>	<b>1,476,126</b>	<b>1,505,649</b>	<b>1,535,761</b>
<b>Expenses</b>															
<b>Rental Unit Expenses</b>															
Operating Expenses	228,900	235,829	242,903	250,190	257,696	265,427	273,390	281,592	290,039	298,741	307,703	316,934	326,442	336,235	346,322
Management Fee: 5.0% of EGI	49,413	59,360	60,547	61,758	62,993	64,253	65,538	66,849	68,186	69,549	70,940	72,359	73,806	75,282	76,788
Property Taxes	198,334	204,274	210,402	216,714	223,210	229,912	236,810	243,914	251,231	258,768	266,531	274,527	282,763	291,246	299,984
Reserves: \$225 PUPY	17,775	17,775	17,775	17,775	17,775	17,775	17,775	17,775	17,775	17,775	17,775	17,775	17,775	17,775	17,775
<b>Total Rental Unit Expenses</b>	<b>494,472</b>	<b>517,237</b>	<b>531,628</b>	<b>546,438</b>	<b>561,680</b>	<b>577,367</b>	<b>593,513</b>	<b>610,129</b>	<b>627,231</b>	<b>644,833</b>	<b>662,949</b>	<b>681,596</b>	<b>700,786</b>	<b>720,539</b>	<b>740,869</b>
<b>Total Expenses</b>	<b>494,472</b>	<b>517,237</b>	<b>531,628</b>	<b>546,438</b>	<b>561,680</b>	<b>577,367</b>	<b>593,513</b>	<b>610,129</b>	<b>627,231</b>	<b>644,833</b>	<b>662,949</b>	<b>681,596</b>	<b>700,786</b>	<b>720,539</b>	<b>740,869</b>
<b>NET OPERATING INCOME</b>	<b>493,784</b>	<b>669,956</b>	<b>679,309</b>	<b>688,718</b>	<b>698,179</b>	<b>707,699</b>	<b>717,245</b>	<b>726,843</b>	<b>736,490</b>	<b>746,153</b>	<b>755,856</b>	<b>765,587</b>	<b>775,339</b>	<b>785,109</b>	<b>794,892</b>
<b>Tax Increment Financing</b>	<b>134,541</b>	<b>130,371</b>	<b>142,522</b>	<b>140,788</b>	<b>151,202</b>	<b>155,739</b>	<b>160,410</b>	<b>165,222</b>	<b>170,179</b>	<b>175,296</b>	<b>180,543</b>	<b>185,929</b>	<b>191,458</b>	<b>197,234</b>	<b>203,263</b>
<b>ADJUSTED NET OPERATING INCOME</b>	<b>628,325</b>	<b>800,327</b>	<b>821,831</b>	<b>829,506</b>	<b>849,381</b>	<b>863,438</b>	<b>877,655</b>	<b>892,065</b>	<b>906,669</b>	<b>921,449</b>	<b>936,399</b>	<b>951,436</b>	<b>966,547</b>	<b>981,743</b>	<b>997,155</b>
<b>Debt Service</b>															
Debt A: EDA Loan Financing	512,063	718,432	718,432	718,432	718,432	718,432	718,432	718,432	718,432	718,432	718,432	718,432	718,432	718,432	718,432
Debt B: EDA Loan	2,500	16,675	16,675	16,675	16,675	16,675	16,675	16,675	16,675	16,675	16,675	16,675	16,675	16,675	16,675
<b>Total Debt Service</b>	<b>514,563</b>	<b>735,107</b>													
<b>NET CASH FLOW AVAILABLE FOR DISTRIBUTION</b>	<b>113,762</b>	<b>73,220</b>	<b>98,725</b>	<b>100,409</b>	<b>114,274</b>	<b>128,320</b>	<b>142,648</b>	<b>156,959</b>	<b>171,653</b>	<b>186,331</b>	<b>201,293</b>	<b>216,439</b>	<b>231,771</b>	<b>247,287</b>	<b>262,988</b>

