



GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY MEETING AGENDA

Thursday, May 09, 2024
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, May 9th, 2024 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 April 25, 2024 regular meeting.

APPROVE CLAIMS

2. Consider approval of claims in the amount of \$7,457.11.

BUSINESS

3. Consider the approval of a resolution approving certain lender documents related to the L&M Supply Distribution Center Project
4. Select two Commissioners to review a Commercial Building Improvement Loan application and a Downtown Entertainment Loan application
5. Consider approving a lease with Miller & Holmes, Inc.

UPDATES

ADJOURN

MEMBERS & TERMS

Tom Sutherland - 12/31/2024 Council Representative

Molly MacGregor - 12/31/2024 Council Representative

Wayne Bruns - 3/1/25

Sholom Blake - 3/1/25

Al Hodnik - 3/1/27

Bill Martinetto - 3/1/27

Malissa Bahr - 3/1/30



GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY MEETING MINUTES

Thursday, April 25, 2024
4:00 PM

Commissioner Hodnik called the meeting to order at 4:00 PM.

PRESENT: Commissioner Al Hodnik, Commissioner Wayne Bruns, Commissioner Tom Sutherland, Commissioner Molly MacGregor, Commissioner Malissa Bahr

ABSENT: President Sholom Blake, Commissioner Bill Martinetto

STAFF: Rob Mattei

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 .*

The agenda is accepted as is.

APPROVE MINUTES

1. Consider approving minutes for Thursday, April 11, 2024 GREDA regular meeting and Tuesday, April 16, 2024 GREDA special meeting.

Motion made by Commissioner MacGregor, Second by Commissioner Bahr to approve the minutes as presented. Voting Yea: Commissioner Hodnik, Commissioner Bruns, Commissioner MacGregor, Commissioner Bahr

APPROVE CLAIMS

2. Consider approving claims in the amount of \$221.55.

Motion made by Commissioner Bruns, Second by Commissioner MacGregor to approve the verified claims as presented. Voting Yea: Commissioner Hodnik, Commissioner Bruns, Commissioner MacGregor, Commissioner Bahr

BUSINESS

Commissioner Sutherland arrived at 4:02 PM.

3. Consider adopting a resolution approving a preliminary development agreement with Unique Opportunities Grand Rapids, LLC.

Motion by Commissioner Bahr, second by Commissioner Bruns to adopt a resolution approving a preliminary development agreement with Unique Opportunities Grand Rapids,

LLC. The following voted in favor thereof: Bruns, MacGregor, Hodnik, Bahr, Sutherland. Opposed: None, motion passed unanimously.

UPDATES

4. Oppidan Workforce Housing Project
5. L&M Distribution Center Project
6. HWY 35 Project

ADJOURN

There being no further business the meeting adjourned at 4:25 p.m.

MEMBERS & TERMS

Tom Sutherland - 12/31/2024 Council Representative

Molly MacGregor - 12/31/2024 Council Representative

Wayne Bruns - 3/1/25

Sholom Blake - 3/1/25

Al Hodnik - 3/1/27

Bill Martinetto - 3/1/27

Malissa Bahr - 3/1/30

DATE: 05/03/2024
 TIME: 12:06:12
 ID: AP443GR0.WOW

CITY OF GRAND RAPIDS
 DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 05/09/2024

VENDOR #	NAME	AMOUNT DUE
EDA - CAPITAL PROJECTS		
AIRPORT SOUTH INDUSTRIAL PARKS		
1321670	MURPHY'S DIRT WORK, LLC	550.00
1415511	NORTHERN STAR COOPERATIVE SERV	514.29
TOTAL AIRPORT SOUTH INDUSTRIAL PARKS		1,064.29
GREAT RIVER ACRES DEV		
1105530	KENNEDY & GRAVEN, CHARTERED	1,188.00
TOTAL GREAT RIVER ACRES DEV		1,188.00
BLK 36 DOWNTOWN REDEVELOPMENT		
1105530	KENNEDY & GRAVEN, CHARTERED	1,376.50
1920555	STOKES PRINTING & OFFICE	70.32
TOTAL BLK 36 DOWNTOWN REDEVELOPMENT		1,446.82
L&M DISTRIBUTION CENTER		
1105530	KENNEDY & GRAVEN, CHARTERED	3,758.00
TOTAL L&M DISTRIBUTION CENTER		3,758.00
TOTAL UNPAID TO BE APPROVED IN THE SUM OF:		\$7,457.11
TOTAL ALL DEPARTMENT		\$7,457.11



REQUEST FOR GRAND RAPIDS EDA ACTION

AGENDA DATE: May 9, 2024

STATEMENT OF ISSUE: Consider the approval of a resolution approving certain lender documents related to the L&M Supply Distribution Center Project

PREPARED BY: Rob Mattei, Executive Director

BACKGROUND:

GREDA has recently completed the final of four land sales to SE 7th Ave. Distribution LLC (Developer) for the site that will be the location of the L&M Supply Distribution Center (Project).

To finance the Project, the Developer has received a loan from Alerus Financial, a national banking association. As a condition of receiving the loan, Alerus requires that GREDA subordinate certain rights of entry and reverter related to the property, which are included within the purchase agreements and deeds.

GREDA and the City of Grand Rapids have previously approved a Development Assistance Agreement with the Developer. As a condition of the loan, Alerus requires that GREDA and the City execute the Consent and Estoppel Agreement. This consent will allow assignment of the TIF Note to Park State Bank who will be the TIF lender.

REQUIRED ACTION: Pass a motion approving a resolution approving certain lender documents related to the L&M Supply Distribution Center Project.

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

RESOLUTION NO. _____

**APPROVING CERTAIN LENDER DOCUMENTS RELATED TO
THE L & M SUPPLY PROJECT**

WHEREAS, the Grand Rapids Economic Development Authority (the “Authority”) has previously entered in Purchase Agreement in 2013 (the “2023 Purchase Agreement”), with SE 7th Ave Distribution LLC, a Minnesota limited liability company, or an affiliate thereof or an entity related thereto (the “Developer”), pursuant to which the Developer acquired the real property legally described in Exhibit B attached thereto (the “2023 Property”) for the purpose of constructing, improving and equipping thereon and on adjacent property, an approximately 210,000 square foot warehouse and distribution center (the “Project”) to be owned by the Developer and operated by L & M Supply, Inc., a Minnesota corporation (the “Tenant”), in connection with the expansion of the Tenant’s existing business, and the Developer obtained title to the 2023 Property pursuant to that certain Quit Claim Deed, dated December 13, 2023 (the “2023 Deed”); and

WHEREAS, the Authority also entered into a Purchase Agreement with the Developer in 2024 relating to additional property (the “2024 Purchase Agreement” and, together with the 2023 Purchase Agreement, the “Purchase Agreements”), pursuant to which the Developer would acquire the certain real property legally described in Exhibit B attached thereto (the “2024 Property” and, together with the 2023 Property, the “Property”) pursuant to the form of quit claim deed attached thereto as Exhibit A (the “2024 Deed” and, together with the 2023 Deed, the “Deeds”) for the development of the Project; and

WHEREAS, to finance the Project, the Developer has received a loan from Alerus Financial, National Association, a national banking association (the “Lender”), in the approximate amount of \$32,560,000 (the “Loan”), and to secure the repayment of the Loan, the Developer will execute a certain Mortgage, Security Agreement and Fixture Financing Statement, whereby the Developer shall mortgage the Property to the Lender; and

WHEREAS, the Lender requires that as a condition of giving the Developer the Loan, the Authority subordinate certain rights of re-entry and reverter related to the Property as detailed in the Purchase Agreements and the Deeds pursuant to a certain Subordination Agreement by and between the Authority, the Developer and the Lender (the “Subordination Agreement”), a form of which is presented to the Board of Commissioners of the Authority (the “Board”); and

WHEREAS, the Authority and the City have approved a certain Development Assistance Agreement between the Authority, the City and the Developer (the “Development Assistance Agreement”), and as a condition of the Loan, the Lender requires that the Authority and the City execute a certain Consent and Estoppel Certificate by and between the Authority, the City and the Lender (the “Consent and Estoppel”), a form of which is presented to the Board, pursuant to which the Authority and the City acknowledge that the Developer has granted Park State Bank, a banking institution (the “TIF Lender”), a security interest in the Taxable Tax Increment Revenue Note to be issued by the City pursuant to the Development Assistance Agreement, and the payments thereunder, and the Developer’s right, title and interest in and to the Development Assistance Agreement as collateral for an approximate \$2,400,000 loan from the TIF Lender to the Developer (the “TIF Loan”); and

WHEREAS, as a condition of giving the TIF Loan, the TIF Lender requires that the Authority and

the City execute a certain Assignment of Tax Increment Financing and Subordination Agreement by and between the Developer, the City, the Authority, and the TIF Lender (the “TIF Assignment”), pursuant to which the Developer agrees to assign its rights under the Development Assistance Agreement and the TIF Note to the TIF Lender and the City and the Authority agree to subordinate their rights under the Development Assistance Agreement to the Promissory Note and Construction Loan Agreement related to the TIF Loan.

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

1. The Authority hereby approves the Subordination Agreement, the Consent and Estoppel and the TIF Assignment substantially in accordance with the terms set forth in the forms presented to the Board, together with any related documents necessary in connection therewith, including without limitation all documents, exhibits, certifications or consents referenced in or attached to the Subordination Agreement, the Consent and Estoppel, or the TIF Assignment (collectively, the “Lender Documents”) and hereby authorizes the President and the Executive Director to negotiate the final terms thereof and, in their discretion and at such time as they may deem appropriate, to execute the Lender Documents on behalf of the Authority, and to carry out, on behalf of the Authority, the Authority’s obligations thereunder when all conditions precedent thereto have been satisfied. The Board hereby approves the conveyance of the Property to the Developer in accordance with the terms of the Lender Documents.

2. The approval hereby given to the Lender Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the Authority and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the Authority. The execution of any instrument by the appropriate officers of the Authority herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. This Resolution shall not constitute an offer and the Lender Documents shall not be effective until the date of execution thereof as provided herein. In the event of absence or disability of the officers, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board by any duly designated acting official, or by such other officer or officers of the Board as, in the opinion of the Authority’s Attorney, may act in their behalf.

3. The powers provided to the Executive Director hereunder shall be delegated and assigned to the City’s Assistant Community Development Director in the event of the Executive Director’s absence. In such circumstances, the Assistant Community Development Director shall have all authority to act as the Acting Executive Director pursuant to this resolution and in connection with the closing on the conveyance of the Property to the Developer.

4. Upon execution and delivery of the Lender Documents, the officers and employees of the Authority are hereby authorized and directed to take or cause to be taken such actions as may be necessary on behalf of the Authority to implement the Lender Documents.

Approved this May __, 2024, by the Board of Commissioners of the Grand Rapids Economic Development Authority.

President

ATTEST:

Secretary

EXHIBIT A**LEGAL DESCRIPTION OF PROPERTY**

The property located in the City of Grand Rapids, Itasca County, Minnesota legally described as:

That part of the East 330.00 feet of the South Half of the Southeast Quarter of the Northeast Quarter of section 33, Township 55 North, Range 25 West, Itasca County, Minnesota, lying southwesterly of the following described line:

Commencing at the southeast corner of said Southeast Quarter of the Northeast Quarter; thence on an assigned bearing of North 01 degrees 20 minutes 08 seconds West, along the east line of said Southeast Quarter of the Northeast Quarter, a distance of 151.91 feet to the point of beginning of the line herein described; thence North 14 degrees 18 minutes 12 seconds West 523.41 feet to the north line of the South Half of the Southeast Quarter of the Northeast Quarter and said line terminating thereat.

DRAFT FOR DISCUSSION PURPOSES ONLY
DRAFT DATE: MARCH 20, 2024

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT is dated as of April __, 2024, by and among SE 7TH AVE DISTRIBUTION LLC, a Minnesota limited liability company (“Borrower”), the GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic under the laws of Minnesota (“EDA”), and ALERUS FINANCIAL, NATIONAL ASSOCIATION, a national banking association (“Lender”).

WITNESSETH

WHEREAS, the Borrower and the EDA entered into that certain Purchase Agreement dated December 15, 2023 (the “2023 Purchase Agreement”), pursuant to which the Borrower agreed to purchase from the EDA and the EDA agreed to sell to Borrower certain real property legally described on Parts I, II and III of **Exhibit A** attached hereto and made a part hereof (said property hereinafter called the “2023 Property”); and

WHEREAS, the Borrower and the EDA entered into that certain Purchase Agreement dated _____, 2024 (the “2024 Purchase Agreement”; and together with the 2023 Purchase Agreement being collectively referred to herein as the “Purchase Agreements”), pursuant to which the Borrower agreed to purchase from the EDA and the EDA agreed to sell to Borrower certain real property legally described on Part IV of **Exhibit A** attached hereto and made a part hereof (said property hereinafter called the “2024 Property”; and together with the 2023 Property being collectively referred to herein as the “Property”);

WHEREAS, Borrower obtained title to the 2023 Property pursuant to that certain Quit Claim Deed dated December 13, 2023, executed by the EDA and delivered to Borrower in accordance with the terms of the 2023 Purchase Agreement and filed with

the Itasca County Recorder’s Office on December 22, 2023, as Document No. A000777132 (“2023 Deed”); and

WHEREAS, Borrower obtained title to the 2024 Property pursuant to that certain Quit Claim Deed dated _____, 2024, executed by the EDA and delivered to Borrower in accordance with the terms of the 2024 Purchase Agreement and filed April __, 2024 as Document No. _____ (“2024 Deed”; and together with the 2023 Deed, the “Deeds”);

WHEREAS, Borrower has executed that certain Mortgage, Security Agreement and Fixture Financing Statement dated of even date herewith, recorded on _____, 2024 in the office of the County Recorder of Itasca County, Minnesota as Document No. _____ (“Mortgage”), whereby Borrower has mortgaged to Lender the Property; and

WHEREAS, the Mortgage was given to secure repayment of that certain Promissory Note (“Note”) of even date herewith, issued by the Borrower to the order of the Lender in the original principal amount of \$32,560,000; and

WHEREAS, as a condition to the extension of credit by Lender evidenced by the Note, the Lender has required that the EDA’s rights of re-entry and reverter under the Purchase Agreements and the Deeds be subordinated to the Mortgage.

NOW, THEREFORE, in consideration of the covenants contained herein, the mutual benefits derived therefrom and other good and valuable consideration received by each of the parties hereto from the other parties hereto, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, it is agreed as follows:

1. The EDA’s rights under each of the Purchase Agreements and each of the Deeds, including all rights of re-entry and rights of reverter shall be, and hereby are made, subject and subordinate at all times and in all respects to the lien of the Mortgage, and all renewals, modifications, extensions, substitutions, replacements and/or consolidations thereof and the lien of the Mortgage shall be, and hereby is made, prior and superior to the EDA’s rights under the Purchase Agreements and Deeds.
2. The EDA shall not without the prior written consent of the Lender take any action to enforce and foreclose any lien or other interest it may have in the Property, whether pursuant to the Purchase Agreements or the Deeds or otherwise, unless the Lender has initiated foreclosure proceedings (whether by action or pursuant to a power of sale) under the Mortgage.
3. The priorities set forth herein shall be binding irrespective of (a) the fact of or the timing of any filing, recording or other method of perfecting such mortgage lien interests; or (b) any contrary priority established pursuant to applicable statutes or regulations.

4. The rights and obligations hereunder of Borrower, the EDA and Lender shall bind and inure to the benefit of their respective successors and assigns.
5. Borrower and Lender, or their successors or assigns, may alter, extend, change, modify, waive or release any of the terms, covenants and conditions contained in the Mortgage without in any manner affecting this Agreement or releasing the EDA from the effect hereof, all without any further consent or agreement of the EDA.
6. This Subordination Agreement may be signed in any number of counterparts, including electronic and facsimile counterpart signatures, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

[signature pages follow]

**City of Grand Rapids Economic
Development Authority**

By: _____

Name: _____

Its: Executive Director

By: _____

Name: _____

Its: President

STATE OF MINNESOTA)
)ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 2024, by _____, the President of the GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY (the "Authority"), a public body corporate and politic under the laws of Minnesota, on behalf of the Authority.

Notary Public

STATE OF MINNESOTA)
)ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 2024, by _____, the Executive Director of the GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY (the "Authority"), a public body corporate and politic under the laws of Minnesota, on behalf of the Authority.

Notary Public

**EXHIBIT A
LEGAL DESCRIPTION**

The land herein referred to is situated in the City of Grand Rapids, County of Itasca, State of Minnesota and is described as follows:

PART I (PID 91-033-4120)

The North 500 feet of the Northeast Quarter of the Southeast Quarter, Section 33, Township 55 North, Range 25, LESS the South 220 feet of the West 300 feet thereof, Itasca County, Minnesota.

PART II (PID 91-033-1410)

The Southeast Quarter of the Northeast Quarter, Section 33, Township 55 North, Range 25, West of the Fourth Principal Meridian, LESS the following three tracts: Tract 1: South Twenty acres thereof; Tract 2: North 198 feet of West 440 feet thereof; Tract 3: East 330 feet of North Half thereof, Itasca County, Minnesota.

PART (PID 91-033-1430)

The South Half of the Southeast Quarter of the Northeast Quarter, Section 33, Township 55 North, Range 25 West of the Fourth Principal Meridian, LESS the East 330 feet thereof, Itasca County, Minnesota.

PART IV

That part of the East 330.00 feet of the South Half of the Southeast Quarter of the Northeast Quarter of section 33, Township 55 North, Range 25 West, Itasca County, Minnesota, lying southwesterly of the following described line:

Commencing at the southeast corner of said Southeast Quarter of the Northeast Quarter; thence on an assigned bearing of North 01 degrees 20 minutes 08 seconds West, along the east line of said Southeast Quarter of the Northeast Quarter, a distance of 151.91 feet to the point of beginning of the line herein described; thence North 14 degrees 18 minutes 12 seconds West 523.41 feet to the north line of the South Half of the Southeast Quarter of the Northeast Quarter and said line terminating thereat.

CONSENT AND ESTOPPEL CERTIFICATE

THIS CONSENT AND ESTOPPEL CERTIFICATE (this “Estoppel Certificate”), is dated as of _____, 2024, and is from the GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY, a body corporate and politic organized and existing under the laws of the State of Minnesota (the “Authority”), and the CITY OF GRAND RAPIDS, MINNESOTA, a statutory city organized and existing under the laws of the State of Minnesota (the “City”), to ALERUS FINANCIAL, NATIONAL ASSOCIATION, a national banking association (the “Lender”), and its successors and assigns. The Authority and the City each hereby agrees with the Lender as follows:

1. Unless the context otherwise indicates, capitalized terms not otherwise defined herein shall have the definitions given such terms in that certain that certain Development Assistance Agreement dated as of December 15, 2023 (the “Development Assistance Agreement”) by and among the Authority, the City and SE 7th Ave Distribution LLC, a Minnesota limited liability company (“Borrower”).

2. Each of the Authority and the City understands that the Lender contemplates making (a) a construction and term loan available to the Borrower (the “Construction Loan”), which Construction Loan is to be secured by, among other things, a Mortgage, Security Agreement and Fixture Financing Statement dated of even date herewith, executed by Borrower in favor of the Lender, encumbering the Project (the “Construction Mortgage”).

3. Each of the Authority and the City understands that the Lender has required this Estoppel Certificate as a condition of making the Construction Loan and that the Lender will rely on this Estoppel Certificate in connection therewith.

4. Each of the Authority and the City acknowledges that, in exchange for developing the Project, Borrower will receive from the City, among other things, that certain Taxable Tax Increment Revenue Note (L & M Supply Project) in the anticipated original principal face amount of up to \$3,479,084.00 (the “TIF Note”), which will be issued to Borrower in accordance with the terms of the Development Assistance Agreement. Further, each of the Authority and the City acknowledges that, to secure the payment of a loan from Park State Bank (the “TIF Lender”) to the Borrower, the Borrower has agreed to grant to the TIF Lender a security interest in the TIF Note and the payments thereunder and Borrower’s right, title and interest in and to the Development Assistance Agreement.

5. The Authority and the City, as applicable, each further covenants, represents, and warrants to and agrees with the Lender as follows:

a. The TIF Note has been duly authorized by the City and if and when issued pursuant to the terms of the Development Assistance Agreement, the TIF Note will be a valid and binding special limited obligation of the City, payable solely from the sources provided therefor in the TIF Note and the Development Assistance Agreement;

b. That the City will deposit all payments to be made to the City under the TIF Note in accordance with the terms of the Development Assistance Agreement and the TIF Note);

c. That it has received and approved the Construction Plans for the Project;

d. That it hereby consents to the execution and delivery of the Construction Mortgage, and to the liens and security interests created therein, as security for the Construction Loan;

e. That the City has the power to issue the TIF Note, upon the conditions set forth in the Development Assistance Agreement, and to perform the agreements on its part to be performed under the Development Agreement; and

f. That the Borrower has provided proof of insurance (and proof of the payment of all premiums therefor) as contemplated by Section 6.1 the Development Assistance Agreement.

6. Nothing in this Estoppel Certificate shall prevent the Authority or the City from exercising their rights and remedies under Section 5.2 of the Development Assistance Agreement. Nothing herein shall be construed as subordinating the requirements contained in the Development Assistance Agreement.

7. The Development Assistance Agreement has not been amended or modified in any respect and represent the entire agreement of the parties thereto as to all of the subject matters dealt with therein. The Development Assistance Agreement is in full force and effect and neither the Authority nor the City has given any notice of any default thereunder. To the actual knowledge of the undersigned representatives of the Authority and the City, Borrower has performed all of its obligations under the Development Assistance Agreement with respect to the Project which are required to be performed as of the date hereof. To the actual knowledge of the undersigned representatives of the Authority and the City, the Borrower is not in default in the performance or observance of any of its covenants or agreements under the Development Assistance Agreement or pursuant to any other agreement with the Authority or with the City as of the date hereof.

8. Until the termination of the Assignment, each of the Authority and the City agrees to give the Lender a copy of each notice or demand given to the Borrower with respect to any breach or default by the Borrower in its obligations under any of the Development Assistance Agreement at the same time such notice, demand or other communication is given to the Borrower under the Development Assistance Agreement, addressed to the Lender as follows:

Alerus Financial, National Association
 11100 Wayzata Blvd, #570
 Minnetonka, MN 55305
 Attention: Eric P. Gundersen, SVP

Neither the giving nor the failure to give a notice to the Lender pursuant to this Section 7 will affect the validity of any notice given by the City or Authority to the Borrower.

9. Each of the Authority and the City agrees to accept the cure by the Lender of any default by the Borrower under the Development Assistance Agreement within thirty (30) days after the later of (i) delivery of notice of such default to the Lender pursuant to Section 7 above and (ii) the expiration of the time provided Borrower pursuant to Section 5.2 of the Development Assistance Agreement, provided, that, each of the Authority and the City acknowledge that the Lender shall be under no obligation to cure any such default. No commencement of any performance by the Lender on any obligation of the Borrower required under the Development Assistance Agreement shall obligate the Lender to continue or complete such performance or otherwise perform any of the Borrower's obligations under the Development Assistance Agreement.

10. The Authority and the City each acknowledge and agree that neither the Lender nor its successors or assigns shall be obligated to construct or complete the Project; provided, however, that if the Lender or its successors or assigns acquires the Project by foreclosure or a conveyance in lieu of foreclosure, the City acknowledges and agrees that, upon substantial completion of the Project in accordance with the Development Assistance Agreement, the Lender shall be entitled to seek from the City, and the City shall be obligated to issue, a Certificate of Completion for the Project in accordance with the terms set forth in Section 4.4 of the Development Assistance Agreement.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the undersigned officers of the Authority and the City have executed this Consent and Estoppel Certificate as of the date and year first written above.

GRAND RAPIDS ECONOMIC DEVELOPMENT
AUTHORITY

By: _____
Its: President

By: _____
Its: Executive Director

CITY OF GRAND RAPIDS, MINNESOTA

By: _____
Its: Mayor

By: _____
Its: City Administrator

ASSIGNMENT OF TAX INCREMENT FINANCING AND SUBORDINATION AGREEMENT

This ASSIGNMENT OF TAX INCREMENT FINANCING AND SUBORDINATION AGREEMENT (“Assignment”) is effective as of _____ 2024, by and between SE 7th Ave Distribution LLC, a Minnesota limited liability company, its successors and assigns (“Developer”); PARK STATE BANK, a Minnesota banking corporation (“Lender”); the CITY OF GRAND RAPIDS, a municipal corporation and political subdivision of the State of Minnesota (the “City”); and the GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY, a body corporate and politic organized under and existing under the laws of the State of Minnesota (the “Authority”).

PRELIMINARY RECITALS

A. Developer is undertaking a project in the City of Grand Rapids, Minnesota (the “City”) on the land described in Exhibit A hereto, consisting of the constructing and equipping of an approximately 210,000 square foot warehouse and distribution center, to be owned by Developer and operated by L & M Supply, Inc., a Minnesota corporation (the “Project”).

B. The Project is within Tax Increment Financing District No. 1-14: L&M Supply (the “TIF District”) created by the City.

C. The City, the EDA and the Developer have entered into that certain Development Assistance Agreement dated as of December 15, 2023 (the “Contract”) setting forth the City’s agreement to provide certain tax increment payments derived from the TIF District to reimburse Developer for a portion of the capital costs of the Project (the “Tax Increment Financing”) as consideration for construction of the Project.

D. In order to further evidence the Tax Increment Financing, the City will issue and deliver to Developer a Tax Increment Revenue Note in the maximum principal amount of Three Million Four Hundred Seventy-Nine Thousand and Eighty-Four Dollars (\$3,479,084) (the “TIF Note” and together with the Contract and any and all amendments and documents related to the foregoing, the “TIF Documents”). The TIF Note, if and when issued pursuant to the terms of the Contract, shall bear simple non-compounding interest at the rate of 6.50% and is payable as to principal from 90% of the tax increments derived from the TIF District, and which have been received by the City in the 6-month period preceding each payment date on the TIF Note in accordance with the provisions of Minnesota Statutes, Section 469.177 (the “Tax Increment”).

E. The Lender has made or will make credit advances to the Developer pursuant to the following:

- i. a Promissory Note from Developer to Lender in the original principal amount of not to exceed \$2,400,000 (the “Note”);
- ii. a Construction Loan Agreement between Developer and Lender (the “Loan Agreement,” and together with this Assignment, the “Loan Documents”) establishing the terms and conditions of a loan to the Developer by the Lender of the proceeds of the Note (the “Loan”) to finance a portion of the costs of the Project; and

iii. Guarantees of L & M Supply, Inc.; L & M Supply Virginia, Inc.; TDS Distributors, Detroit Lakes, Inc.; DES Distributors, Inc.; 3Gen Properties, LLC; and L&M Legacy RE Holdings, LLC.

F. Lender requires as a condition precedent to Lender making advances under the Note that (i) Developer assign its rights and interests under the TIF Documents to Lender, and (ii) the City and the Authority subordinate their rights under the Contract to the Note and the Loan Documents as provided herein.

G. Developer has agreed to execute and deliver this Assignment to Lender as security for repayment of the Loan and the Note, and the City and the Authority have agreed to subordinate its rights under the Contract to the Note and the Loan Documents.

NOW, THEREFORE, in consideration of the above recitals, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Assignment of TIF.

A. Developer transfers, assigns and grants a security interest in, pledges, and conveys, to Lender all right, title and interest of Developer, if any, in and to the TIF Documents (and together with the Loan Documents, the “Documents”), provided Lender does not assume any obligations under the TIF Documents unless and until Lender assumes such obligations in writing, together with the immediate and continuing right to receive and collect all amounts due or to become due thereunder and all other rights which may derive from or accrue thereunder and the right to amend, cancel, modify, alter or surrender the TIF Documents for the purpose of securing the following (hereinafter collectively referred to as the “Indebtedness Secured Hereby”):

i. payment of the indebtedness evidenced by and performance of the terms and conditions of the Note and the Loan Documents;

ii. payment of all other sums with interest thereon becoming due and payable to Lender hereunder and under the Note and the Loan Documents;

iii. performance and discharge of each and every obligation, covenant and agreement of Developer herein and in the Note, the Loan Documents and the TIF Documents, to the extent assigned hereunder.

B. Developer constitutes and appoints the Lender its irrevocable attorney-in-fact to enforce all rights, title and interest of the Developer under the TIF Documents, to collect and receive any debts or obligations related thereto, and to satisfy the Contract as same might or could have done were this Assignment not executed, and covenants with the Lender that the Developer has good right to sell, assign and transfer the same.

2. Present Pledge and Assignment.

A. This Assignment shall constitute a perfect, absolute and present pledge and assignment in connection with which Developer shall have delivered to Lender the TIF Note assigned and endorsed to Lender as provided in the following sentence. Immediately upon the

issuance of the TIF Note by the City, the Developer shall execute and deliver to Lender the Allonge Endorsement to Note in the form attached hereto as Exhibit B to be attached to the TIF Note.

B. So long as no default has occurred under the Loan Documents, the TIF Documents, or this Assignment, Developer may collect the semi-annual payments under the TIF Note. From and after the occurrence of an Event of Default (as defined herein) and after the City has received: (i) written notice from the Lender to the City that payments should be made to the City; (ii) an Acknowledgement Regarding TIF Note in the form attached as Exhibit 2 to the TIF Note executed by the Lender; and (iii) the re-registration of the TIF Note in the name of the Lender, all payments on the TIF Note shall be paid directly to Lender to be held and applied by Lender as provided herein and in the Loan Agreement.

C. If Developer should receive any payments on the TIF Note or otherwise under the TIF Documents at any time after the occurrence of an Event of Default, Developer shall immediately deposit such payments with Lender to be held and applied in accordance with the Loan Agreement and this Assignment.

D. If Developer and Lender make inconsistent demands on the City for payment under the TIF Note, or otherwise challenge the appropriate party to which payment is to be made, Developer and Lender expressly agree and authorize the City to pay to Lender the disputed amount. Upon the making of any such payment to Lender, the City's obligation with respect to the making of such payment will be deemed fully satisfied.

3. Subordination of Contract. The City and the Authority agree and acknowledge that the Note and the Loan Documents, and all advances made thereunder and accrued interest thereon are senior and prior to the Contract. Therefore, the City agrees to subordinate, and subordinates any and all liens, security interests and restrictive covenants, if any, included in the Contract to any and all liens, security interests and restrictive covenants, if any, securing repayment of the Note or created by the Loan Documents; provided, however, that the agreements in this Section 3 will not limit or otherwise affect the City's exercise of its remedies set forth in Section 5.2 of the Contract and nothing herein shall be construed as subordinating the requirements contained in the Contract that the Project be used in accordance with the provisions of Section 3.8 of the Contract. Without limiting the foregoing, the City agrees that, in the event of any insured loss and/or condemnation award on or for the Project, the City shall attorn solely to the act and decision of Lender which shall be made as set forth in the Loan Documents in collecting, settling for and paying any and all insurance/awards made to or associated with the Project, except to the extent that such amounts are applicable to payment of the City's administrative fees relating to the TIF District and the TIF Documents. Nothing herein shall be construed as subordinating the City's rights under the TIF Note or the Tax Abatement Note and the Contract to terminate or suspend payments under the TIF Note or the Tax Abatement Note.

4. Warranties. Developer covenants, warrants and agrees that:

A. Upon issuance of the TIF Note, it is the true and lawful, absolute owner of the TIF Note free and clear from any and all liens, security interest, encumbrances or other right, title or interest of any other person, firm or corporation;

B. It has the full right and title to assign and pledge the TIF Note and its interest in the TIF Documents; there are no outstanding claims, assignments or pledges thereof, other than as set forth hereinabove; there are no existing defaults under the TIF Documents on the part of the parties hereto; and it has fully complied with and is not in default with regard to the TIF Documents.

C. The TIF Documents shall not be amended, altered, cancelled, modified or surrendered without the prior written consent of Lender.

D. It is in material compliance with the terms, conditions and provisions of the Contract.

E. No default by either Developer, the City, or the Authority exists under the terms of the TIF Note or Contract.

F. The maturity date of the TIF Note is the earliest to occur of payment in full of the principal amount of the TIF Note, termination of the Contract or the TIF Note, termination of the TIF District, or February 1, 2035.

G. The Contract remains in full force and effect.

H. There are no defenses, setoffs or counterclaims against or with regard to the TIF Note or the Contract or the indebtedness evidenced thereby. The TIF Note is a valid and enforceable obligation of the City and Developer in accordance with its terms.

5. Performance under the TIF Documents. Developer shall (a) enforce or secure the performance of each and every material obligation of the City and the Authority in the TIF Documents; (b) not borrow against or further pledge or assign any payments due under the TIF Documents; and (c) not waive, excuse, condone or in any manner release or discharge the City or the Authority from their obligations under the TIF Documents.

6. Security Agreement. This Assignment constitutes a Security Agreement under the Uniform Commercial Code as adopted in the State of Minnesota (the “Code”) and shall be governed by the Code.

7. Events of Default. An Event of Default shall occur hereunder upon any of the following:

A. a default occurs under any of the terms, conditions or provisions of the Note;
or

B. failure to comply with or perform any of the terms, conditions or covenants of this Assignment; or

C. a default shall occur under any of the Documents or any other instrument securing the Loan or the Note; or

D. any representation or warranty made by Developer herein, in the or in any other Document shall be false, breached or dishonored.

8. Remedies. Upon or at any time after an Event of Default that remains uncured after any required notice under the Loan Documents, Lender may declare all Indebtedness Secured Hereby immediately due and payable and provide notice to the City to thereafter make all payments on the TIF Note to Lender and apply all sums held by Lender including the sums received from the TIF Note to the Indebtedness Secured Hereby and may, at its option, enforce the payment thereof and exercise all of the rights of a holder of the TIF Documents. In addition, upon the occurrence of an Event of Default which remains uncured, Lender may without demand, advertisement or notice of any kind (except such notice as may be required under the Code) and all of which are, to the extent permitted by law, expressly waived by the Developer:

- A. exercise any of the remedies available to a secured party under the Code;
- B. proceed immediately to exercise each and all of the powers, rights, and privileges reserved or granted to Lender under the Documents; and/or
- C. proceed to protect and enforce this Assignment by suits or proceedings or otherwise, and for the enforcement of any other legal or equity available to Lender.

