

**TAYLORS FALLS CITY COUNCIL MEETING
COUNCIL CHAMBERS
MONDAY, SEPTEMBER 22, 2014 – 7:00 P.M.**

MINUTES

The Agenda for this Meeting was posted Wednesday, September 17, 2014 at City Hall, the Post Office and on the City's Web Site. Copies were e-mailed to residents requesting such, and the Press was notified.

The Taylors Falls City Council met for a regular meeting on Monday, September 22, 2014 at 7:00 p.m. in Council Chambers at City Hall, 637 First Street, Taylors Falls, Minnesota.

CALL TO ORDER

The Meeting was called to order at 7:00 p.m. by Mayor Mike Buchite.

PLEDGE OF ALLEGIANCE

All those present at the meeting recited the Pledge of Allegiance to the United States flag.

ROLL CALL

MEMBERS PRESENT: Mike Buchite, Ross Rivard, John Tangen, Mary Jo Murphy

MEMBERS ABSENT: Larry Julik-Heine

OTHERS PRESENT: Jo Everson, Clerk-Treasurer, Nick Anhut from Ehlers & Associates, Reid Gache from the Standard Press, and Paul Ringnell from the Chisago County Press.

ADOPTION OF AGENDA

The Agenda was amended to add under New Business: **Consider Request from First Lutheran Church to use Parking Lot for Fundraiser During Leaf Festival Weekends.**

MOTION BY MURPHY/RIVARD TO APPROVE THE AGENDA, AS AMENDED, FOR THE SEPTEMBER 22, 2014 COUNCIL MEETING. MOTION CARRIED UNANIMOUSLY.

ADOPTION OF CONSENT AGENDA

MOTION BY TANGEN/RIVARD TO APPROVE/ACCEPT THE FOLLOWING CONSENT AGENDA ITEMS: CONSIDER REQUEST FROM FIRST LUTHERAN CHURCH TO HOLD FUNDRAISER EVENT IN THE BENCH STREET PARKING LOT; AND CORRESPONDENCE. MOTION CARRIED UNANIMOUSLY.

PUBLIC FORUM

None.

UNFINISHED BUSINESS

None.

NEW BUSINESS

CONSIDER RESOLUTION 14-09-05 PROVIDING FOR THE ISSUANCE AND SALE OF A SENIOR LIVING FACILITY REVENUE NOTE, SERIES 2014

Nick Anhut from Ehlers & Associates, the City's financial advisors, explained that the approval of this Resolution provides for the conduit financing requested by The Lodge of Taylors Falls, LLC, owned by Community Asset Foundation. This is only one of the financing tools used to construct and equip a 24-unit senior housing facility that is to be located at 1051 Mulberry Street in Taylors Falls.

The document describes:

1. The Authority;
2. Proposal;
3. Description of Property;
4. Plan of Financing
5. Forms of Documents Submitted:
 - The Note,
 - The Loan Agreement, and
 - The Pledge Agreement;
6. Findings;
7. Approval and Execution of Documents;
8. Approval, Execution and Delivery of Notes;
9. Certificates;
10. Qualified tax Exempt Obligation; and
11. Governmental Program

The Note will be purchased by Community Bank Corporation, and becomes the first mortgage on the property. The City has no obligation for its repayment, but simply allows the note to be a “qualified tax exempt obligation” under the Internal Revenue Code of 1986.

Anut explained that the Developers are scheduled to close on the transaction this week. By adopting the Resolution, it will authorize the approval and final execution of the documents at that closing.

MOTION BY RIVARD/MURPHY TO ADOPT RESOLUTION 14-09-05, A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF A SENIOR LIVING FACILITY REVENUE NOTE (THE LODGE OF TAYLORS FALLS LLC PROJECT), SERIES 2014. MOTION CARRIED UNANIMOUSLY. (copy attached)

CONSIDER RESOLUTION 14-09-06 AUTHORIZING EXECUTION OF A DEVELOPMENT AND LOAN AGREEMENT

Anhut explained that these documents are related to the TIF Bonds the City has agreed to provide to the Developers for The Lodge at Taylors Falls, LLC project. The Resolution defines the terms of the Development and Loan Agreement, including an Assessment Agreement, which establishes a minimum market value of the property and its improvements. Once the bonds are sold and the closing documents have been executed, the remaining sections of this Agreement will be completed. The Resolution approves the Development Agreement in substantially the form submitted, and that the Mayor and Clerk-Treasurer are authorized to execute the documents when appropriate.

MOTION BY MURPHY/RIVARD TO ADOPT RESOLUTION 14-09-06 AUTHORIZING THE EXECUTION OF A DEVELOPMENT AND LOAN AGREEMENT BY AND BETWEEN THE CITY OF TAYLORS FALLS AND THE LODGE OF TAYLORS FALLS, LLC. MOTION CARRIED UNANIMOUSLY. (copy attached)

Mayor Buchite questioned Mr. Anhut as to when he would know what rating was assigned to the City following the recent Standard and Poors Rating interview which the Mayor, Clerk-Treasurer and he had attended. Anhut commended the City for their attention to detail during the interview, and thought that it went very well considering how quickly it ended when the analyst’s had completed their questioning. He expects to receive the rating sometime this week and will forward it to the City once he receives it. The Mayor extended his appreciation to Anhut for this patience and assistance during this project with its complicated details and documents.

CONSIDER DEVELOPER’S CONTRACT FOR THE LODGE AT TAYLORS FALLS CONDITIONAL USE

On August 25th the Council approved the Conditional Use Permit requirement for the Lodge at Taylors Falls’ assisted living facility project. One of the conditions for this permit was to enter into an Agreement such as this. The document guarantees:

- Deeding the right-of-way to Chisago County;
- Preserving a 75’ buffer of trees along the southern border;
- a tree preservation plan to save mature quality trees;
- a thinned buffer along Mulberry Street;
- resubmission of a revised Surface Water Management Plan based upon the comments from the City Engineer Steve Heth from Bolten & Menk;
- grant an easement to the property west and north via the driveway stubs; and
- other safeguards for the City

MOTION BY MURPHY/RIVARD TO APPROVE THE CONDITIONAL USE DEVELOPMENT CONTRACT BY AND BETWEEN THE CITY OF TAYLORS FALLS AND COMMUNITY ASSET FOUNDATION. MOTION CARRIED UNANIMOUSLY. (copy attached)

CONSIDER RESOLUTION 14-09-07 APPROVING A LAND EXCHANGE WITH THE STATE

In 2009, then Zoning-Administrator Larry Phillips began negotiations with Interstate State Park for a potential land swap to obtain more land for parking at the Community Center in anticipation of the Swedish Immigrant Trail, where the Community Center may serve as a "trail-head" for the trail.

On September 9, 2014, final approval was granted from the Minnesota Land Exchange Board, which requires authorization from the City Council for the Mayor and Clerk to sign on behalf of the City. A difference in value was discovered between the two parcels, resulting in the State paying the \$200 difference to the City.

MOTION BY MURPHY/RIVARD TO ADOPT RESOLUTION 14-09-07 APPROVING A LAND EXCHANGE WITH THE STATE OF MINNESOTA. MOTION CARRIED UNANIMOUSLY. (copy attached)

CONSIDER BIDS FOR NEW FURNACE IN THE PUBLIC WORKS BUILDING

Vice-Mayor Rivard reported that the furnaces in the Public Works Garage must be replaced. They are approximately 20 years old and very inefficient. Three bids were received, with Olson Heating & Air Conditioning submitting the lowest bid of \$3,400, plus the cost of electrical wiring. The Council discussed what that cost could be, deciding upon approving a cost of "up-to". Mayor Buchite recommended that a programmable thermostat be installed at the same time for further savings. VM Rivard recommended where the monies should come from to pay for this unexpected expense.

MOTION BY MURPHY/TANGEN TO AUTHORIZE THE PURCHASE OF TWO 75,000 BTU SIDE WALL VENTED REZNOZ UNIT HEATERS FROM OLSON'S HEATING AND AIRCONDITIONING AT A COST OF \$3,400.00, AND FURTHER TO AUTHROZIE THE INSTALLATION OF ELECTRICAL WIRING FOR THE HEATERS, AT A COST NOT TO EXCEED \$1,000.00, TO BE PAID IN THE FOLLOWING MANNER: \$758 FROM 43100-401, PUBLIC WORKS REPAIRS/MAINTENANCE OF BUILDING; \$1,162 FROM 41940-401 GENERAL BUILDINGS REPAIRS/MAINTENANCE; AND \$2,480.00 FROM COUNCIL CONTINGENCY. MOTION CARRIED UNANIMOUSLY.

CONSIDER TRAINING REQUEST BY PUBLIC WORKS DEPARTMENT

The Public Works Department requested authorization to attend the annual Maintenance Expo in St. Cloud on October 8th. VM Rivard reported that the training budget for their department has already been depleted, and suggested that they recommend under what Public Works line-item budget should the \$50.00 registration fee be paid from.

MOTION BY MURPHY/TANGEN TO APPROVE THE REQUEST BY THE TAYLORS FALLS PUBLIC WORKS DEPARTMENT TO ATTEND THE 2014 MINNESOTA FALL MAINTENANCE EXPO TO BE HELD ON WEDNESDAY, OCTOBER 8, 2014 IN ST. CLOUD, MINNESOTA, AT A COST OF \$50.00 TO BE PAID FROM THE RECOMMENDATION BY THE PUBLIC WORKS DEPARTMENT BUDGET (43100-409). MOTION CARRIED UNANIMOUSLY.

CONSIDER REQUEST FROM 1ST LUTHERN CHURCH TO USE PARKING LOT FOR FUNDRAISER

THE CITY COUNCIL APPROVED BY CONSENT AGENDA THE REQUEST FROM THE FIRST EVANGELICAL LUTHERAN CHURCH TO USE TWO PARKING STALLS IN THE MARMON PARKWAY (BENCH STREET PARKING LOT) TO SELL MAPLE SYRUP AS A YOUTH GROUP FUND RAISER EVENT DURING THE LEAF FESTIVAL WEEKENDS: SEPTEMBER 27TH & 28TH, OCTOBER 4TH & 5TH, AND OCTOBER 11TH & 12TH.

LIAISON OR COUNCIL MEMBER REPORTS

Ross Rivard reported that there is only a small section of sewer line that remains to be rodded yet this fall. Nearly all lines are plastic (from a new Development) or have been lined over the years.

John Tangen reported that the bears are out prowling again.

Mary Murphy reported she has one remaining Welcome sign that needs to be installed on the RiverWalk Trail. She also informed the Council that the Lighting Festival theme this year is Fire & Ice, to celebrate the 100-year anniversary of the Taylors Falls Fire Department. She has also volunteered to co-chair the Wassail Craft show at the Memorial Community Center during the Lighting Festival weekend.

Mayor Mike Buchite reported that there is a rumor gaining momentum that he (the Mayor) is “very supportive” of moving an old log home currently located in Lindstrom?? to Taylors Falls. After speaking with the Taylors Falls Historic Society and the Taylors Falls Heritage Preservation Commission, he has learned that the structure is not historic to Taylors Falls. Therefore he would not be in favor of the building being relocated to any parcel of property owned by the City, and he would not support spending any tax money on the project if it were to move forward. If a private property owner wished to move the building to a private property location, the City would have no objections as long as it meets the zoning requirements.

Clerk-Treasurer Jo Everson personally thanked the **Mayor Mike Buchite** for his hours and hours of time that he recently spent painting the stop lights/semaphore at the Highway 8/Highway 95 intersection. It was a very generous contribution to Taylors Falls, and they look wonderful.

CORRESPONDENCE

None.

ADJOURNMENT

MOTION BY MURPHY/TANGEN TO ADJOURN THE MEETING OF THE TAYLORS FALLS CITY COUNCIL HELD THIS 22ND OF SEPTEMBER, 2014. MOTION CARRIED UNANIMOUSLY.

Being no further business to come before the Council, the Meeting adjourned at 7:42 p.m.

Michael D. Buchite, Mayor

Jo Everson, Clerk-Treasurer

APPROVED: OCTOBER 13, 2014

**Extract of Minutes of Meeting of the
City Council of
the City of Taylors Falls, Minnesota**

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Taylors Falls, Minnesota was duly held at City Hall in said City on Monday, the 22nd day of September, 2014 at 7:00 o'clock P.M.

The following Council members were present: Mayor Mike Buchite, Vice-Mayor Ross Rivard, Council Member John Tangen, Council Member Mary Murphy and the following were absent: Council Member Larry Julik-Heine.

Council Member Ross Rivard then introduced and read the following written resolution and moved its adoption:

**A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF
A SENIOR LIVING FACILITY REVENUE NOTE
(THE LODGE OF TAYLORS FALLS LLC PROJECT), SERIES 2014**

The motion for the adoption of the foregoing resolution was duly seconded by Council Member Murphy, and upon vote being taken thereon the following voted in favor thereof: Mayor Mike Buchite, Vice-Mayor Ross Rivard, Council Member John Tangen, Council Member Mary Murphy.

and the following voted against the same: none.

whereupon said Resolution was declared duly passed and adopted.

RESOLUTION 14-09-05

**CITY OF TAYLORS FALLS
CHISAGO COUNTY
STATE OF MINNESOTA**

A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF
A SENIOR LIVING FACILITY REVENUE NOTE
(THE LODGE OF TAYLORS FALLS LLC PROJECT), SERIES 2014

BE IT RESOLVED by the City Council of the City of Taylors Falls (the "City"), as follows:

1. Authority. The City is, by the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Chapter 462C and Section 471.59, as amended (collectively, the "Act"), authorized to issue and sell its revenue bonds in the form of notes or other obligations for the purpose of financing the cost of the acquisition, construction and equipping of certain senior housing facilities with services, and to enter into agreements necessary or convenient in the exercise of the powers granted by the Act.

2. Proposal. The City Council has received a proposal from The Lodge of Taylors Falls LLC, a Minnesota limited liability company (the "Borrower"), whose sole member is Community Asset Foundation, a Minnesota nonprofit corporation that the City undertake to finance a certain project as herein described pursuant to the Act, by the issuance by the City of its Senior Housing Facility Revenue Note (The Lodge of Taylors Falls Project) Series 2014 in a principal amount not to exceed \$2,400,000 (the "Note").

3. Description of Project. The Borrower has requested that the City issue the Note pursuant to the Act, to finance the acquisition, construction and equipping of an approximately 18,400 square foot 24-unit senior housing facility with services, to be located at 1051 Mulberry Street in the City (the "Project"). The Project will be owned by the Borrower and managed by The Evangelical Lutheran Good Samaritan Society.

4. Plan of Financing. It is proposed that the Note will be purchased by Community Bank Corporation (the "Lender"). The proceeds of the Note will be loaned to the Borrower pursuant to a Loan Agreement between the City and the Borrower (the "Loan Agreement") and disbursed pursuant to the Disbursing Agreement, among the Borrower, the Lender and Title Mark, LLC (the "Disbursing Agreement"). The City's right, title and interest under the Loan Agreement (except for certain rights of indemnification and reimbursement) will be assigned to the Lender pursuant to a Pledge Agreement (the "Pledge Agreement"). Repayment of the Note will be secured by certain collateral including the Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents (the "Mortgage"), from the Borrower to the Lender, by which the Borrower grants to the Lender a mortgage lien on and security interest in the Project, as security for the payment of the Note and assigns to the Lender its interests in all leases and rents with respect to the mortgaged property.

5. Public Hearing. A public hearing on the Project was held on September 8, 2014, after notice was published and materials made available to public inspection at the City Hall, all as required by the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended, at which public hearing all persons at the hearing were given an opportunity to express their view with respect to the Project and preliminary approval of the Project and issuance of the Note was authorized.

6. Forms of Documents Submitted. Forms of the following documents related to the Note have been submitted to the City:

- (a) The Note;
- (b) The Loan Agreement; and
- (c) The Pledge Agreement.

7. Findings. It is hereby found, determined and declared that:

(a) Based on Borrower representations to the City, the Project constitutes a senior rental housing project authorized by and described in the Act.

(b) There is no litigation pending or, to the City's actual knowledge, threatened against the City relating to the Note, the Loan Agreement or the Pledge Agreement (collectively, the "City Note Documents") or questioning the due organization of the City, or the powers or authority of the City to issue the Note and undertake the transactions contemplated hereby.

(c) The execution, delivery and performance of the City's obligations under the City Note Documents do not and will not violate any order of any court or other agency of government of which the City is aware or in which the City is a party, or any indenture, agreement or other instrument to which the City is a party or by which it or any of its property is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument.

(d) It is desirable that the Note be issued by the City upon the terms set forth in the Pledge Agreement under the provisions of which the City's interest in the Loan Agreement will be pledged to the Lender, as security for the payment of principal of, premium, if any, and interest on the Note.

(e) Under the provisions of the Act, and as provided in the City Note Documents, the Note is not to be payable from nor charged upon any funds other than amounts payable pursuant to the Loan Agreement and amounts realized under the Mortgage and moneys in the funds and accounts held by the Lender which are pledged to the payment thereof; the City is not subject to any liability thereon; no owners of the Note shall ever have the right to compel the exercise of the taxing power of the City to pay the Note or the interest thereon, nor to enforce payment thereof against any property of the City; the Note shall not constitute a general or moral obligation of the City or a charge, lien or encumbrance, legal or equitable, upon any property of the City (other than the interest of the City in the loan repayments to be made by the Borrower under the Loan Agreement); and the Note issued shall recite that the Note, including interest thereon, shall not constitute or give rise to a charge against the general credit or taxing powers of the City.

(f) The City hereby designates the Note as a "qualified tax exempt obligation" under Section 265(b) of the Code.

8. Approval and Execution of Documents. The form of the Note and the City Note Documents are approved. The City Note Documents are authorized to be executed in the name and on behalf of the City by the Mayor and the City Clerk-Treasurer, at such time, if any, as

they may deem appropriate, or executed or attested by other officers of the City, in substantially the form on file, but with all such changes therein, not inconsistent with the Act or other law, as may be approved by the officers executing the same, which approval shall be conclusively evidenced by the execution thereof; and then shall be delivered to the Lender. Modifications to the forms of the Mortgage and Disbursing Agreement and other collateral security documents may be made at the discretion of the parties thereto.

9. Approval, Execution and Delivery of Notes. The City is authorized to issue the Note and other obligations issued in connection with the Project, in an aggregate principal amount of not to exceed \$2,300,000, in the form and upon the terms set forth in the Note and Loan Agreement, which terms are for this purpose incorporated in this resolution and made a part hereof; provided, however, that the interest rates on the Note shall be as set forth in the final form of the Note, to be approved, executed and delivered by the officers of the City authorized to do so by the provisions of this Resolution, which approval shall be conclusively evidenced by such execution and delivery; and provided further that, in no event, shall such rates exceed eight percent (8%) per annum unless the interest thereon becomes taxable. The Lender has agreed to purchase the Note at par. The Mayor, City Clerk-Treasurer and other City officers are authorized to execute the Note at such time, if any, as they may deem appropriate, and to deliver it to the Lender, together with a certified copy of this Resolution and the other documents required by the Note Documents, for authentication, registration and delivery to the Lender.

10. Certificates. The Mayor, City Clerk-Treasurer and other officers of the City are authorized at such time, if any, as they may deem appropriate, to prepare and furnish to bond counsel and the Lender, certified copies of all proceedings and records of the City relating to the Note, and such other affidavits and certificates as may be required to show the facts appearing from the books and records in the officers custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the City as to the truth of all statements contained therein.

11. Qualified Tax Exempt Obligation. In order to qualify the Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the City hereby makes the following factual statements and representations;

(a) the Note is not treated as a "private activity bond" under Section 265(b)(3) of the Code;

(b) the City hereby designates the Note as a qualified tax-exempt obligation for purposes of Section 265(b)(3) of the Code;

(c) the reasonably anticipated amount of tax-exempt obligations (other than obligations described in clause (ii) of Section 265(b)(3)(C) of the Code) which will be issued by the City (and all entities whose obligations will be aggregated with those of the City) during the calendar year 2014 will not exceed \$10,000,000;

(d) not more than \$10,000,000 of obligations issued by the City during the calendar year 2014 have been designated for purposes of Section 265(b)(3) of the Code; and

(e) the aggregate face amount of the Note does not exceed \$10,000,000.

12. Governmental Program. The City has established a governmental program of acquiring purpose investments for qualified 501(c)(3) projects. The governmental program is one in which the following requirements of §1.148-1(b) of the federal regulations relating to tax-exempt obligations shall be met:

(a) the program involves the origination or acquisition of purpose investments;

(b) at least 95% of the cost of the purpose investments acquired under the program represents one or more loans to a substantial number of persons representing the general public, states or political subdivisions, 501(c)(3) organizations, persons who provide housing and related facilities, or any combination of the foregoing;

(c) at least 95% of the receipts from the purpose investments are used to pay principal, interest, or redemption prices on issues that financed the program, to pay or reimburse administrative costs of those issues or of the program, to pay or reimburse anticipated future losses directly related to the program, to finance additional purpose investments for the same general purposes of the program, or to redeem and retire governmental obligations at the next earliest possible date of redemption;

(d) the program documents prohibit any obligor on a purpose investment financed by the program or any related party to that obligor from purchasing bonds of an issue that finances the program in an amount related to the amount of the purpose investment acquired from that obligor; and

(e) the City shall not waive the right to treat the investment as a program investment.

Adopted by the City Council of the City of Taylors Falls, this 22nd day of September, 2014.

Michael D. Buchite, Mayor

ATTEST:

Jo Everson, Clerk-Treasurer

STATE OF MINNESOTA)
) ss.
COUNTY OF CHISAGO)

I, the undersigned, being the duly qualified and acting Clerk-Treasurer of the City of Taylors Falls (the "City"), do hereby certify that attached hereto is a compared, true and correct copy of Resolution 14-09-05, Providing for the Issuance and Sale of a Senior Living Facility Revenue not (the Lodge of Taylors Falls LLC Project), Series 2014, was duly adopted by the City Council of the City on September 22, 2014, at a regular meeting thereof duly called and held, as on file and of record in my office, which Resolution has not been amended, modified or rescinded since the date thereof, and is in full force and effect as of the date hereof, and that the attached Extract of Minutes as to the adoption of such resolution is a true and accurate account of the proceedings taken in passage thereof.

WITNESS my hand this 22nd of September, 2014

Jo Everson, City Clerk-Treasurer

SEAL

**EXTRACT OF MINUTES OF MEETING
OF THE CITY COUNCIL OF THE
CITY OF TAYLORS FALLS, MINNESOTA**

Pursuant to due call and notice thereof, a meeting of the City Council of the City of Taylors Falls, Minnesota, was duly called and held at the City Hall in the City of Taylors Falls, Minnesota on Monday, the 22nd day of September, 2014, at 7:00 p.m.

The following members were present: Mayor Mike Buchite, Vice-Mayor Ross Rivard, Council Member John Tangen and Council Member Mary Murphy.

and the following were absent: Council Member Larry Julik-Heine

Council Member Mary Murphy introduced the following resolution and moved its adoption: Resolution 14-09-06 A Resolution Authorizing the Execution Of A Development And Loan Agreement.

The motion for adoption of the foregoing resolution was duly seconded by Council Member Ross Rivard and, after full discussion thereof, and upon a vote being taken thereof, the following voted in favor thereof: Mayor Mike Buchite, Vice-Mayor Ross Rivard, Council Member John Tangen and Council Member Mary Murphy.

and the following voted against same: None

Whereupon said Resolution was declared passed and adopted.

RESOLUTION 14-09-06

**CITY OF TAYLORS FALLS
CHISAGO COUNTY
STATE OF MINNESOTA**

**A RESOLUTION AUTHORIZING
EXECUTION OF A DEVELOPMENT AND LOAN AGREEMENT**

WHEREAS, in connection with The Lodge of Taylors Falls LLC project (herein referred to as the "Developer") the Developer has requested the City of Taylors Falls, Minnesota (the "City") to assist with the financing of certain costs incurred in connection with the acquisition, construction and equipping of an approximately 18,400 square foot 24-unit senior housing facility with services, to be located at 1051 Mulberry Street in the City (the "Project").

WHEREAS, the Developer and the City have determined to enter into a Development and Loan Agreement providing for the City's tax increment financing assistance for the Project (the "Development Agreement").

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Taylors Falls, Minnesota (the "City"), as follows:

1. The City Council hereby approves the Development Agreement in substantially the form submitted, and the Mayor and Clerk-Treasurer are hereby authorized and directed to execute the Development Agreement on behalf of the City.

2. The approval hereby given to the Development Agreement 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 the City officials authorized by this resolution to execute the Development Agreement. The execution of the Development Agreement by the appropriate officer or officers of the City shall be conclusive evidence of the approval of the Development Agreement in accordance with the terms hereof.

Dated: September 22, 2014

Michael D. Buchite, Mayor

ATTEST:

City Clerk-Treasurer

(Seal)

STATE OF MINNESOTA)
) ss.
COUNTY OF CHISAGO)

I, the undersigned, being the duly qualified and acting Clerk-Treasurer of the City of Taylors Falls, Minnesota, DO HEREBY CERTIFY that I have carefully compared the attached and foregoing extract of minutes with the original minutes of a meeting of the City Council of the City held on the date therein indicated, which are on file and of record in my office, and the same is a full, true and complete transcript therefrom insofar as the same relates to a Resolution Authorizing Execution of a Development and Loan Agreement.

WITNESS my hand as such Clerk-Treasurer of the City of Taylors Falls, Minnesota this 22nd day of September, 2014.

Jo Everson, Clerk-Treasurer

RESOLUTION 14-09-07

**CITY OF TAYLORS FALLS
CHISAGO COUNTY
STATE OF MINNESOTA**

**A RESOLUTION APPROVING A LAND EXCHANGE
WITH THE STATE OF MINNESOTA**

WHEREAS the Chisago County Parks Department has proposed a Swedish Immigrant Trail ("TRAIL") that when completed, will make an east-west connection between six cities, through Taylors Falls and Interstate State. The east goal of the proposed Trail will start at the Taylors Falls Memorial Community Center in Taylors Falls; and

WHEREAS in anticipation of the Trail, the Community Center parking lot will serve as a "trail-head" for the Trail, the City of Taylors Falls ("CITY") began negotiations with Interstate State Park/Minnesota Department of Natural Resources ("STATE") for a potential land swap of properties owned by the City and the State; and

WHEREAS the City received final approval from the Minnesota Land Exchange Board on September 9, 2014, for the exchange of .50 acres of land that is owned by the City within the statutory boundary of Interstate State Park, for .52 acres of land owned by the State that would be used to expand the Trail at the City Community Center;

SO THEREFORE BE IT RESOLVED BY THE TAYLORS FALLS CITY COUNCIL that it hereby approves the Land Exchange of .50 acres of land owned by the CITY as described below:

Lots 1, 2, and 4 of Block 114 of the plat of THE TOWN OF TAYLORS FALLS, on file and of record in the Chisago County Recorders Office.

AND

The North Half of vacated Prospect Street which lies adjacent and contiguous to Lots 1, 2, and 4 of Block 114 of the plat of the TOWN OF TAYLORS FALLS, on file and record in the Chisago County Recorder's Office.

BE IT FURTHER RESOLVED that the Mayor and City Clerk-Treasurer are hereby authorized to sign the Warranty Deed on behalf of the City of Taylors Falls.

Dated this 22nd of September, 2014

Michael D. Buchite, Mayor

ATTEST:

Jo Everson, City Clerk-Treasurer

DEVELOPMENT AND LOAN AGREEMENT
BY AND BETWEEN
THE CITY OF TAYLORS FALLS, MINNESOTA,
AND
THE LODGE OF TAYLORS FALLS LLC

Dated as of October 1, 2014

This document drafted by:

BRIGGS AND MORGAN (MLI)
Professional Association
2200 First National Bank Building
St. Paul, Minnesota 55101

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DEVELOPMENT AND LOAN AGREEMENT

THIS DEVELOPMENT AND LOAN AGREEMENT (this "Agreement"), made as of the 1st day of October, 2014, by and between the City of Taylors Falls, Minnesota (the "City"), a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota and The Lodge of Taylors Falls LLC, a Minnesota limited liability company, whose sole member is Community Asset Foundation, a Minnesota nonprofit corporation (the "Developer"):

WITNESSETH:

WHEREAS, pursuant to Minnesota Statutes, Sections 469.124 through 469.134, the City has formed a municipal development district (the "Development District"), and has adopted a development program therefor (the "Development Program"); and

WHEREAS, pursuant to the provisions of Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the "Tax Increment Act"), the City has created Tax Increment Financing District No. 1-4 (the "Tax Increment District"), and has adopted a tax increment financing plan (the "Tax Increment Plan") therefor which provides for the use of tax increment financing in connection with development within the Development District; and

WHEREAS, in order to achieve the objectives of the Development Program and particularly to make the land in the Development District available for development by private enterprise in conformance with the Development Program, the City has determined to reimburse the Developer for costs of the Project (as hereafter defined) in order to bring about development in accordance with this Agreement; and

WHEREAS, in order to finance the objectives of the Development Program and Tax Increment Plan, the City has determined to issue its General Obligation Tax Increment Bonds, Series 2014A (the "Tax Increment Bonds"); and

WHEREAS, a major objective of the Development Program and Tax Increment Plan is to prevent deterioration of land located within the Development District; and

WHEREAS, payment of the Tax Increment Bonds is to be secured, in part, by a pledge of tax increment generated by the Tax Increment District; and

WHEREAS, the City has requested the County to certify the current tax capacity of the Tax Increment District pursuant to Section 469.177 of the Tax Increment Act; and

WHEREAS, the City believes that the development of a certain Project as more fully set forth in and pursuant to the terms of this Agreement, and fulfillment of this Agreement are vital and are in the best interests of the City and the health, safety, morals and welfare of its residents, and in accordance with the public purpose and provisions of the applicable state and local laws and requirements under which the Project has been undertaken and is being assisted; and

WHEREAS, the requirements of the Business Subsidy Law, Minnesota Statutes, Section 116J.993 through 116J.995, do not apply to this Agreement because the assistance being provided by the City is for housing purposes; and

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

[Remainder of page intentionally blank.]

ARTICLE I
DEFINITIONS

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

Agreement means this Development and Loan Agreement, as the same may be from time to time modified, amended or supplemented;

Assessment Agreement means the agreement and assessor's certification, in substantially the form of the agreement contained in Exhibit E attached hereto and hereby made a part of this Agreement, among the Developer, the City and the Assessor for the County, entered into pursuant to Article III of this Agreement;

Assessor's Minimum Market Value means the agreed minimum market value of the Development Property and for calculation of real property taxes, which shall be not less than \$2,160,000 as determined by the Assessor for the County pursuant to the Assessment Agreement;

Bond Counsel means the firm of Briggs and Morgan, Professional Association, in St. Paul and Minneapolis, Minnesota, or any other firm of nationally recognized bond counsel selected by the City;

Certificate of Completion means the certification in the form of the certificate attached hereto as Exhibit C and made a part of this Agreement, provided to the Developer, pursuant to Section 3.4 of this Agreement;

City means the City of Taylors Falls, Minnesota;

Construction Plans means the plans, specifications, drawings and related documents of the construction work to be performed by the Developer on the Project; the plans (a) shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the building inspector of the City; and (b) shall include at least the following: (1) site plan; and (2) foundation plan.

County means the County of Chisago, Minnesota;

Developer means The Lodge of Taylors Falls LLC, a Minnesota limited liability company, whose sole member is Community Asset Foundation, a Minnesota nonprofit corporation, its successors and assigns;

Development District means the real property located within Development District No. 1 heretofore established;

Development Program means the Development Program approved in connection with the Development District;

Development Property means the real property (including any Minimum Improvements thereon) legally described in Exhibit A of this Agreement;

Disbursing Agreement means the Disbursing Agreement of even date herewith among the Developer, the Lender, and Title providing for construction of the Minimum Improvements and disbursement of the proceeds of the Housing Note;

Event of Default means any of the events described in Section 9.1 of this Agreement;

First Mortgage means any Mortgage granted to secure any loan made pursuant to either a mortgage commitment obtained by the Developer from a commercial lender or other financial institution to fund any portion of the construction costs and initial operating capital requirements of the Minimum Improvements, or housing development revenue bonds or notes issued by the City to fund any portion of the construction costs of the Minimum Improvements, or all such Mortgages as appropriate;

Housing Note means the \$2,212,500 Senior Living Facility Revenue Note (The Lodge of Taylors Falls Project), Series 2014 issued by the City to provide additional financing for the Project;

Lender means Community Bank Corporation, its successors and assigns.

Loan Agreement means the Loan Agreement dated as of October 1, 2014 among the City, the Lender, and the Developer relating to the Housing Note;

Maturity Date means the date when the principal of, premium (if any) and interest on the Tax Increment Bonds are paid in full;

Minimum Improvements means the substantial completion of the Project contemplated by and in accordance with this Agreement and the Construction Plans and generally described in Exhibit D attached hereto;

Mortgage means any mortgage or security agreement in which the Developer has granted a Mortgage or other security interest in the Development Property, or any portion or parcel thereof, or any improvements constructed thereon, and which is a permitted encumbrance pursuant to the provisions of Article VII of this Agreement;

Net Proceeds means any proceeds paid by an insurer to the Developer or the City under a policy or policies of insurance required to be provided and maintained by the Developer pursuant to Article V of this Agreement and remaining after deducting all expenses (including fees and disbursements of counsel) incurred in the collection of such proceeds;

Permitted Encumbrances means the encumbrances described in Exhibit B to this Agreement;

Project means the Minimum Improvements to be located on the Development Property, generally constituting the acquisition, construction and equipping of a 24-unit senior housing facility with services to be located at 1051 Mulberry Street in the City and related improvements;

Redemption Date means the earliest date on which any Tax Increment Bonds may be redeemed and paid prior to full maturity;

State means the State of Minnesota;

Society means The Evangelical Lutheran Good Samaritan Society, its successors and assigns;

Tax Increments means 90% of the tax increments derived from the Tax Increment District which have been received by the City in accordance with Minnesota Statutes, Section 469.177;

Tax Increment Act means the tax increment financing act, Minnesota Statutes, Sections 469.174 through 469.1794, as amended;

Tax Increment Bonds or Bonds means that portion of the issue of its General Obligation Tax Increment Bonds, Series 2014A, to be issued by the City allocable to the Project, the proceeds of which will be used to finance, among other things, the costs of the Project. The term "Tax Increment Bonds" shall also include any bonds or obligations issued to refund any Tax Increment Bonds;

Tax Increment District means the Tax Increment Financing District No. 1-4 located within the Development District, a description of which is set forth in the Tax Increment Plan, which was qualified as a housing district under the Tax Increment Act;

Tax Increment Plan means the plan approved for the Tax Increment District by the City Council, as such plan may be amended or modified;

Termination Date means the earlier of (i) February 1, 2043, (ii) the date the Tax Increment Bonds are paid in full, (iii) the date on which the Tax Increment District expires or is otherwise terminated, or (iv) the date this Agreement is terminated or rescinded in accordance with its terms;

Title means Title Mark, LLC, as agent for First American Title Insurance Company, Waconia, Minnesota; and

Unavoidable Delays means delays, outside the control of the party claiming its occurrence, which are the direct result of strikes, other labor troubles, unusually severe or prolonged bad weather, acts of God, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar judicial action or by the exercise of reasonable discretion, directly results in delays, or acts of any federal, state or local governmental unit (other than the City) which directly result in delays.

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ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

(2) The Tax Increment District is a "housing district" within the meaning of Minnesota Statutes, Section 469.174, Subdivision 11, and was created, adopted and approved in accordance with the terms of the Tax Increment Act.

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

(4) To finance the costs of the activities to be undertaken by the City, the City proposes, subject to the further provisions of this Agreement, to use its best efforts to issue the Tax Increment Bonds and use the proceeds thereof to finance a portion of the costs of the Project.

(5) The City has not received any notice from any local, state or federal official that the activities of the Developer or the City with respect to the Development Property may or will be in violation of any environmental law or regulation (other than those notices, if any, of which the Developer has been notified). The City is not aware of any state or federal claim filed or planned to be filed by any party relating to any violation of any local, state or federal environmental law, regulation or review procedure, and the City is not aware of any violation of any local, state or federal law, regulation or review procedure which would give any person a valid claim under the Minnesota Environmental Rights Act or other state or federal environmental statute.

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

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

(1) The Developer is a Minnesota limited liability company, has the power and authority to enter into this Agreement and to perform its obligations hereunder and in doing so will not violate its articles, operating agreement or member control agreement, or the laws of the State.

(2) Community Asset Foundation, a Minnesota nonprofit corporation, is Developer's sole member.

(3) The Developer will cause the Project to be constructed, operated and maintained in accordance with the terms of this Agreement, the Development Program and all local, state and federal laws and regulations (including, but not limited to, environmental, zoning, energy conservation, building code and public health laws and regulations), except for variances necessary

to construct the Minimum Improvements contemplated in any Construction Plans approved by the City.

(4) The Developer will use its best efforts to obtain, or cause to be obtained, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state, and federal laws and regulations which must be obtained or met before the Minimum Improvements may be lawfully constructed.

(5) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, and the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provisions of any contractual restriction, evidence of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(6) The Minimum Improvements will be constructed at a cost sufficient to produce a market value for property tax purposes equal to or greater than the Assessor's Minimum Market Value established in the Assessment Agreement.

(7) The Developer has no knowledge of any hazardous substance located in or on the Development Property and has not otherwise received any notice from any local, state or federal official that the activities of the Developer or the City with respect to the Development Property may or will be in violation of any environmental law or regulation (other than those notices, if any, of which the City has been notified). The Developer is not aware of any state or federal claim filed or planned to be filed by any party relating to any violation of any local, state or federal environmental law, regulation or review procedure, and the Developer is not aware of any violation of any local, state or federal law, regulation or review procedure which would give any person a valid claim under the Minnesota Environmental Rights Act or other state or federal environmental statute.

(8) The Developer will cooperate fully with the City with respect to any litigation commenced with respect to the Project.

(9) The financing commitments which the Developer will proceed with due diligence to obtain to finance acquisition or construction of the Minimum Improvements, together with financing provided by the City pursuant to this Agreement plus the equity contribution of the Developer, will be sufficient to enable the Developer to successfully complete the Minimum Improvements as contemplated in this Agreement.

(10) The Developer will cooperate fully with the City in resolution of any traffic, parking, trash removal or public safety problems which may arise in connection with the construction and operation of the Project.

(11) The Developer would not undertake the Project without the financing provided by the City pursuant to this Agreement.

(12) The Developer expects that, barring Unavoidable Delays, the Project will commence no later than November 1, 2014, and will be substantially completed by May 31, 2015.

(13) The Developer estimates that the Assessor's Minimum Market Value of \$2,160,000 is a reasonable estimate of the annual market value for ad valorem tax purposes.

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ARTICLE III

MINIMUM IMPROVEMENTS AND CONDITIONS PRECEDENT

Section 3.1. Project Costs. The Developer agrees to construct the Project. The City agrees to loan to the Developer the amount of \$650,000 for the costs of the Project on the date hereof by depositing such amount in escrow with Title (the "Loan Amount") to be disbursed in accordance with the terms of this Agreement and the Disbursing Agreement.

Section 3.2. Payments for Project Costs.

(1) Subject to the provisions of subsection (2) below, the Developer may be reimbursed or request payment of Project costs directly from amounts held by Title under the Disbursing Agreement for costs of the Project up to the Loan Amount. The proceeds of the Tax Increment Bonds shall be disbursed for Project costs pro rata with the proceeds of the Housing Note.

(2) In order to request amounts for Project costs the Developer shall have satisfied the following conditions precedent and all other conditions set forth in the Disbursing Agreement:

(a) The Developer shall be in material compliance with all the terms and provisions of this Agreement;

(b) The Developer shall have submitted to the City Construction Plans for the Project and such Construction Plans shall have been approved by the City pursuant to Section 3.3;

(c) The City shall be satisfied that the Developer has firm commitments for construction or permanent financing for the Project in an amount sufficient, together with equity commitments, to complete the Project in conformance with the Construction Plans, or the City shall receive such other evidence of financial ability as in the reasonable judgment of the City is required;

(d) Issuance of the Tax Increment Bonds and satisfaction of the conditions set forth in Section 4.2; and

(e) Receipt of an opinion of counsel to the Developer that the Developer has the authority to enter into this Agreement and Disbursing Agreement, this Agreement and Disbursing Agreement are valid and binding obligations of the Developer and the execution of these agreements does not violate any existing agreements entered into by the Developer.

Section 3.3. Construction of Project. The Developer agrees that it will construct the Project on the Development Property in conformance with the Construction Plans.

Section 3.4. Construction Plans. The Developer shall cause to be provided to the City Construction Plans, which shall be subject to approval by the City as provided in this Section 3.3. The Construction Plans shall provide for the Minimum Improvements to be constructed on the Development Property, and shall be in conformity with the Development Program, this Agreement, and all applicable federal, state and local laws and regulations. The City shall approve the Construction Plans in writing if: (a) the Construction Plans conform to the terms and conditions of this Agreement; (b) the Construction Plans conform to the terms and conditions of the Development Program; (c) the Construction Plans conform to all applicable federal, state and local laws,

ordinances, rules and regulations; (d) the Construction Plans are adequate for purposes of this Agreement to provide for the construction of the Minimum Improvements; and (e) no Event of Default under the terms of this Agreement has occurred; provided, however, that any such approval of the Construction Plans pursuant to this Section 3.3 shall constitute approval for the purposes of this Agreement only and shall not be deemed to constitute approval or waiver by the City with respect to any building, zoning or other ordinances or regulation of the City, and shall not be deemed to be sufficient plans to serve as the basis for the issuance of a building permit if the Construction Plans are not as detailed or complete as the plans otherwise required for the issuance of a building permit. The site plan submitted for the Development Property by the Developer to the building inspector of the City shall be adequate to serve as the Construction Plans, if such site plan fulfills the requirements of this Section 3.3 and is approved by the building inspector.

The Construction Plans must be rejected in writing by the City, accompanied by a written statement of the City specifying the respects in which the Construction Plans submitted by the Developer fail to conform to the requirements of this Section 3.3, within sixty (60) days of submission or shall be deemed to have been approved by the City. If the City rejects the Construction Plans in whole or in part, the Developer shall submit new or corrected Construction Plans within sixty (60) days after receipt by the Developer of the written notification of the rejection and written statement of the City's reasons for such rejection. The provisions of this Section 3.3 relating to approval, rejection and resubmission of corrected Construction Plans shall continue to apply until the Construction Plans have been approved by the City; provided, however, that in any event the Developer shall submit Construction Plans which are approved prior to commencement of construction of the Minimum Improvements. Approval of the Construction Plans by the City shall not relieve the Developer of any obligation to comply with the terms and provisions of this Agreement, or the provision of applicable federal, state and local laws, ordinances and regulations, nor shall approval of the Construction Plans by the City be deemed to constitute a waiver of any Event of Default.

If the Developer desires to make any material modification to the scope, size or use of the Project or to the site plan therefor after the Construction Plans have been approved by the City, the Developer shall submit the proposed revised Construction Plans to the City for its approval. If such material change in the Construction Plans conforms to the approval criteria listed in this Section 3.3 with respect to the original Construction Plans, the revised Construction Plans shall be deemed approved by the City unless rejected in writing within thirty (30) days by the City with a written statement of the City's reasons for such rejection. If the Developer desires to make any change which does not materially modify the scope, size or use of the Project or the site plan therefor, the Construction Plans need not be resubmitted.

Approval of Construction Plans hereunder is solely for purposes of this Agreement and shall not constitute approval for any other City purpose.

Section 3.5. Certificate of Completion. The Developer shall notify the City when the construction of the Minimum Improvements has been completed. If the City determines that the Minimum Improvements have been constructed in substantial conformity with the Construction Plans and all uniformly applied local, state and federal laws and regulations (including, but not limited to, environmental, zoning, energy conservation, building code and public health laws and regulations), the City shall furnish to the Developer a Certificate of Completion in the form attached hereto as Exhibit C certifying the completion of the Minimum Improvements. Such Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and

covenants in this Agreement with respect to the obligations of the Developer, and its successors and assigns, to construct the Minimum Improvements.

Section 3.6. Execution of Assessment Agreement. Simultaneously with the execution of this Agreement, the Developer and the City shall execute an Assessment Agreement pursuant to the provisions of Minnesota Statutes, Section 469.177, Subdivision 8, specifying the Assessor's Minimum Market Value for the Development Property and the Project for calculation of real property taxes. Specifically, the Developer shall agree to a market value for the Development Property and the Project which will result in a market value as of January 2, 2016 of not less than \$2,160,000 until the Termination Date (as hereinafter defined). Nothing in the Assessment Agreement shall limit the discretion of the Assessor to assign a market value to the property in excess of such Assessor's Minimum Market Value nor prohibit the Developer from seeking through the exercise of legal or administrative remedies a reduction in such market value for property tax purposes, provided however, that the Developer shall not seek a reduction of such market value below the Assessor's Minimum Market Value in any year so long as the Assessment Agreement shall remain in effect. The Assessment Agreement shall remain in effect until the earlier of (i) the Maturity Date or (2) December 31, 2042 (the "Termination Date"). The Assessment Agreement shall be certified by the Assessor for the County as provided in Minnesota Statutes, Section 469.177, Subdivision 8, upon a finding by the Assessor that the Assessor's Minimum Market Value represents a reasonable estimate based upon the plans and specifications for the Project to be constructed on the Development Property and the market value previously assigned to the Development Property. Pursuant to Minnesota Statutes, Section 469.177, Subdivision 8, the Assessment Agreement shall be filed for record in the office of the county recorder or registrar of titles of Chisago County, and such filing shall constitute notice to any subsequent encumbrancer or purchaser of the Development Property (or part thereof), whether voluntary or involuntary, and such Assessment Agreement shall be binding and enforceable in its entirety against any such subsequent purchaser or encumbrancer, including the holder of any mortgage recorded against the Development Property.

Section 3.7. Real Property Taxes. Prior to the Termination Date, the Developer shall pay all real property taxes payable with respect to all and any parts of the Development Property acquired and owned by it and any other statutory or contractual duty that shall accrue subsequent to the date of its acquisition of title to the Development Property (or part thereof) and until the Developers' obligations have been assumed by any other person pursuant to the provisions of this Agreement or title to the Development Property is vested in another person.

The Developer agrees that prior to the Termination Date:

(1) It will not seek administrative review or judicial review of the applicability of any tax statute relating to the ad valorem property taxation of real property contained on the Development Property determined by any tax official to be applicable to the Project or the Developer or raise the inapplicability of any such tax statute as a defense in any proceedings with respect to the Development Property, including delinquent tax proceedings; provided, however, "tax statute" does not include any local ordinance or resolution levying a tax;

(2) It will not seek administrative review or judicial review of the constitutionality of any tax statute relating to the taxation of real property contained on the Development Property determined by any tax official to be applicable to the Project or the Developer or raise the unconstitutionality of any such tax statute as a defense in any proceedings, including delinquent tax

proceedings with respect to the Development Property; provided, however, "tax statute" does not include any local ordinance or resolution levying a tax;

(3) It will not seek any tax deferral or abatement, either presently or prospectively authorized under Minnesota Statutes, Section 469.1813, or any other State or federal law, of the ad valorem property taxation of the Development Property between the date of execution of this Agreement and the Termination Date.

Section 3.8. Management of Project. The Developer shall enter into a management agreement with the Society under which the Society will manage the Project as a 24 unit senior housing facility. Such agreement, or a related agreement, shall grant to the Society the right to purchase the Development Property and Project on terms approved by the City. If the Society declines to exercise its right to purchase the Project, the City shall have the right to approve any third party proposing to purchase the Development Property and the Project. The management agreement and any modifications to the management agreement shall be subject to the prior written approval of the City, which approval shall not be unreasonably withheld or delayed.

[Remainder of page intentionally blank.]

ARTICLE IV

TAX INCREMENT BONDS

Section 4.1. Issuance of Tax Increment Bonds. The City agrees to exercise its best efforts to take all steps necessary to issue its Tax Increment Bonds in an amount sufficient to finance the Loan Amount pursuant to Article III hereof. The obligation of the City to issue the Tax Increment Bonds shall be subject to the limitations provided in Section 4.2 hereof. The Developer acknowledges and understands that the City's willingness to issue the Tax Increment Bonds will be subject to the City's receipt from Developer of such documents, certificates, and legal opinions as to the Developer and Community Asset Foundation as the City and Bond Counsel shall require. The Developer agrees to pay all costs of issuance in excess of 2% of the principal amount of the Tax Increment Bonds.

Section 4.2. Limitations of Financial Undertakings of the City. The provisions of Section 4.1 notwithstanding, the City shall not have any obligation to the Developer under this Agreement to issue the Tax Increment Bonds, except upon the continuing existence of the following conditions:

(i) The City is not entitled under Section 9.2 to exercise any of the remedies set forth therein as a result of an Event of Default;

(ii) There has not been, nor does there occur, a substantial change for the worse in the financial resources and ability of the Developer, or a substantial decrease in the financing commitments secured by the Developer for construction of the Minimum Improvements, which change(s) makes it substantially more likely, in the reasonable judgment of the City, that the Developer will be unable to fulfill its covenants and obligations under this Agreement; and

(iii) The City determines that the Developer will be able to comply with Section 3.2.

Section 4.3. Guaranty of Tax Increment Shortfall. The parties expect that the annual Tax Increments to be derived from the Tax Increment District in each year prior to the Maturity Date will be in an amount not less than the amount needed to pay when due all principal and interest maturing in that year on the Bonds. The Developer agrees that if for any reason such Tax Increments in any calendar year are less than the Tax Increments indicated for each year on Exhibit F then the Developer shall pay within 30 days, upon demand by the City, to the City the difference between the Tax Increments actually derived and the Tax Increments indicated on Exhibit F. If the annual Tax Increments are greater than the annual debt service debt on the Bonds the City on or before February 1 of each year during the term of the Development Agreement shall pay to the Developer such Tax Increments, provided that the Developer shall provide the City with paid invoices for costs of the Project not paid from the proceeds of the Tax Increment Bonds or from Tax Increments previously paid to the Developer.

Section 4.4. Developer's Tax Covenants. The Developer agrees that during the construction of the Project and thereafter until the Tax Increment Bonds are paid and are no longer outstanding it will construct the Project and own and operate or cause to be operated the Project and Development Property in such a manner as will not adversely affect the tax exempt status of interest on the Tax Increment Bonds. Without limiting the foregoing, the Developer agrees that it will

undertake the construction, ownership and management of the Project in such a way as will comply with the tax covenants contained in the City Council resolution awarding the sale of the Tax Increment Bonds. Upon request by the City, the Developer will provide all information and documentation necessary to demonstrate such compliance.

ARTICLE V

INSURANCE AND CONDEMNATION

Section 5.1. Insurance.

(a) The Developer will provide and maintain or cause to be maintained at all times during the process of constructing the Minimum Improvements and, from time to time at the request of the City, furnish the City with proof of payment of premiums on:

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

(ii) Comprehensive general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual liability insurance) together with an Owner's Contractor's Policy with limits against bodily injury and property damage of not less than \$500,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used); and

(iii) Worker's compensation insurance, with statutory coverage.

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

(i) Insurance against loss and/or damage to the Minimum Improvements under a policy or policies covering such risks as are ordinarily insured against by similar businesses, including (without limiting the generality of the foregoing) fire, extended coverage, vandalism and malicious mischief, explosion, water damage, demolition cost, debris removal, and collapse in an amount not less than the full insurable replacement value of the Minimum Improvements, but any such policy may have a deductible amount of not more than \$50,000. No policy of insurance shall be so written that the proceeds thereof will produce less than the minimum coverage required by the preceding sentence, by reason of co-insurance provisions or otherwise, without the prior consent thereto in writing by the City. The term "full insurable replacement value" shall mean the actual replacement cost of the Minimum Improvements (excluding foundation and excavation costs and costs of underground flues, pipes, drains and other uninsurable items) and equipment, and shall be determined from time to time at the request of the City, but not more frequently than once every three years, by an insurance consultant or insurer selected and paid for by the Developer and approved by the City. All policies evidencing insurance required by this subparagraph (i) with respect to the Minimum Improvements shall be carried

in the names of the Developer, the City and the holder of the First Mortgage, as their respective interests may appear.

(ii) Comprehensive general public liability insurance, including personal injury liability for injuries to persons and/or property, including any injuries resulting from the operation of automobiles or other motorized vehicles on or about the Development Property, in the minimum amount for each occurrence and for each year of \$1,000,000, and shall be endorsed to show the City as an additional insured.

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

(c) All insurance required by this Article V shall be taken out and maintained in responsible insurance companies selected by the Developer which are authorized under the laws of the State to assume the risks covered thereby. The Developer will deposit annually with the City copies of policies evidencing all such insurance, or a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect. Unless otherwise provided in this Article V, each policy shall contain a provision that the insurer shall not cancel or modify it without giving written notice to the Developer and the City at least thirty (30) days before the cancellation or modification becomes effective. Not less than fifteen (15) days prior to the expiration of any policy, the Developer shall furnish the City evidence satisfactory to the City that the policy has been renewed or replaced by another policy conforming to the provisions of this Article V, or that there is no necessity therefor under the terms hereof. In lieu of separate policies, the Developer may maintain a single policy, or blanket or umbrella policies, or a combination thereof, which provide the total coverage required herein, in which event the Developer shall deposit with the City a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Minimum Improvements.

(d) The Developer agrees to notify the City immediately in the case of damage exceeding \$25,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In the event that any such damage does not exceed \$100,000, Net Proceeds of any such insurance shall be paid directly to the Developer, and the Developer will forthwith repair, reconstruct and restore the Minimum Improvements to substantially the same or an improved condition or value as they existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction and restoration, the Developer will apply the Net Proceeds of any insurance relating to such damage received by the Developer to the payment or reimbursement of the costs thereof.

Net proceeds of any insurance relating to damage or destruction to the Minimum Improvements or any portion thereof as a result of fire or other casualty in an amount estimated to equal or exceed \$100,000 shall be payable to the holder of the First Mortgage and applied pursuant to the Loan Agreement.

(e) The Developer shall complete the repair, reconstruction and restoration of the Minimum Improvements, whether or not the Net Proceeds of insurance received by the Developer for such purposes are sufficient.

Section 5.2. Condemnation. In the event that title to and possession of the Minimum Improvements or any other material part thereof shall be taken in condemnation or by the exercise of the power of eminent domain by any governmental body or other person (except the City), so long as the Assessment Agreement shall remain in effect, the Developer shall, with reasonable promptness after such taking, notify the City as to the nature and extent of such taking.