9/24/2019

## 5th Street Lofts City of Northfield Lookback Calculation

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036					
	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15					
<b>HYPOTHETICAL SALE (End Of Year)</b>															
Net Operating Income End of Year	863,427	877,655	892,066	906,660	921,437	936,399	951,546	966,877	982,394	998,095					
<b>Divided By Cap Rate</b>	<b>6.00%</b>														
Gross Sale Price	14,390,449	14,627,583	14,867,761	15,110,994	15,357,290	15,606,657	15,859,100	16,114,623	16,373,230	16,634,920					
Minus Debt A: Private Financing	9,071,719	6,000,718	6,515,853	6,216,413	7,901,654	7,570,790	7,223,000	6,857,415	6,473,127	6,069,177					
Minus Debt B: EDA Loan	219,645	212,712	205,461	197,876	189,943	181,646	172,968	163,891	154,397	144,466					
<b>Net Sale Amount</b>	<b>5,099,086</b>	<b>5,614,153</b>	<b>6,146,448</b>	<b>6,696,705</b>	<b>7,265,693</b>	<b>7,854,221</b>	<b>8,463,133</b>	<b>9,093,318</b>	<b>9,745,707</b>	<b>10,421,276</b>					
Sales Expense	(287,809)	(292,552)	(297,355)	(302,220)	(307,146)	(312,133)	(317,182)	(322,292)	(327,465)	(332,698)					
<b>SALES PROCEEDS</b>	<b>4,811,277</b>	<b>5,321,601</b>	<b>5,849,092</b>	<b>6,394,485</b>	<b>6,958,548</b>	<b>7,542,087</b>	<b>8,145,951</b>	<b>8,771,025</b>	<b>9,418,242</b>	<b>10,088,578</b>					
<b>IRR ANALYSIS END OF YEAR</b>															
Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Net Cash from Operations	0	113,562	113,562	113,562	113,562	113,562	113,562	113,562	113,562	113,562	113,562	113,562	113,562	113,562	113,562
Sales Proceeds	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)	(3,163,750)
<b>Initial Investment</b>	<b>0</b>	<b>113,562</b>	<b>113,562</b>	<b>113,562</b>	<b>113,562</b>	<b>113,562</b>	<b>113,562</b>								
2022	73,220	73,220	73,220	73,220	73,220	73,220	73,220	73,220	73,220	73,220	73,220	73,220	73,220	73,220	73,220
2023	86,725	86,725	86,725	86,725	86,725	86,725	86,725	86,725	86,725	86,725	86,725	86,725	86,725	86,725	86,725
2024	100,409	100,409	100,409	100,409	100,409	100,409	100,409	100,409	100,409	100,409	100,409	100,409	100,409	100,409	100,409
2025	114,274	114,274	114,274	114,274	114,274	114,274	114,274	114,274	114,274	114,274	114,274	114,274	114,274	114,274	114,274
2026	128,320	4,811,277	4,939,597	128,320	128,320	128,320	128,320	128,320	128,320	128,320	128,320	128,320	128,320	128,320	128,320
2027	142,548	5,321,601	0	5,464,149	142,548	142,548	142,548	142,548	142,548	142,548	142,548	142,548	142,548	142,548	142,548
2028	156,959	5,849,092	0	0	6,006,051	156,959	156,959	156,959	156,959	156,959	156,959	156,959	156,959	156,959	156,959
2029	171,553	6,394,485	0	0	0	6,566,038	171,553	171,553	171,553	171,553	171,553	171,553	171,553	171,553	171,553
2030	186,331	6,958,548	0	0	0	0	7,144,878	186,331	186,331	186,331	186,331	186,331	186,331	186,331	186,331
2031	201,293	7,542,087	0	0	0	0	0	7,743,380	201,293	201,293	201,293	201,293	201,293	201,293	201,293
2032	216,439	8,145,951	0	0	0	0	0	0	8,362,390	216,439	216,439	216,439	216,439	216,439	216,439
2033	231,771	8,771,025	0	0	0	0	0	0	9,002,796	231,771	231,771	231,771	231,771	231,771	231,771
2034	247,287	9,418,242	0	0	0	0	0	0	0	9,665,529	247,287	247,287	247,287	247,287	247,287
2035	262,988	10,088,578	0	0	0	0	0	0	0	0	10,351,566	262,988	262,988	262,988	262,988
<b>Total</b>	<b>2,264,038</b>	<b>2,916,910</b>	<b>3,601,360</b>	<b>4,318,305</b>	<b>5,068,699</b>	<b>5,853,531</b>	<b>6,673,833</b>	<b>7,530,678</b>	<b>8,425,182</b>	<b>9,358,508</b>	<b>10,351,566</b>	<b>11,400,000</b>	<b>12,500,000</b>	<b>13,650,000</b>	<b>14,850,000</b>
<b>INTERNAL RATE OF RETURN:</b>	<b>9.96%</b>	<b>10.43%</b>	<b>10.70%</b>	<b>10.85%</b>	<b>10.94%</b>	<b>10.96%</b>	<b>10.96%</b>	<b>10.93%</b>	<b>10.89%</b>	<b>10.83%</b>	<b>10.75%</b>	<b>10.67%</b>	<b>10.59%</b>	<b>10.51%</b>	<b>10.43%</b>
Excess Percentage (IRR - 15%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Participation Amount (Excess % x Equity)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -