



GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY MEETING AGENDA

**Thursday, September 14, 2023
4:00 PM**

NOTICE IS HEREBY GIVEN, that a regular meeting of the Grand Rapids Economic Development Authority will be held in the City Council Chambers in the Grand Rapids City Hall, 420 North Pokegama Avenue, in Grand Rapids, Minnesota on Thursday, September 14, 2023 at 4:00 PM.

CALL TO ORDER

CALL OF ROLL

SETTING OF THE REGULAR AGENDA - *This is an opportunity to approve the regular agenda as presented, or to add/delete an agenda item by a majority vote of the Commissioners present .*

APPROVE MINUTES

1. Consider approval of minutes from the August 24th, 2023 regular meeting.

APPROVE CLAIMS

2. Consider approval of claims in the amount of \$175,169.51.

BUSINESS

3. Consider adopting a resolution supporting the modification of the development program for Municipal Development District No. 1; the creation of Tax Increment Financing District No. 1-14 L&M Supply within Municipal Development District No. 1; and Tax Increment Financing Plan therefor

UPDATES

ADJOURN

MEMBERS & TERMS

Tom Sutherland - 12/31/2023 Council Representative

Tasha Connelly - 12/31/2023 Council Representative

Mike Korte - 3/1/24

Wayne Bruns - 3/1/25

Sholom Blake - 3/1/25

Al Hodnik - 3/1/27



GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY MEETING MINUTES

**Thursday, August 24, 2023
4:00 PM**

NOTICE IS HEREBY GIVEN, that a regular meeting of the Grand Rapids Economic Development Authority will be held in the City Council Chambers in the Grand Rapids City Hall, 420 North Pokegama Avenue, in Grand Rapids, Minnesota on Thursday, August 24, 2023 at 4:00 PM.

CALL TO ORDER

CALL OF ROLL

SETTING OF THE REGULAR AGENDA - *This is an opportunity to approve the regular agenda as presented, or to add/delete an agenda item by a majority vote of the Commissioners present .*

Approved with addition:

Consider the possible sale of lots in Forest Lake Addition to Habitat for Humanity.

APPROVE MINUTES

1. Consider approval of the August 10th, 2023 regular meeting minutes.

Motion by Commissioner Hodnik, second by Commissioner Bruns to approve the minutes from the August 10, 2023 regular meeting. The following voted in favor thereof: Sutherland, Martinetto, Blake, Bruns, Hodnik. Opposed: None, passed unanimously.

APPROVE CLAIMS

2. Consider approval of claims in the amount of \$1,199.72.

Motion by Commissioner Hodnik, second by Commissioner Bruns to approve claims in the amount of \$1,199.72. The following voted in favor thereof: Sutherland, Martinetto, Blake, Bruns, Hodnik. Opposed: None, motion passed unanimously.

PUBLIC HEARING

3. Conduct a public hearing concerning submittal of an application to the Minnesota Department of Employment and Economic Development (DEED) Minnesota Investment Fund (MIF) program for the L&M Supply Distribution Center Project

President Blake stated the public hearing this evening is to consider the submittal of and application to the Minnesota Department of Employment and Economic Development (DEED) Minnesota Investment Fund (MIF) program for the L&M Distribution Center

Project. Recorder Groom noted all notices required by law had been met and no correspondence had been received.

Community Development Director Mattei provided a power point presentation with information on the project

Motion by Commissioner Hodnik, second by Commissioner Bruns to open the public hearing. The following voted in favor thereof: Hodnik, Bruns, Blake, Martinetto, Sutherland. Opposed: None, motion passed unanimously.

There was no public comment.

Motion by Commissioner Bruns, second by Commissioner Sutherland to close the public hearing. The following voted in favor thereof: Sutherland, Martinetto, Blake, Bruns, Hodnik. Opposed: None, motion passed unanimously.

BUSINESS

4. Consider adoption of a resolution authorizing a Minnesota Investment Fund (MIF) Application for the L&M Supply distribution center project.

Motion by Commissioner Bruns, second by Commissioner Sutherland to adopt a resolution authorizing a Minnesota Investment Fund (MIF) Application for the L&M Supply Distribution Center Project. The following voted in favor thereof: Hodnik, Bruns, Blake, Martinetto, Sutherland. Opposed: None, motion passed unanimously.

UPDATES

Consider the approval of a Letter of Intent from Habitat for Humanity - Habitat would like to purchase 2 lots in the Forest Lake Development for \$6,300 per lot. They are looking to work with Logam Homes to construct the shell of one 2 bedroom home and one bedroom home.

Motion by Commissioner Bruns, second by Commissioner Hodnik to approve a Letter of Intent from Habitat for Humanity. The following voted in favor thereof: Sutherland, Martinetto, Blake, Bruns, Hodnik. Opposed: None, motion passed unanimously.

President Blake welcomed new Commissioner Bill Martinetto.

Commissioner Hodnik presented a resolution acknowledging the passing of Mark Phillips and thanking him for his leadership, economic development programming and support provided to GREDA and the City of Grand Rapids.

Motion by Commissioner Hodnik, second by Commissioner Bruns to adopt a resolution acknowledging the passing of former IRRRB and DEED Commissioner Mark Phillips. The following voted in favor thereof: Sutherland, Martinetto, Blake, Bruns, Hodnik. Opposed: None, motion passed unanimously.

ADJOURN

There being no further business the meeting adjourned at 4:28 p.m.

MEMBERS & TERMS

Tom Sutherland - 12/31/2023 Council Representative

Tasha Connelly - 12/31/2023 Council Representative

Mike Korte - 3/1/24

Wayne Bruns - 3/1/25

Sholom Blake - 3/1/25

Al Hodnik - 3/1/27

DRAFT

DATE: 09/08/2023
 TIME: 10:05:36
 ID: AP443GR0.WOW

CITY OF GRAND RAPIDS
 DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 09/14/2023

VENDOR #	NAME	AMOUNT DUE

EDA - CAPITAL PROJECTS		
MISCELLANEOUS PROJECT		
0718010	CITY OF GRAND RAPIDS	183.75
TOTAL MISCELLANEOUS PROJECT		183.75
AIRPORT SOUTH INDUSTRIAL PARKS		
1415583	THE NORTHSPAN GROUP INC	75.00
TOTAL AIRPORT SOUTH INDUSTRIAL PARKS		75.00
DWN TOWN PLAN PJT-BLANDIN GRNT		
1900650	SRF CONSULTING GROUP INC	1,046.92
TOTAL DWN TOWN PLAN PJT-BLANDIN GRNT		1,046.92
FOREST LK SCH REDEVELOPMENT		
1105530	KENNEDY & GRAVEN, CHARTERED	4,207.50
TOTAL FOREST LK SCH REDEVELOPMENT		4,207.50
BLANDIN FNDN PRI LOAN		
0212129	BLANDIN FOUNDATION	111,161.44
TOTAL BLANDIN FNDN PRI LOAN		111,161.44
L&M DISTRIBUTION CENTER		
0218115	BRAUN INTERTEC CORPORATION	43,843.50
0718060	GRAND RAPIDS HERALD REVIEW	179.65
1105530	KENNEDY & GRAVEN, CHARTERED	1,168.50
1900225	SEH	10,674.85
TOTAL L&M DISTRIBUTION CENTER		55,866.50
TOTAL UNPAID TO BE APPROVED IN THE SUM OF:		\$172,541.11
CHECKS ISSUED-PRIOR APPROVAL		
PRIOR APPROVAL		
0920055	ITASCA COUNTY RECORDER	23.00
1309170	MN DEED	1,000.00
2209665	VISA	1,605.40
TOTAL PRIOR APPROVAL ALLOWED IN THE SUM OF:		\$2,628.40
TOTAL ALL DEPARTMENTS		\$175,169.51



REQUEST FOR GRAND RAPIDS EDA ACTION

AGENDA DATE: September 14, 2023

STATEMENT OF ISSUE: Consider adopting a resolution supporting the modification of the development program for Municipal Development District No. 1; the creation of Tax Increment Financing District No. 1-14 L&M Supply within Municipal Development District No. 1; and Tax Increment Financing Plan therefor

PREPARED BY: Rob Mattei, Executive Director

BACKGROUND:

The adopted *City of Grand Rapids Economic Development Policies* (attached) involves GREDA review and recommendation to the City Council of all applications for TIF and Tax Abatement business assistance.

(Staff will present the attached PowerPoint as background)

RECOMMENDATION:

REQUIRED ACTION: Pass a motion adopting a resolution supporting the modification of the development program for Municipal Development District No. 1; the creation of Tax Increment Financing District No. 1-14 L&M Supply within Municipal Development District No. 1; and Tax Increment Financing Plan therefor.



Tax Increment Finance (TIF) Redevelopment District 1-14



September 14, 2023



Project Background

Company Background

- **L&M Supply, Inc. is a privately held retail company with 12 stores located across Northern Minnesota, Wisconsin, and the upper peninsula of Michigan. L&M was founded in 1959 in Grand Rapids and is currently led by the third generation of family owners.**
- **Presently, L&M Fleet Supply employs 245 in the Grand Rapids area, including 62 administrative/professional, 81 in distribution and 102 in retail.**
- **L&M also operates an e-commerce platform where items are shipped to online customers across the United States. L&M has established itself as a strong competitor in the e-commerce space, especially when it comes to serving home heating and outdoor recreation customers with both small parcel and LTL delivery methods.**
- **With continued same-store sales growth, the addition of new stores across the northland and plans for future expansion of retail locations, L&M has exhausted their current distribution space, which is in their prior retail space in LaPrairie.**
- **Coupled with the supply chain challenges of needing to buy in larger quantities and hold them until the selling season, increased distribution capability is critical.**



Project Background

SE 7th Ave. Distribution, LLC (Developer), a Minnesota limited liability company related to L&M Supply Inc., filed an application for Business Assistance on June 30th requesting Tax Increment Financing (TIF) in the amount of \$2,178,210 and \$2,073,572 of City tax abatement.

- **Project Scope**

- **The proposed project involves the Developer's construction of a new, 210,000 square foot, state of the art distribution center to serve their expanding network of retail stores.**
- **Location – 45-acres of Industrial zoned property, generally located on the east side of 7th Ave. SE (aka Airport Rd.) at its intersection with 29th Street S. GREDA has secured purchase agreements with three private landowners, which will be sold to L&M at a discounted price.**

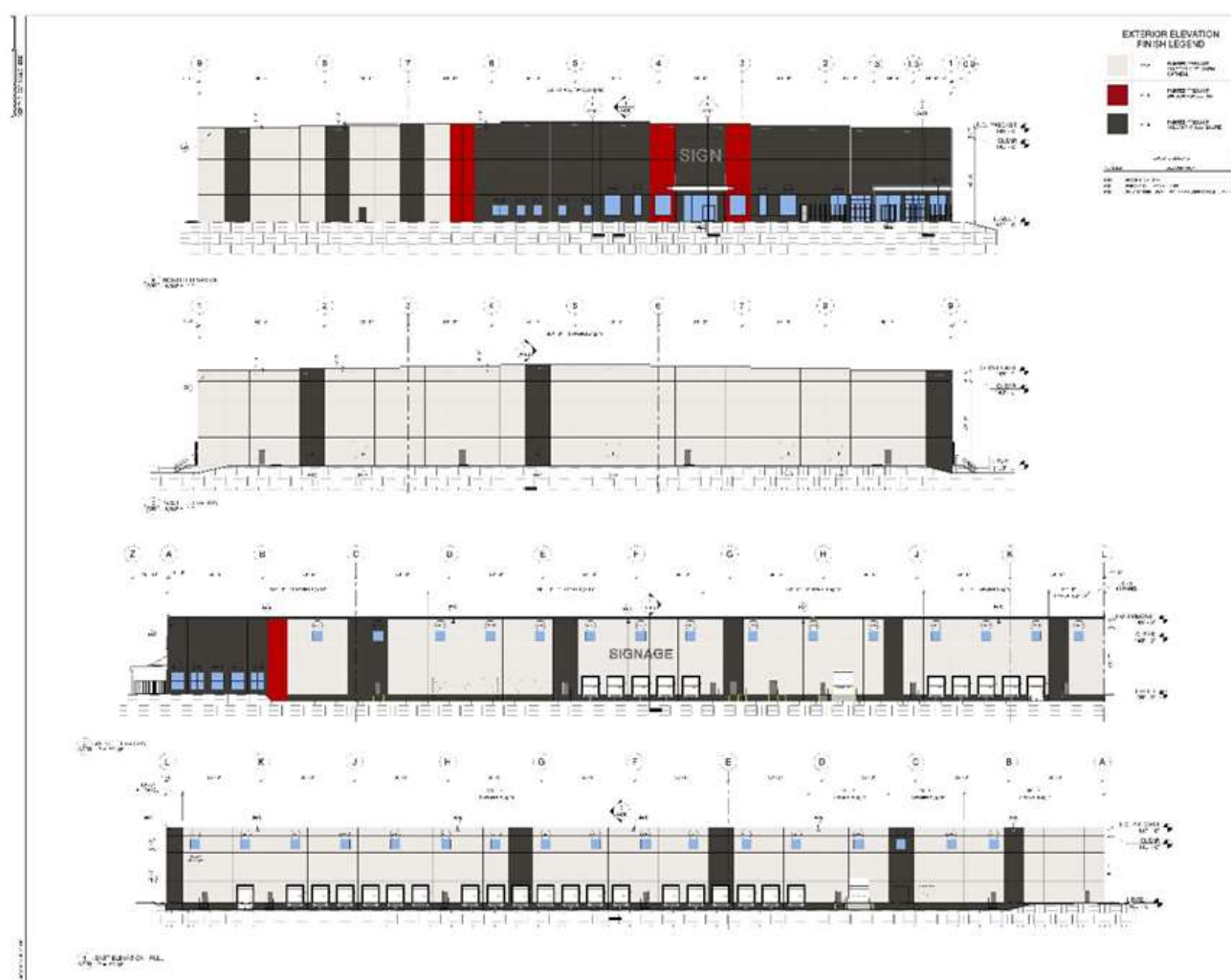


Project Background





Project Background



RYAN

RYAN AND ASSOCIATES
2000 1st Avenue, Suite 100
Grand Rapids, MI 49503
616.455.1234
www.ryanandassociates.com

www.ryanandassociates.com



10/1/2011

PROJECT: MUSKOGEE
PROJECT OFFICE

GRAND RAPIDS, MI
2011

THIS SET OF DRAWINGS IS THE PROPERTY OF RYAN AND ASSOCIATES. IT IS TO BE USED ONLY FOR THE PROJECT AND SITE SPECIFICALLY IDENTIFIED HEREIN. IT IS NOT TO BE REPRODUCED OR USED FOR ANY OTHER PROJECT WITHOUT THE WRITTEN PERMISSION OF RYAN AND ASSOCIATES.

DATE

REVISION

DATE

BY

DATE

BY

DATE

BY

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BY

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BY

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BY

PRELIMINARY
NOT FOR CONSTRUCTION

EXTERIOR
ELEVATIONS

A300



Project Background

Project Timeline

Timeline	Description
5/2024	Start of Construction
8/2024	Purchase Equipment
12/2024	Complete Construction
3/2025	Begin Operations



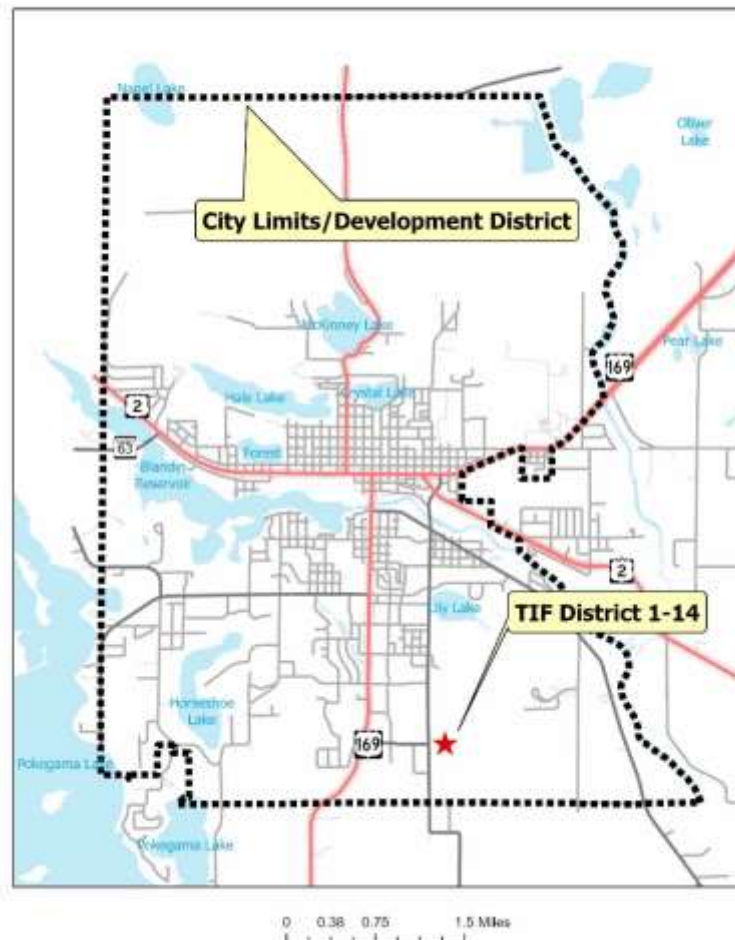
Project Background

Employment – The L&M Distribution Center Project will retain the 66 FTE positions currently employed in the existing distribution facility in LaPrairie. In addition, the project will create the following 31 full-time positions within the first two years of operation:

Positions	# of Positions	Hourly Cash Wage w/out Benefits	Hourly Value of Benefits	Total Hourly Compensation
DC General Manager	1	\$45.00	\$26.00	\$71.00
DC Supervisor	4	\$22.00	\$15.00	\$37.00
Specialized Equipment Operators	6	\$19.00	\$14.00	\$33.00
General Pallet Movers	4	\$19.00	\$14.00	\$33.00
Warehouse Workers	10	\$18.00	\$14.00	\$32.00
DC Admin	3	\$18.00	\$14.00	\$32.00
WMS Supervisor	1	\$22.00	\$15.00	\$37.00
Human Resources Lead	1	\$25.00	\$16.00	\$41.00
Director	1	\$60.00	\$28.00	\$88.00
Average:		\$21.55	\$15.06	\$36.61



Project Background





Project Background

- **Project Location** – The project is proposed to be located on a 47-acre industrial zoned area.
- **91-033-1410, 91-033-1430, 91-033-1406, 91-033-4120**

TIF District 1-14





■ Project Cost/Sources/Uses of Funds

- The following represents the anticipated sources of funds and their proposed use. (Not all sources of economic development assistance shown have been applied for or secured, to date)

Expense Description	MN IRRR	MN DEED/GRED A	Equity	Bank	City	Itasca County	Total
Property Acquisition		486,500	121,600	364,900			973,000
Site Work Construction			1,189,600	3,568,800			4,758,400
Building Construction			2,632,700	24,856,400	4,251,800	1,401,100	33,141,800
Purchase of M&E	2,500,000	2,000,000		10,452,000			14,952,000
FFE and Software			537,500	1,612,500			2,150,000
Total Project Cost	\$2,500,000	\$2,486,500	\$4,517,400	\$40,854,600	4,251,800	1,401,100	\$56,001,400

- In addition, MN DEED has proposed the Job Creation Fund program which would provide rebates to L&M for building construction expenses and per job created. The estimate value of the job creation rebates is \$850,000 over 7 years.



Project Background

Current and Future Assessed Value Estimate:

	Current (Itasca County Assessor)	Future (Itasca County Assessor)
Land Value (47 acres)	\$464,600	\$1,367,600
Building Value	\$203,300	\$16,609,400
Total Value	\$667,900	\$17,977,000
Annual Property Taxes (Pay 2023 Rate)	\$8,510	\$729,942



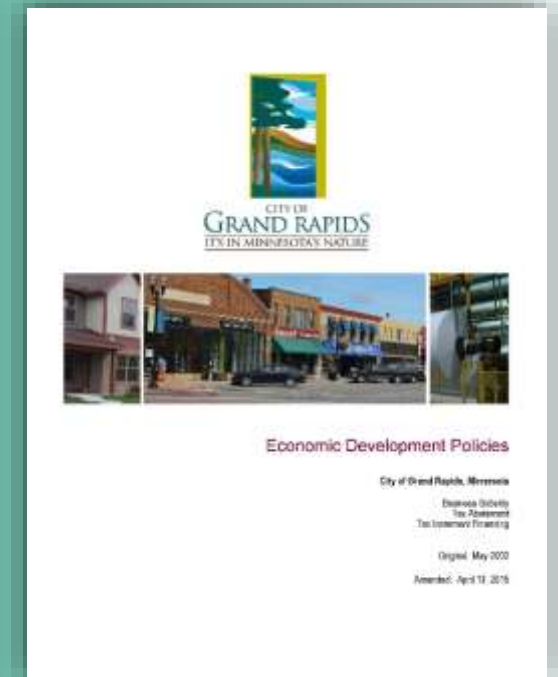
TIF Business Assistance

- **The proposed TIF district would be an Economic Development District which has a maximum term of 9 years.**
- **The proposed Tax Abatement would commence upon completion of the TIF district term and would continue until the amount of the request is provided. The maximum term for the Abatement is 15 years if the City is the only political subdivision that approves an abatement. The developer has made a request to Itasca County for an abatement, as well. If that is approved, the maximum term of the Abatement can extend to 20 years.**
- **In Minnesota, TIF can be used for two purposes:**
 - **To finance public infrastructure that is related to the development, or**
 - **To induce or cause a development or redevelopment that otherwise would not occur. (The economics of the development won't work without the assistance, for reasons such as; added cost of building acquisition and renovation, development costs won't allow for market rate rents, added cost of site cleanup, etc.)**
 - **For this project, it will be used to induce or cause development as no public infrastructure is needed.**



TIF Business Assistance

- **The Public Purpose Objectives, within the City's *Economic Development Policies*, which this project aligns with are:**
 - **To retain local jobs and/or increase the number and diversity that offer stable employment and/or attractive wages and benefits.**
 - **To enhance and/or diversify the City's economic base.**
 - **To encourage additional unsubsidized private (re)development**
 - **To accomplish other public policies which may be adopted, projects that are consistent with those community values and objectives described within the Comprehensive Plan.**
- **Staff completed the Review Worksheet in the Policy, which assigns a score based upon the Projects economic impact under the established criteria. (see attached) This Project's score is 52, which puts it in the High category.**





TIF Business Assistance

- **TIF But-for Test**

- Under Minnesota statute, before a City can establish a TIF district for a project, the developer must demonstrate and the City must verify that, but-for the use of TIF, the project would not occur in the foreseeable future.

- **TIF Basics:**



- Important to note that the property taxes collected currently are still received and retained by the City during the term of the TIF and Tax Abatement
- Only the increase in taxes resulting from the new development (increment) is delayed until the TIF and Tax Abatement commitment is satisfied.
- Upon that satisfaction, all property taxes resume full distribution to the taxing entities.



TIF Business Assistance

- **TIF Need Analysis** – the City's fiscal consultant Ehlers has analyzed and evaluated the Developer's updated project budget and pro forma based upon industry standards and market ranges for rate of return, as well as development costs and revenues. (Ehlers memo attached)
 - Based upon that analysis, it was determined that TIF and Tax Abatement assistance in the requested amount is required to achieve a market rate least of \$8.00/square foot triple net. The rents, otherwise, are insufficient to pay for the principal and interest on the first mortgage.
 - Bases upon this finding, the proposed development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.



TIF Business Assistance

- **TIF Plan**

- **When approving a TIF Plan, the City Council must find (among other things) that:**
 - The proposed development would not reasonably be expected to occur solely through private investment in the reasonably foreseeable future; and
 - The increased market value of the site that could reasonably be expected to occur without the use of TIF would be less than the increase estimated to result from the proposed development.
- **The Draft Resolution, TIF Plan and its Appendix C address these required findings and describe the basis of the determined need for this public assistance to advance the public purpose objectives previously outlined.**
- **The proposed TIF involves pay-as-you-go financing, which means the Developer will pay the costs of creating the private improvements with their funds, and the increments, as they are generated by the new development, will be used to reimburse the developer for these costs over time.**



Process

At this meeting, GREDA will review the application and consider adoption of a resolution supporting a modification to the Development Program for the City's Development District No. 1, establishing TIF District 1-14 and adopting a TIF Plan

The City Council will hold a public hearing on September 25, 2023, to consider this request for TIF and Tax Abatement Business Assistance. Actions that will be considered immediately following the Public Hearing will include:

- 1. Adoption of a resolution approving the establishment of TIF District No. 1-14 and approving the TIF Plan for the District; and**
- 2. If ready, the adoption of a resolution approving the Purchase and Development Contract with SE 7th Ave, Distribution and awarding the sale of, and providing the form, terms, covenants and directions for the issuance of its tax increment revenue note.**



Questions?

**GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY
CITY OF GRAND RAPIDS
ITASCA COUNTY
STATE OF MINNESOTA**

RESOLUTION NO. _____

**SUPPORTING (I) THE MODIFICATION OF THE
DEVELOPMENT PROGRAM FOR MUNICIPAL DEVELOPMENT
DISTRICT NO. 1; THE CREATION OF TAX INCREMENT
FINANCING DISTRICT NO. 1-14: L & M SUPPLY WITHIN
MUNICIPAL DEVELOPMENT DISTRICT NO. 1; AND THE
ADOPTION OF A TAX INCREMENT FINANCING PLAN
THEREFOR AND (II) A PROPERTY TAX ABATEMENT FOR
CERTAIN PROPERTY IN THE CITY**

WHEREAS, on August 10, 2023, the Board of Commissioners (the “Board”) of the Grand Rapids Economic Development Authority (the “Authority”) approved purchase agreements to acquire certain property located within the City of Grand Rapids, Minnesota (the “City”) and the Authority also intends to acquire additional property from the City (together, the “Property”); and

WHEREAS, on September 25, 2023, the City Council (the “City Council”) of the City will consider adopting a Modification to the Development Program (the “Development Program Modification”) for the City’s Municipal Development District No. 1 (the “Development District”) and a Tax Increment Financing Plan (the “TIF Plan” and together with the Development Program Modification, the “Plans”) for Tax Increment Financing District No. 1-14: L & M (an economic development district) (the “TIF District”), located within the Development District which includes the Property, all in accordance with Minnesota Statutes, Sections 469.124 through 469.133 and Sections 469.174 through 469.1794, all as amended (the “TIF Act”); and

WHEREAS, L & M Supply, Inc., a Minnesota corporation, SE 7th Ave Distribution LLC, or an affiliate thereof or entity related thereto (collectively, the “Developer”), has requested a land write down, tax increment financing assistance and tax abatement assistance from the Authority in the City in connection with the proposed acquisition of the Property from the Authority and the development of an approximately 210,000 square foot warehouse and distribution center thereon (the “Project”); and

WHEREAS, the proposed Plans have been presented to the Board and the Board has reviewed the Plans and the Developer’s proposal for the Project and information regarding the proposed tax increment financing assistance, land write down, and tax abatement assistance; and

WHEREAS, also on September 25, 2023, the City Council will consider granting a property tax abatement (the “Abatement”) for the Property to begin following the decertification of the TIF District, pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815, as amended (the “Abatement Act”); and

WHEREAS, the Authority will consider providing a land write down to the Developer and the City will consider providing tax increment financing assistance and abatement assistance to the Developer for the Project pursuant to a Development Assistance Agreement, by and between the City and the Developer (the “Agreement”).

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Grand Rapids Economic Development Authority as follows:

1. The Authority supports the Plans and the use of a portion of the tax increment generated from the TIF District and the Abatement to assist the Developer with financing a portion of the extraordinary development costs of the Project.

2. The Authority supports the creation of the TIF District and the adoption of the Plans; provided, however, that final authorization of tax increment financing assistance for the Project contemplated in the TIF Plan is solely within the discretion of the City Council following all proceedings required pursuant to the TIF Act.

3. The Authority supports granting the Abatement from the Property; provided, however, that final authorization of abatement assistance for the Project contemplated in the Agreement is within the discretion of the City Council following all proceedings required pursuant to the Abatement Act and following the review and approval by the Board of the Agreement.

Approved this September 14, 2023 by the Board of Commissioners of the Grand Rapids Economic Development Authority.

President

ATTEST:

Secretary

MEMORANDUM

TO: Board Members, Grand Rapids Economic Development Authority

FROM: Rebecca Kurtz and Jessica Cook, Ehlers

DATE: September 5, 2023

SUBJECT: TIF and Tax Abatement for the L&M Supply Project

SE 7th Ave Distribution LLC (the “Developer”) has applied to the City of Grand Rapids (the “City”) and the Grand Rapids EDA (“GREDA”) to receive \$2,178,210 of tax increment financing assistance and \$2,073,572 of City tax abatement assistance (together, the “Assistance”) for the construction of an approximately 210,000 square foot state of the art distribution center. The Developer will be leasing the facility to L&M Supply, Inc., a related company. The total amount of assistance requested from the City and GREDA is \$4,251,782 over 29 years.

The project will be located on four parcels near the 2800 block of Airport Road. Per the County Assessor, the completed project will have an estimated market value of approximately \$18 million. The project is anticipated to retain 81 jobs and create 35-50 new jobs in the City.

The proposed project is a distribution facility that meets the qualifications of an economic development TIF District. An economic development TIF district provides up to nine years of tax increment assistance. In addition, it is proposed that the City consider tax abatement assistance to begin after completion of the TIF district. The City may provide up to 20 years of tax abatement, provided the School District or County do not participate in the abatement. The Developer is in discussions with the County regarding their participation in the tax abatement, and it is anticipated that the School District will not participate in tax abatement.

Developer’s Request

Ehlers evaluated the need for Assistance by analyzing the Developer’s sources and uses budget and cash flow projection. Based on our review, we have affirmed the Developer’s request is justified. The Developer has agreed to move forward with the project at this level of assistance.

The following table depicts the Developer’s proposed sources and uses for the project. The sources include the tax increment financing and City tax abatement assistance with a combined present value of \$4,251,782. In addition, it assumes County tax abatement of \$1,401,135 along with funding from the Department of Employment and Economic Development and the Iron Range Resources and Rehabilitation. The sources and uses budget excludes the City’s and GRPUC’s utility improvements.

L&M GREENFIELD DISTRIBUTION FACILITY SOURCES AND USES OF FUNDS			
SOURCES OF FUNDS			
	Bank Mortgage	\$	27,672,205
	Bank Equipment	\$	13,602,003
	TIF City of GR	\$	2,178,120
	Tax Abatement City of GR	\$	2,073,572
	Tax Abatement Itasca County	\$	1,401,135
	IRRR Funding	\$	2,500,000
	DEED MIF	\$	1,000,000
	DEED JEP	\$	2,000,000
	Equity	\$	3,000,000
	TOTAL SOURCES OF FUNDS	\$	55,427,035
USES OF FUNDS			
	Land	\$	424,852
	Building	\$	33,141,825
	Site Improvements	\$	4,758,355
	Phase 1 Equipment	\$	4,961,535
	Phase 2 Equipment	\$	9,990,468
	Furniture/Fixtures	\$	500,000
	Computer Hardware & Equipment	\$	1,000,000
	Computer Software	\$	650,000
	Development Financing		
	TOTAL USES OF FUNDS	\$	55,427,035

Project Analysis and Return on Investment

Based on our review, we have identified the project's key metrics:

1. Total Development Cost (the "TDC") – The estimated TDC, excluding equipment, is \$40.2 million or \$191 per square foot.
2. First Mortgage – The Mortgage is about 50% of the project costs and the bank loan for equipment is approximately an additional 25% of the project.
3. TIF and City Abatement – The proposed \$4,251,782 of Assistance represents approximately 7.7% of the total project cost. Depending on the project type, Assistance for commercial projects is commonly in the range of 10% of the total project cost.
4. The proposed lease rate is \$8.00 triple net, which is commensurate with the market.

5. The rents are insufficient to pay for the principal and interest on the first mortgage. The project is anticipated to have a deficit of over \$400,000 per year, demonstrating a financial gap. The proposed Assistance, on an annual basis, is less than \$400,000 per year.

We conclude that Assistance in the amount of \$4,251,782 plus interest can be justified for this project. The proposed development will not reasonably be expected to occur solely through private investment within the reasonably near future.

Form of GREDA and City Assistance

Assistance would be provided through issuance of a PAYGO Note in an amount up to \$4,251,782. Payments on the Note would be made from 90% of the tax increment, followed by the tax abatement. Payments would be first applied to interest, at the rate of 6.5%, and then to reductions in principal. The term of the Note would run from August 1, 2026, through February 1, 2055. In the initial 9 years, the Note would be paid from tax increment. The balance of the Note would be paid with City's abatement of the increase in taxes over the current tax capacity of 11,726. The first abatement payment would be August 1, 2035, and end with the shorter of the full payment of the Note or February 1, 2055.

The estimated present value of the Assistance generated by the project total \$3,344,116, which is less than the amount requested. However, if the actual assessed value ends up being higher than \$18 million or if the value increases over time, the TIF and tax abatement generated will also increase. The Developer has requested and justified \$4,251,782 in assistance. It is proposed that the Note be in the amount of the requested assistance, which would allow the Developer to receive the benefit of higher assessed values. Under no circumstances are the City or GREDA obligated to pay the Developer more than 90% of the TIF and the tax abatement.

Should you have any questions, please do not hesitate to contact Rebecca Kurtz at 651-697-8516 or Jessica Cook at 651-697-8546.

EXHIBIT B
BUSINESS ASSISTANCE REVIEW WORKSHEET
FOR COMMERCIAL/INDUSTRIAL PROJECTS
TO BE COMPLETED BY APPLICANT AND CITY STAFF

A. The project meets which of the following objectives as set forth in Section C of the Business Assistance policy:

(Each worth 2 Points)

Points

- ☒ 1. To retain local jobs and/or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits.
- ☒ 2. To enhance and/or diversify the City's economic base.
- ☒ 3. To encourage additional unsubsidized private (re)development.
- ☐ 4. To remove blight and/or encourage (re)development of commercial and industrial areas.
- ☐ 5. To create housing opportunities for senior and low to moderate income families.
- ☐ 6. To provide a diversity of housing adjacent to cultural, recreational, economic, natural, education, and transportation systems.
- ☐ 7. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading of existing housing stock in residential areas.
- ☒ 8. To accomplish other public policies which may be adopted, in particular projects that are consistent with those community values and objectives described within the Comprehensive Plan.

B. Ratio of Private to Public Investment in Project:

Points: 4

\$ <u>45.3M</u>	Private Investment	5:1	<u>5</u>
\$ <u>10.4M</u>	Public Investment (including other public sources)	4:1	<u>4</u>
<u>4.4</u>	Ratio Private : Public Financing	3:1	<u>3</u>
		2:1	<u>2</u>
		Less than 2:1	<u>1</u>

C. Job Creation:

Points: 5

<u>53</u>	Net new living wage jobs (total FTE)	50+	<u>5</u>
		40+	<u>4</u>
		25+	<u>3</u>
		15+	<u>2</u>
		Less than 15	<u>1</u>

D. Job Creation:

81 Net living wage retained jobs (total FTE)

Points: 450+ 425+ 310+ 2Less than 10 1**E. Project Investment:**

\$18M Value of Capital Investment
(future taxable)

Points: 5Over \$2 million 5\$1 - \$2 million 4\$0.5 - \$1million 3\$0.1 – \$0.5 million 2Less than \$0.1 million 1**F. Wage Level of Jobs Created:**

Average hourly wage (including non-mandated benefits)
of *new* living wage jobs \$36.60/hr

Points: 5Over \$22/hour 5\$20-22/hour 4\$16-19/hour 3\$13-15/hour 2Under \$13/hour 1**G. Ratio Of Business Assistance To New Jobs Created:**

\$ 4,251,782 Business assistance requested
53 Number of net *new* jobs created
\$ 80,200 of business assist. per net *new* job created

Points: 1\$10,000 or less 5\$10,000 or less 4\$15,000 or less 3\$25,000 or less 2Over \$50,000 1**H. Project size:**

The project will result in the construction
of 210,000 square feet

Points: 550,000+ 530,000+ 415,000+ 35,000+ 25,000 or less 1**I. Business Growth Potential:**

 High
 x Moderate
 Low

Points: 3531

J. Likelihood that the project will result in unsubsidized, spin-off development:

Points: 5

<u> </u>	High	<u>5</u>
<u> </u>	Moderate	<u>3</u>
<u> </u>	Low	<u>1</u>

 x

High

Moderate

Low

K. Impact on tax rate? All things being equal, how much would the City's tax rate hypothetically increase if the project were to proceed with the requested business assistance?

Points: 5

<input checked="" type="checkbox"/>	.01%-.02%	<u>5</u>
<input type="checkbox"/>	.03%-.04%	<u>4</u>
<input type="checkbox"/>	.05%-.06%	<u>3</u>
<input type="checkbox"/>	.07%-.09%	<u>2</u>
<input type="checkbox"/>	.10%-.12%	<u>1</u>

☒ .01%-.02%

☐ .03%-.04%

☐ .05%-.06%

☐ .07%-.09%

☐ .10%-.12%

Sub-Total Points 42 **of a possible 65 points.**

Bonus Points

Bonus Points: 10

The project will be 100% *pay-as-you-go* financing 5

If the business has demonstrated a clear and ongoing commitment to the City of Grand Rapids community by providing living wage jobs to their employees and City of Grand Rapids residents. 5

Total Points: 52

Overall project analysis:

High	51 - 75 points
Moderate	31 - 50 points
Low	21 - 30 points
Not Eligible	0 - 20 points

Adoption Date: September 25, 2023

City of Grand Rapids Itasca County, Minnesota

MODIFICATION TO THE DEVELOPMENT PROGRAM

Municipal Development District No. 1

&

Tax Increment Financing (TIF) Plan

Establishment of Tax Increment Financing District No. 1-14: L&M
(an economic development district)



Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, Minnesota 55113

BUILDING COMMUNITIES. IT'S WHAT WE DO.

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Modification to the Development Program for Municipal Development District No. 1

FOREWORD

The following text represents a Modification to the Development Program for Municipal Development District No. 1. This modification represents a continuation of the goals and objectives set forth in the Development Program for Municipal Development District No. 1. Generally, the substantive changes include the establishment of Tax Increment Financing District No. 1-14: L&M.

For further information, a review of the Development Program for Municipal Development District No. 1, is recommended. It is available from the Community Development Director at the City of Grand Rapids. Other relevant information is contained in the tax increment financing plans for the tax increment financing districts located within Municipal Development District No. 1.

Tax Increment Financing Plan for Tax Increment Financing District No. 1-14: L&M

FOREWORD

The City of Grand Rapids (the "City"), staff and consultants have prepared the following information to expedite the establishment of Tax Increment Financing District No. 1-14: L&M (the "District"), an economic development tax increment financing district, located in Municipal Development District No. 1.

STATUTORY AUTHORITY

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the City has certain statutory powers pursuant to *Minnesota Statutes ("M.S.")*, Sections 469.124 - 469.133, inclusive, as amended, and *M.S.*, Sections 469.174 to 469.1794, inclusive, as amended (the "TIF Act"), to assist in financing public costs related to this project.

This section contains the Tax Increment Financing Plan (the "TIF Plan") for the District. Other relevant information is contained in the Modification to the Development Program for Municipal Development District No. 1.

STATEMENT OF OBJECTIVES

The District currently consists of four (4) parcels of land and adjacent roads and internal rights-of-way. The District is being created to facilitate the development of a state of the art distribution center for L&M Supply, Inc. with the anticipation of creating 35-50 new jobs in the City. The City has not entered into an agreement but they anticipate entering into an agreement with L&M Supply, Inc. Development is likely to occur the fall of 2023 with completion anticipated by the end of 2024. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Municipal Development District No. 1.

The activities contemplated in the Modification to the Development Program and the TIF Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of Municipal Development District No. 1 and the District.

DEVELOPMENT PROGRAM OVERVIEW

Pursuant to the Development Program and authorizing state statutes, the City is authorized to undertake the following activities in the District:

1. Property to be Acquired – The City currently owns one (1) parcel of property within the District and has a purchase agreement for two additional parcels. The remaining property located within the District may be acquired by the City and is further described in this TIF Plan.
2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.
3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. The City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.
5. The City proposes both public and private infrastructure within the District. The proposed reuse of private property within the District will be for a warehouse distribution facility, and there will be continued operation of Municipal Development District No. 1 after the capital improvements within Municipal Development District No. 1 have been completed.

DESCRIPTION OF PROPERTY IN THE DISTRICT AND PROPERTY TO BE ACQUIRED

The District encompasses all property and adjacent roads rights-of-way and abutting roadways identified by the parcels listed below.

Parcel number	Address	Owner
91-033-1410	Unassigned	T. Moyer Trustee
91-033-1430	2804 Airport Rd.	E. Karpan
91-033-4120	Unassigned	MIMAR Dev.
91-033-1406	Unassigned	City of GR

Please also see the map in Appendix A for further information on the location of the District.

The City may acquire any parcel within the District including interior and adjacent street rights of way. Any properties identified for acquisition will be acquired by the City only in order to accomplish one or more of the following: storm sewer improvements; provide land for needed public streets, utilities and facilities; carry out land acquisition, site improvements, clearance and/or development to accomplish the uses and objectives set forth in this plan. The City may acquire property by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs.

DISTRICT CLASSIFICATION

The City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, finds that the District, to be established, is an economic development district pursuant to *M.S., Section 469.174, Subd. 12*.

The District is in the public interest because it will meet the statutory requirement of discouraging commerce, industry, or manufacturing from moving their operations to another state or municipality; resulting in increased employment in the State; and resulting in preservation and enhancement of the tax base of the State.

Pursuant to *M.S., Section 469.176, Subd. 4c*, revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15% of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

1. The manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;
2. Warehousing, storage, and distribution of tangible personal property, excluding retail sales;
3. Research and development related to the activities listed in items (1) or (2);

4. Telemarketing if that activity is the exclusive use of the property; or
5. Tourism facilities;
6. Space necessary for and related to the activities listed in items (1) to (5); or
7. A workforce housing project that satisfies the requirements of *M.S., Section 469.176, Subd. 4c(d)*.

The facilities in the District meet the conditions of Purposes 2, and 6.

The District is being created to assist in the construction of a warehouse and distribution facility for L&M Supply, Inc. The proposed facility will be used for warehouse and distribution for providing product to retail stores and related activities.

Pursuant to *M.S., Section 469.176, Subd. 7*, the District does not contain any parcel or part of a parcel that qualified under the provisions of *M.S., Sections 273.111, 273.112, or 273.114 or Chapter 473H* for taxes payable in any of the five calendar years before the filing of the request for certification of the District.

DURATION & FIRST YEAR OF DISTRICT'S TAX INCREMENT

Pursuant to *M.S., Section 469.175, Subd. 1, and M.S., Section 469.176, Subd. 1*, the duration of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 8 years after receipt of the first increment by the City. The date of receipt by the City of the first tax increment is expected to be 2026.

Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2034, or when the TIF Plan is satisfied. If increment is received in 2025, the term of the District will be 2033. The City reserves the right to decertify the District prior to the legally required date.

ORIGINAL TAX CAPACITY, TAX RATE & ESTIMATED CAPTURED NET TAX CAPACITY VALUE/INCREMENT & NOTIFICATION OF PRIOR PLANNED IMPROVEMENTS

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2023 for taxes payable 2024.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2026) the amount by which the original value has increased or decreased as a result of:

1. Change in tax exempt status of property;
2. Reduction or enlargement of the geographic boundaries of the District;
3. Change due to adjustments, negotiated or court-ordered abatements;
4. Change in the use of the property and classification;
5. Change in state law governing class rates; or
6. Change in previously issued building permits.

In any year in which the current Net Tax Capacity (NTC) value of the District declines below the ONTC, no value will be captured and no tax increment will be payable to the City.

The original local tax rate for the District will be the local tax rate for taxes payable 2024, assuming the request for certification is made before June 30, 2024. The rates for 2024 were not available at the time the District was established. The ONTC and the Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Municipal Development District No. 1, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. The City requests 100% of the available increase in tax capacity be used for repayment of the obligations of the City and current expenditures, beginning in the tax year payable 2026. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Tax Capacity	
Project estimated Tax Capacity upon completion	589,874
Original estimated Net Tax Capacity	12,608
Fiscal Disparities	(119,898)
Estimated Captured Tax Capacity	697,164
Original Local Tax Rate	138.9000% Pay 2023
Estimated Annual Tax Increment	\$968,361
Percent Retained by the City	100%

Note: Tax capacity includes a 5.00% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in year 9. The tax capacity of the District in year one is estimated to be \$399,250.

Pursuant to *M.S., Section 469.177, Subd. 4*, the City shall, after a due and diligent search, accompany its request for certification to the County Auditor or its notice of the District enlargement pursuant to *M.S., Section 469.175, Subd. 4*, with a listing of all properties within the District or area of enlargement for which building permits have been issued during the eighteen (18) months immediately preceding approval of the TIF Plan by the municipality pursuant to *M.S., Section 469.175, Subd. 3*. The County Auditor shall increase the original net tax capacity of the District by the net tax capacity of improvements for which a building permit was issued.

The City has reviewed the area to be included in the District and found no parcels for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.

SOURCES OF REVENUE/BONDS TO BE ISSUED

The total estimated tax increment revenues for the District are shown in the table below:

SOURCES	
Tax Increment	\$4,702,945
Interest	470,295
TOTAL	\$5,173,240

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The City reserves the right to issue bonds (as defined in the TIF Act) or incur other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by pay-as-you-go notes and interfund loans. Any refunding amounts will be deemed a budgeted cost without a formal modification to this TIF Plan.

This provision does not obligate the City to incur debt.

The City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

The City may issue bonds secured in whole or in part with tax increments from the District in a maximum principal amount of \$4,419,674. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

USES OF FUNDS

Currently under consideration for the District is a proposal to facilitate the development of a state of the art distribution center for L&M Supply, Inc. with the anticipation of creating 35-50 new jobs. The City has determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described herein.

The City has studied the feasibility of the development or redevelopment of property in and around the District. To facilitate the establishment and development or redevelopment of the District, this TIF Plan authorizes the use of tax increment financing to pay for the cost of certain eligible expenses. The estimate of public costs and uses of funds associated with the District is outlined in the following table.

USES	
Land/Building Acquisition	\$ 500,000
Site Improvements/Preparation	2,500,000
Affordable Housing	-
Utilities	-
Other Qualifying Improvements	949,379
Administrative Costs (up to 10%)	470,295
PROJECT COSTS TOTAL	\$4,419,674
Interest	753,567
PROJECT AND INTEREST COSTS TOTAL	\$5,173,241

The total project cost, including financing costs (interest) listed in the table above does not exceed the total projected tax increments for the District as shown in the Sources of Revenue section.

Estimated capital and administrative costs listed above are subject to change among categories by modification of the TIF Plan without hearings and notices as required for approval of the initial TIF Plan, so long as the total capital and administrative costs combined do not exceed the total listed above. Further, the City may spend up to 20% of the tax increment revenues from the District for activities (described in the table above) located outside the boundaries of the District but within the boundaries of the Municipal Development District No. 1 (including administrative costs, which are considered to be spend outside the District), subject to all other terms and conditions of this TIF Plan.

FISCAL DISPARITIES ELECTION

Pursuant to *M.S., Section 469.177, Subd. 3*, the City may elect one of two methods to calculate fiscal disparities.

The City will choose to calculate fiscal disparities by clause b (inside).

ESTIMATED IMPACT ON OTHER TAXING JURISDICTIONS

The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the TIF Plan would occur without the creation of the District. However, the City has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is \$0. The estimated fiscal impact of the District would be as follows if the "but for" test was not met:

Impact on Tax Base			
Entity	2022/Pay 2023 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) upon completion	Percent of CTC to Entity Total
Itasca County	80,862,977	697,164	0.8622%
City of Grand Rapids	11,091,835	697,164	6.2854%
ISD 318 (Itasca County)	57,027,369	697,164	1.2225%

Impact on Tax Rates				
Entity	Pay 2023 Extension Rate	Percent of Total	CTC	Potential Taxes
Itasca County	48.5890%	34.98%	697,164	\$ 338,745
City of Grand Rapids	71.9080%	51.77%	697,164	501,317
ISD 318 (Itasca County)	18.1760%	13.09%	697,164	126,717
Other	0.2270%	0.16%	697,164	1,583
	138.9000%	100.00%		\$ 968,361

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the Pay 2023 rate. The total net capacity for the entities listed above are based on Pay 2023 figures. The District will be certified under the Pay 2024 rates, which were unavailable at the time this TIF Plan was prepared.

Pursuant to *M.S., Section 469.175 Subd. 2(b)*:

- (1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is \$4,702,945;
- (2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is expected. With any addition of new residents or businesses, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The probable impact of the District on fire protection is not expected to be significant. Typically, new buildings generate few calls, if any, and are of superior construction. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles or facilities.

The impact of the District on public infrastructure is expected to be minimal. The development is not expected to significantly impact any traffic movements in the area. The current infrastructure for sanitary sewer, storm sewer and water will be able to handle the additional volume generated from the proposed development. Based on the development plans, there are no additional costs associated with street maintenance, sweeping, plowing, lighting and sidewalks.

The probable impact of the issuance of any general obligation tax increment bonds payable from tax increment revenues from the District on the City's ability to issue debt for general fund purposes is expected to be minimal. It is not anticipated that there will be any general obligation debt issued in relation to this project, therefore there will be no impact on the City's ability to issue future debt or on the City's debt limit.

- (3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is \$615,412;
- (4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is \$1,645,150;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S., Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

No requests for additional information from the county or school district regarding the proposed development for the District have been received.

SUPPORTING DOCUMENTATION

Pursuant to *M.S., Section 469.175, Subd. 1 (a), clause 7* this TIF Plan must contain identification and description of studies and analyses used to make the determination set forth in *M.S., Section 469.175, Subd. 3, clause (b)(2)* and the findings are required in the resolution approving the District.

- (i) In making said determination, reliance has been placed upon (1) written representation made by the Developer to such effects; and (2) City staff awareness of the feasibility of developing the project site within the District, which is further outlined in the city council resolution approving the establishment of the District and Appendix C.

- (ii) A comparative analysis of estimated market value both with and without establishment of the District and the use of tax increments has been performed. Such analysis is included with the cashflow in Appendix B and indicates that the increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the District and the use of tax increments.

DISTRICT ADMINISTRATION

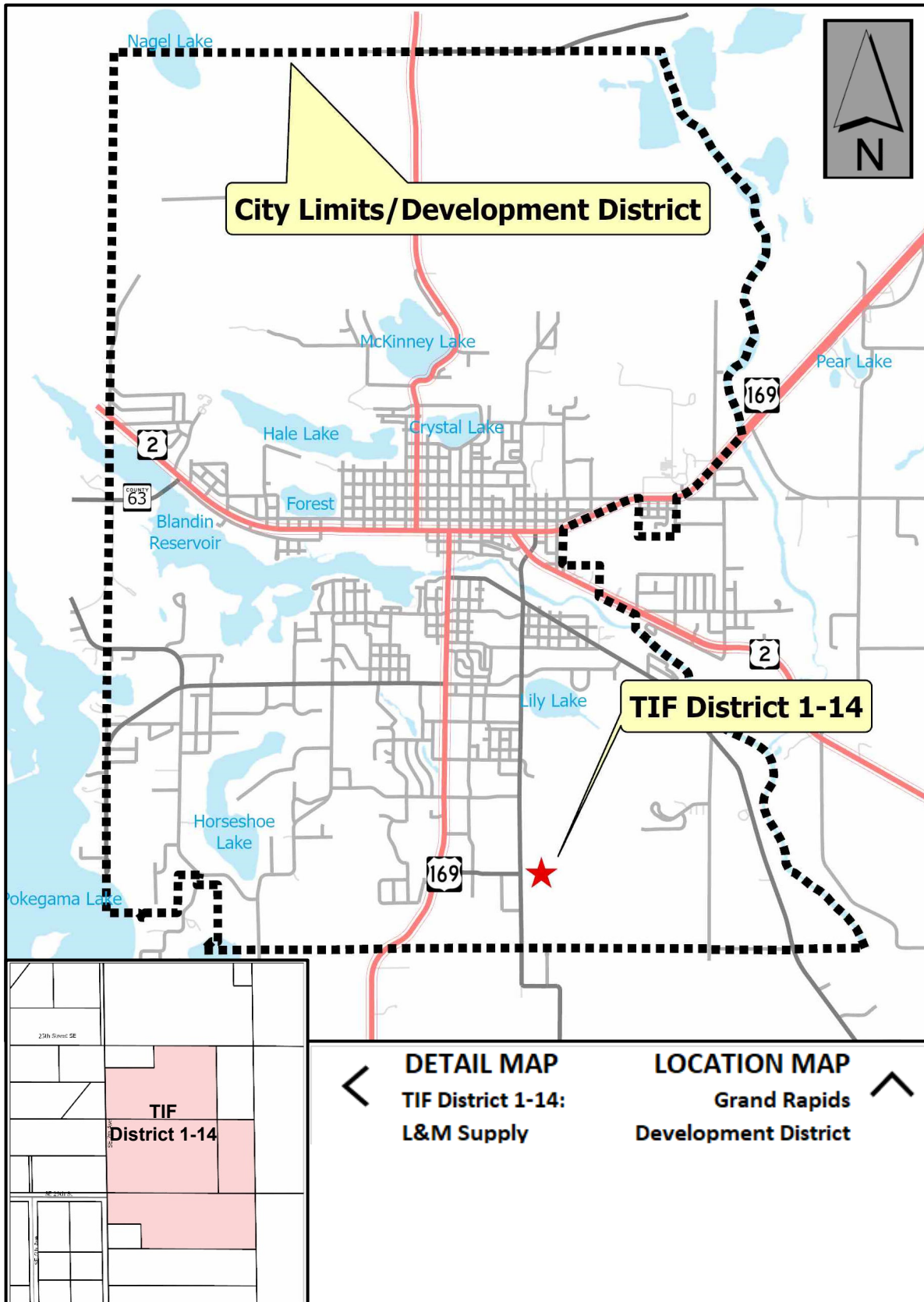
Administration of the District will be handled by the Community Development Director.

Appendix A: Map of Municipal Development District No. 1 and the TIF District

Tax Increment Financing District No. 1-14: L&M Supply

Municipal Development District No. 1 in the City of Grand Rapids, MN

The boundaries of Municipal Development District No. 1 are coterminous with the City limits.



Appendix B: Estimated Cash Flow for the District

Proposed L&M Distribution Center - 5% Inflation

City of Grand Rapids, MN

210,000 SF warehouse / distribution facility



ASSUMPTIONS AND RATES

DistrictType:	Economic Development
District Name/Number:	TIF 1-14
County District #:	TBD
First Year Construction or Inflation on Value	2024
Existing District - Specify No. Years Remaining	
Inflation Rate - Every Year:	5.00%
Interest Rate:	4.00%
Present Value Date:	1-Feb-26
First Period Ending	1-Aug-26
Tax Year District was Certified:	Pay 2023
Cashflow Assumes First Tax Increment For Development:	2026
Years of Tax Increment	9
Assumes Last Year of Tax Increment	2034
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	Inside(B)
Incremental or Total Fiscal Disparities	Incremental
Fiscal Disparities Contribution Ratio	20.7700% Pay 2023
Fiscal Disparities Metro-Wide Tax Rate	169.9670% Pay 2023
Maximum/Frozen Local Tax Rate:	138.900% Pay 2023
Current Local Tax Rate: (Use lesser of Current or Max.)	138.900% Pay 2023
State-wide Tax Rate (Comm./Ind. only used for total taxes)	33.0030% Pay 2023
Market Value Tax Rate (Used for total taxes)	0.09300% Pay 2023

Tax Rates

Exempt Class Rate (Exempt)	0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)	
First \$150,000	1.50%
Over \$150,000	2.00%
Commercial Industrial Class Rate (C/I)	2.00%
Rental Housing Class Rate (Rental)	1.25%
Affordable Rental Housing Class Rate (Aff. Rental)	
First \$100,000	0.75%
Over \$100,000	0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)	
First \$500,000	1.00%
Over \$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)	
First \$500,000	1.00%
Over \$500,000	1.25%
Agricultural Non-Homestead	1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/ Phase
1	91-033-1410	T. Moyer Trustee	Unassigned	92,100		92,100	100%	92,100	Pay 2023	Res. V Land	1,151	C/I	1,842	
2	91-033-1430	E. Karpan	2804 Airport Rd.	102,500	203,300	305,800	100%	305,800	Pay 2023	Res. 1 Unit	2,961	C/I Pref.	5,366	
3	91-033-4120	MIMAR Dev.	Unassigned	109,000		109,000	100%	109,000	Pay 2023	Res. V Land	1,363	C/I	2,180	
4	91-033-1406	City of GR	Unassigned	161,000		161,000	100%	161,000	Pay 2023	Exempt	-	C/I	3,220	
				464,600	203,300	667,900		667,900			5,475		12,608	

Note:

1. Base values are for pay 2023 based upon Review of Pay 2023 tax statements in August 2023.
2. Located in SD # 318.

Proposed L&M Distribution Center - 5% Inflation

City of Grand Rapids, MN
210,000 SF warehouse / distribution facility



PROJECT INFORMATION (Project Tax Capacity)													
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2024	Percentage Completed 2025	Percentage Completed 2026	Percentage Completed 2027	First Year Full Taxes Payable
1	Warehouse	95	95	210,000	20,000,000	C/I Pref.	399,250	2	100%	100%	100%	100%	2026
TOTAL					20,000,000		399,250						
Subtotal Residential				0	0		0						
Subtotal Commercial/Ind.				210,000	20,000,000		399,250						

Note:

1. On May 1, 2023 the County Assessor provided an estimated completed market value of \$17,977,000.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Warehouse	399,250	82,924	316,326	439,377	140,944	131,022	18,600	729,942	3.48
TOTAL	399,250	82,924	316,326	439,377	140,944	131,022	18,600	729,942	

Note:

1. Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law, fiscal disparities and other factors which cannot be predicted.
2. If tax increment is received in 2025, then the district will be one year shorter.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	729,942
less State-wide Taxes	(131,022)
less Fiscal Disp. Adj.	(140,944)
less Market Value Taxes	(18,600)
less Base Value Taxes	(13,875)
Annual Gross TIF	425,501

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	667,900
New Market Value - Est.	20,000,000
Difference	19,332,100
Present Value of Tax Increment	3,879,615
Difference	15,452,485
Value likely to occur without Tax Increment is less than:	15,452,485



Proposed L&M Distribution Center - 5% Inflation

City of Grand Rapids, MN

210,000 SF warehouse / distribution facility

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
100%	399,250	(12,608)	(80,306)	306,336	138.900%	425,501	212,751	(766)	(21,198)	190,786	187,045	0.5	#VALUE!	08/01/26
							212,751	(766)	(21,198)	190,786	370,423	1	2026	02/01/27
100%	419,213	(12,608)	(84,452)	322,153	138.900%	447,470	223,735	(805)	(22,293)	200,637	559,488	1.5	2027	08/01/27
							223,735	(805)	(22,293)	200,637	744,845	2	2027	02/01/28
100%	440,173	(12,608)	(88,805)	338,760	138.900%	470,537	235,269	(847)	(23,442)	210,980	935,936	2.5	2028	08/01/28
							235,269	(847)	(23,442)	210,980	1,123,279	3	2028	02/01/29
100%	462,182	(12,608)	(93,376)	356,197	138.900%	494,758	247,379	(891)	(24,649)	221,840	1,316,404	3.5	2029	08/01/29
							247,379	(891)	(24,649)	221,840	1,505,742	4	2029	02/01/30
100%	485,291	(12,608)	(98,176)	374,507	138.900%	520,190	260,095	(936)	(25,916)	233,243	1,700,909	4.5	2030	08/01/30
							260,095	(936)	(25,916)	233,243	1,892,249	5	2030	02/01/31
100%	509,555	(12,608)	(103,216)	393,731	138.900%	546,893	273,446	(984)	(27,246)	245,216	2,089,467	5.5	2031	08/01/31
							273,446	(984)	(27,246)	245,216	2,282,818	6	2031	02/01/32
100%	535,033	(12,608)	(108,508)	413,917	138.900%	574,931	287,466	(1,035)	(28,643)	257,788	2,482,097	6.5	2032	08/01/32
							287,466	(1,035)	(28,643)	257,788	2,677,468	7	2032	02/01/33
100%	561,785	(12,608)	(114,064)	435,113	138.900%	604,372	302,186	(1,088)	(30,110)	270,988	2,878,816	7.5	2033	08/01/33
							302,186	(1,088)	(30,110)	270,988	3,076,216	8	2033	02/01/34
100%	589,874	(12,608)	(119,898)	457,368	138.900%	635,284	317,642	(1,144)	(31,650)	284,849	3,279,644	8.5	2034	08/01/34
							317,642	(1,144)	(31,650)	284,849	3,479,084	9	2034	02/01/35
Total							4,719,937	(16,992)	(470,295)	4,232,651				
Present Value From 02/01/2026							3,879,615	(13,967)	(386,565)	3,479,084				

Appendix C: Findings Including But/For Qualifications

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 1-14: L&M as required pursuant to *Minnesota Statutes (M.S.), Section 469.175, Subd. 3* are as follows:

1. *Finding that Tax Increment Financing District No. 1-14: L&M is an economic development district as defined in M.S., Section 469.174, Subd. 12.*

Tax Increment Financing District No. 1-14: L&M is a contiguous geographic area within the City's Municipal Development District No. 1, delineated in the TIF Plan, for the purpose of financing economic development in the City through the use of tax increment. The District is in the public interest because it will facilitate the development of a state of the art distribution center for L&M Supply, Inc. with the anticipation of creating 35-50 new jobs in the City which will increase employment in the State and preserve and enhance the tax base of the State.

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 1-14: L&M permitted by the TIF Plan.*

The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future: This finding is supported by the fact that the development proposed in this plan is warehouse and distribution facility that meets the City's objectives for economic development. The cost of land acquisition, and related site improvements necessary to maximize development potential, makes development of the facility infeasible without City assistance. The Developer was asked for and provided a tax increment application and letter as justification that the developer would not have gone forward without tax increment assistance.

The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax

increments for the maximum duration of the District permitted by the TIF Plan: The City supported this finding on the grounds that the project includes a state of the art warehouse and distribution facility that will increase the City's tax base and create between 35-50 jobs. The City reasonably determines that no other development of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

Therefore, the City concludes as follows:

- a. The City's estimate of the amount by which the market value of the entire District will increase without the use of tax increment financing is \$0.
 - b. If the proposed development occurs, the total increase in market value will be \$19,332,100 (see Appendix B of the TIF Plan)
 - c. The present value of tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be \$3,879,615 (see Appendix B of the TIF Plan).
 - d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$15,452,485 (the amount in clause b less the amount in clause c) without tax increment assistance.
3. *Finding that the TIF Plan for Tax Increment Financing District No. 1-14: L&M conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The City Council reviewed the TIF Plan and found that the TIF Plan conforms to the general development plan of the City.

4. *Finding that the Tax Increment Financing Plan for Tax Increment Financing District No. 1-14: L&M will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of Municipal Development District No. 1 by private enterprise.*

The project to be assisted by the District will result in increased employment in the City and the State of Minnesota, increased tax base of the State, and add a high-quality development to the City.