In the event that any notice is required to be given under the Code such requirements for reasonable notice shall be satisfied by giving at least 10 days written notice prior to the event or thing giving rise to the requirement of notice.

9. Authorization to the City and the Authority. The City and the Authority are irrevocably authorized and directed by Developer to recognize the claims of Lender without investigating the reason for any action taken or the validity of or the amount of indebtedness owing to Lender or the existence of any Event of Default. Developer irrevocably directs and authorizes the City and the Authority at the written direction of the Lender to pay exclusively to Lender or its assigns from and after the date hereof, all sums due under the TIF Documents without the necessity and to the extent such sums are paid to Lender and Developer agree that the City and the Authority shall have no further liability to Developer for the same. The sole signature of Lender shall be sufficient for the exercise of any rights under this Assignment and the sole receipt by Lender of any sum paid by the City or the Authority shall be in discharge and release of that portion of any amount owed by the City or the Authority.

10. Additional Instruments. Developer, upon the request of Lender shall, at Developer's sole expense, execute and deliver all assignments, certificates, financing statements or other documents and give further assurances and do all other acts and things as Lender may request to perfect or to realize upon Lender's interest in the TIF Note and the TIF Documents or to protect, enforce, or otherwise effect Lender's rights and remedies. If Developer is unable or unwilling to execute any such other assignments, certificates, financing statements or other documents and to file financing statements or other public notices or recordings with the appropriate authorities, as and when reasonably requested by Lender, and Developer authorizes Lender to sign and deliver as its true and lawful agent and attorney-in-fact, coupled with an interest,

any such assignment, certificate, financing statement or other document and to make any such filing.

11. Amendment. The TIF Documents shall not be amended, altered, cancelled or modified in any way which materially affects the generation or receipt of the Tax Increment Financing without the prior written consent of Lender.

12. Release. Upon payment and performance in full of the Indebtedness Secured Hereby, this Assignment shall be released and shall thereafter become null and void and be of no further effect. Lender shall provide the City written notice of such release.

13. Successors and Assigns. This Assignment, and each and every covenant, agreement and provision hereof shall be binding upon Developer and its successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Should Lender assign the Loan and the Loan Documents to any other person or entity, Lender shall cause such person or entity to be bound by the terms and provisions hereof.

14. Governing Law. This Assignment is intended to be governed by the laws of the State of Minnesota.

15. Validity and Severability Clause. The unenforceability or invalidity of any provision hereof shall not render any other provision or provisions herein contained unenforceable or invalid. Any provisions found to be unenforceable shall be severable from this Assignment.

16. Notices; Notice to City and Authority.

A. Notices which any party hereto may desire or may be required to give to any other party shall be made in the manner specified by the Loan Agreement.

B. Lender agrees to use commercially reasonable efforts to notify the City and the Authority of the occurrence of any Event of Default by Developer under the Loan Documents.

17. Attorneys' Fees. Developer agrees to pay all costs and expenses, including reasonable attorneys' fees, at any time paid or incurred by Lender, the City and the Authority in connection with the enforcement of the Lender's rights hereunder.

18. Counterparts. This Assignment may be executed in several counterparts, each of which is an original and all of which constitute but one and the same instrument.

19. Binding Effect. The Contract and the obligations of this Assignment shall run with the Land and burden the Project and remain in effect and be binding upon the Developer, its successors and assigns until terminated; provided, however, the Developer shall remain obligated under this Assignment, notwithstanding any assignment or transfer of the Project unless released in writing by the City and the Authority, notwithstanding any provision of this Assignment or the Contract to the contrary.

20. Exhibits. The Exhibits to the Assignment are as follows:

Exhibit A
Exhibit B

Legal Description
Allonge Endorsement to Note

IN WITNESS WHEREOF, the undersigned have caused this Assignment of Tax Increment Financing and Subordination Agreement to be effective as of the date first above written.

DEVELOPER:

SE 7TH AVE DISTRIBUTION LLC

By _____
Its CEO _____

STATE OF MINNESOTA)
)
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2024, by _____, the CEO of SE 7th Ave Distribution LLC, a Minnesota limited liability company, on behalf of the company.

Notary Public

LENDER:

PARK STATE BANK

By _____
Its _____

State of Minnesota, County of Itasca

The foregoing instrument was acknowledged before me on _____, 2024, by Shannon Benolken, Vice President of Park State Bank, a Minnesota banking corporation, on behalf of the corporation.

Notary Public

CITY:

CITY OF GRAND RAPIDS, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

STATE OF MINNESOTA)
)
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2024, by Tasha Connelly and Tom Pagel, the Mayor and City Administrator, respectively, of the City of Grand Rapids, a Minnesota municipal corporation, on behalf of the City.

Notary Public

AUTHORITY:

GRAND RAPIDS ECONOMIC DEVELOPMENT
AUTHORITY

By _____
Its President

By _____
Its Executive Director

STATE OF MINNESOTA)
)
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2024, by Sholom Blake and Rob Mattei, the President and Executive Director, respectively, of the Grand Rapids Economic Development Authority (the “Authority”), a body corporate and politic, on behalf of the Authority.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:

Fryberger, Buchanan, Smith & Frederick, P.A. (CJV)
302 West Superior Street, Suite 700
Duluth, MN 55802

**EXHIBIT A
TO
ASSIGNMENT OF TAX INCREMENT FINANCING
AND SUBORDINATION AGREEMENT**

LEGAL DESCRIPTION

**EXHIBIT B
TO
ASSIGNMENT OF TAX INCREMENT FINANCING
AND SUBORDINATION AGREEMENT**

ALLONGE ENDORSEMENT TO TIF NOTE

FOR VALUE RECEIVED, SE 7TH AVE DISTRIBUTORS LLC, a Minnesota limited liability company, endorses, assigns and transfers to PARK STATE BANK, a Minnesota banking corporation, all of its right, title and interest in and to the following-described Note:

City of Grand Rapids, Minnesota Tax Increment Revenue Note dated _____, 202__, in the original principal amount not to exceed \$3,479,084 executed by the City of Grand Rapids, as maker, to SE 7th Ave Distributors LLC, a Minnesota limited liability company, as registered owner.

Dated: _____, 20__.

SE 7TH AVE DISTRIBUTORS LLC

By _____
Its _____

THIS ALLONGE IS TO BE AFFIXED TO THE NOTE DESCRIBED ABOVE



REQUEST FOR GRAND RAPIDS EDA ACTION

AGENDA DATE: May 9, 2024

STATEMENT OF ISSUE: Consider approving a lease with Miller & Holmes, Inc.

PREPARED BY: Rob Mattei, Executive Director

BACKGROUND:

For the past ten years, GREDA has held a lease for a parking lot area owned by M&H along Hwy. 2 between 1st and 2nd Avenue West. Our current lease expired this January.

The past two leases have had the same terms as the version GREDA is considering, which generally are:

- A yearly rate of \$1.00
- A five-year term.
- Uses of the premises limited to parking, community events and farmers markets
- Maintenance by the City: plowing, sweeping and garbage removal.

RECOMMENDATION:

REQUIRED ACTION: Make a motion to approve a lease with Miller & Holmes, Inc.

LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered into this 9th day of May 2024, by and between Grand Rapids Economic Development Authority (GREDA), a public body politic under the laws of the State of Minnesota, “Tenant,” and Miller & Holmes, Inc., “Landlord.”

WHEREAS the Landlord hereby demises and leases to the Tenant, property located in the City of Grand Rapids.

WHEREAS the Tenant wishes to lease land for public use within the City.

WHEREAS the Landlord, in support of the community’s effort to bring renewed viability to the downtown, has graciously offered to rent the property for a yearly rate of \$1.00.

NOW, THEREFORE, the parties agree as follows:

1. **PROPERTY**: Tenant hereby leases from Landlord real property located in the City of Grand Rapids, County of Itasca, legally described as:

Lots 1-4, 9-12 and the North 1’ of Lots 5 and 8, all in Block 36,
Grand Rapids First Division (the “Property”).
2. **TERM**: This Lease shall be for a period of five (5) years commencing May 9, 2024, to May 9, 2029.
3. **RENT**: Tenant agrees to pay \$1.00 per year as rent for the Property with said payment due to the Landlord on or before June 15th of each year.
4. **INSURANCE**: Tenant shall maintain a policy of insurance at its own cost and expense insuring Landlord and Tenant from all claims, demands or actions for injury or death of any person in the amount of not less than \$1,000,000.00 and for injury to or death or more than one person in any one accident to the limit of \$1,000,000.00.

The policy or duly executed certificate shall provide that the insurance cannot be canceled unless at least thirty (30) days advance written notice is given to the Landlord.
5. **USE OF LEASED PROPERTY**: Tenant will use the Property for community events, farmers markets, and for parking vehicles, and for no other use without Landlord’s prior written consent. Tenant agrees to provide the Property for these community uses free of any compensation. Tenant shall not, and Tenant shall ensure that its employees, agents, representatives, assigns, invitees, guests and concessionaires do not, use, store or dispose of hazardous substances on the Property. Tenant shall indemnify Landlord from and against any liability arising out of the use, storage or disposal of hazardous substances on the Property during the term of the Lease.

- 6. IMPROVEMENTS, REPAIRS AND MAINTENANCE: Tenant shall maintain the Property in the same condition throughout the Lease term. Tenant shall keep the Property in a safe and sanitary condition throughout the Lease term. Tenant agrees to repair any damage to the Property because of the use of the Property.

Tenant will have the ability to construct pavement or minor amounts of landscaping on the Property with Landlord’s prior written consent. Tenant agrees that Tenant is responsible for any costs associated with any such improvements and will not receive compensation from the Landlord for those costs upon the termination or expiration of this Lease. Tenant agrees to remove any such improvements upon termination or expiration of this Lease if requested by Landlord.

Tenant agrees that Tenant will be responsible for any maintenance of the Property including: plowing of snow, garbage removal, sweeping, etc.

Tenant agrees to collaborate with the City Police Department to ensure that loitering or other public nuisances are prevented, to the extent possible.

- 7. INDEMNITY: Tenant agrees to indemnify and save Landlord harmless against any and all claims, damages, costs and expenses, including reasonable attorney’s fees for the defense thereof, arising out of the use of the Property by Tenant or its employees, agents, representatives, assigns, invitees, guests, and concessionaires, arising from the conduct of or management of community events or from any breach or default on the part of Tenant, its agents, contractors, servants, employees, and concessionaires in or about the Property.

In such case of any action or proceeding brought against Landlord by reason of such claim, upon notice from Landlord, Tenant covenants to defend such action and satisfy any final judgment or award resulting therefrom.

- 8. ASSIGNMENT AND SUBLETTING: Tenant may not assign or sublet said Property without the prior written approval of the Landlord. The parties agree, however, that such assignment does not release the Tenant from any obligation under this Lease.

- 9. TERMINATION: Either party may cancel this Lease upon 60-days written notice to the other party at:

Landlord: Miller & Holmes, Inc.
 2311 O’Neil Road
 Hudson, WI 54016

STATE OF MINNESOTA)
)ss
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2024, by _____ and _____, the _____ and _____, respectively, of the Grand Rapids Economic Development Authority, a public body politic under the laws of the State of Minnesota, on behalf of the Corporation.

Notary Public