Section 5.3. Reconstruction or Payment. Upon receipt of any Condemnation Award or property insurance proceeds, the Developer shall use the entire Condemnation Award to reconstruct the Minimum Improvements (or, in the event only a part of Minimum Improvements have been taken, then to reconstruct such part) upon the Development Property or elsewhere within the Tax Increment District; provided, however, that the Developer may instead elect to pay to the City out of the Condemnation Award or property insurance proceeds, if and to the extent any such Condemnation Award or property insurance proceeds are sufficient for such purpose and not in excess of the limitation of amount the City may accept under Section 4.4 of this Agreement with an opinion of Bond Counsel: (i) if prior to the Termination Date, the present value of the sum of the real property taxes which would have been assessed upon the Development Property and the Minimum Improvements between the date of such condemnation and the Termination Date, such calculation to be based upon (A) the Assessor's Minimum Market Value, and (B) the then-effective mill rate upon the date of such condemnation, such sum to be discounted to present value based upon (A) the number of years between the date of such condemnation and the Termination Date, and (B) the average interest rate on the Tax Increment Bonds or (ii) a sum sufficient to redeem the Tax Increment Bonds, including any interest thereon.

Section 5.4. Relationship of Mortgagee and Tax Increment Bonds. The provisions of Sections 5.1, 5.2 and 5.3 of this Agreement shall be subject to the subordination, modification and waiver provisions of Section 7.6 of this Agreement but shall otherwise remain in full force and effect with respect to the Developer's obligations to maintain insurance, notify the City of any casualty or condemnation and reconstruct the Minimum Improvements upon such casualty or condemnation unless provision is made to the satisfaction of the City for the payment or discharge of the Tax Increment Bonds.

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ARTICLE VI

HOUSING AND OTHER COVENANTS

Section 6.1. Compliance with Low and Moderate Income Requirements.

(a) The City and the Developer understand and agree that the Tax Increment District will constitute a "housing district" under Section 469.174, Subd. 11 of the Tax Increment Act. Accordingly, in compliance with Section 469.1761, Subd. 3 of the Tax Increment Act, the Developer agrees that the Project must satisfy, or be treated as satisfying, the income requirements for a qualified residential rental project as defined in Section 142(d) of the Internal Revenue Code. The parties further agree that no more than 20% of the square footage of the Project (which is the only building receiving assistance from Tax Increments) may consist of commercial, retail, or other nonresidential uses. The Developer must meet the above requirements as follows:

(i) At least 20% of the residential units in the Project must be occupied or available for occupancy by persons whose incomes do not exceed 50% of the County median income; and

(ii) The limits described in clause (A) must be satisfied through the Termination Date. Income for occupants of units described in clause (A) shall be adjusted for family size in accordance with Section 142(d) of the Internal Revenue Code and related regulations.

(b) On or before each January 1 and July 1, commencing on July 1, 2017, the Developer or an agent of the Developer must deliver or cause to be delivered to the City a Compliance Certificate executed by the Developer covering the preceding six 6 months together with written evidence satisfactory to the City of compliance with the covenants in this Section. This evidence must include a statement of the household income of each of qualifying renter, a written determination that each qualifying renter's household income falls within the qualifying limits of this Section (and Section 142(d) of the Internal Revenue Code), and certification that the income documentation is correct and accurate (and that the determination of qualification was made in compliance with Section 142(d) of the Internal Revenue Code). The City may review, upon request, all documentation supporting the Developer submissions and statements. In determining compliance with this Section, the Developer must use the County median incomes for the year in which the payment is due on the Tax Increment Bonds, as promulgated by the Minnesota Housing Finance Agency based on the area median incomes established by the United States Department of Housing and Urban Development.

(c) In the event that the Developer fails to comply with the requirements of this Section and as a result the City suffer loss of tax increment the Developer shall be liable to and shall pay to the City the amount of such losses.

(d) The covenants contained in this Section 6.1 shall be deemed to run with the Development Property and shall be binding upon future owners of the Development Property.

Section 6.2. Real Property Taxes. The Developer shall pay all real property taxes payable with respect to all and any parts of the Development Property acquired and owned by it and any other statutory or contractual duty that shall accrue subsequent to the date of its acquisition of title to the Development Property (or part thereof) and until the Developer's obligations have been assumed by any other person pursuant to the provisions of this Agreement or title to the property is vested in another person.

The Developer agrees that prior to the Termination Date:

(a) It will not seek administrative review or judicial review of the applicability or constitutionality of any tax statute relating to the taxation of real property contained on the Development Property determined by any tax official to be applicable to the Project or the Developer or raise the inapplicability or constitutionality of any such tax statute as a defense in any proceedings, including delinquent tax proceedings; provided, however, that "tax statute" does not include any local ordinance or resolution levying a tax; and

(b) It will not seek administrative review or judicial review of the constitutionality of any tax statute relating to the taxation of real property contained on the Development Property determined by any tax official to be applicable to the Project or the Developer or raise the unconstitutionality of any such tax statute as a defense in any proceedings, including delinquent tax proceedings; provided, however, "tax statute" does not include any local ordinance or resolution levying a tax;

(c) It will not seek any tax deferral or abatement, either presently or prospectively authorized under Minnesota Statutes, Section 469.181, or any other State or federal law, of the taxation of real property contained in the Development Property between the date of execution of this Agreement and the Termination Date.

[Remainder of page intentionally blank.]

ARTICLE VII

MORTGAGE FINANCING

Section 7.1. Limitation Upon Encumbrance of Property. Prior to the completion of the Minimum Improvements, as certified by the City, neither the Developer nor any successor in interest to the Development Property or any part thereof shall engage in any financing or any other transaction creating any mortgage or other encumbrance or lien upon the Development Property, other than Permitted Encumbrances, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attach to the Development Property, other than Permitted Encumbrances, except:

(a) for the purposes of obtaining funds only to the extent necessary for making the Minimum Improvements (including, but not limited to, labor and materials, equipment, professional fees, real estate taxes, construction interest, organization and other indirect costs of development, costs of constructing the Minimum Improvements, an allowance for contingencies, costs of issuance of any bond or note issue to fund construction or acquisition of the Project, amounts required to fund any bond or note reserves relating to construction or acquisition of the Project, and amounts required to fund any required escrow accounts); and

(b) only upon the prior written approval of the City in accordance with Sections 7.1 and 7.2 of this Agreement.

The City shall not approve any Mortgage which does not contain terms that conform to the terms of Section 7.5 of this Agreement, except as provided in Section 7.6 of this Agreement.

Section 7.2. Approval of Mortgage. The City shall approve a Mortgage if:

(a) the City first receives a copy of all mortgage documents;

(b) the mortgage loan, together with other funds available to the Developer, will, in the reasonable judgment of the City, be sufficient to construct the Minimum Improvements;

(c) the City is not entitled under Section 9.2 of this Agreement to exercise any of the remedies set forth therein as a result of an Event of Default; and

(d) the City determines that the terms of the Mortgage conform to the terms of Section 7.5 of this Agreement.

Section 7.3. Notice of Default; Copy to Mortgagee. Whenever the City shall deliver any notice or demand to the Developer with respect to any breach or default by the Developer in its obligations or covenants under the Agreement prior to completion of the Minimum Improvements, the City shall at the same time forward a copy of such notice or demand to each holder of any Mortgage authorized by the Agreement at the last address of such holder shown in the records of the City.

Section 7.4. Mortgagee's Option to Cure Defaults. After any breach or default referred to in Section 7.3 of this Agreement, each such holder shall (insofar as the rights of the City are concerned) have the right, at its option, to cure or remedy such breach or default (or such breach or

default to the extent that it relates to the part of the Development Property covered by its mortgage) and to add the cost thereof to the Mortgage debt and the lien of its Mortgage; provided, however, that if the breach or default is with respect to construction of the Minimum Improvements, nothing contained in this Section or any other Section of this Agreement shall be deemed to require such holder, either before or after foreclosure or action in lieu thereof, to undertake or continue the construction or completion of the Minimum Improvements (beyond the extent necessary to conserve or protect Minimum Improvements or construction already made), provided that any such holder shall not devote the Development Property to a use inconsistent with the Development Program or this Agreement without the agreement of the City.

Section 7.5. City's Option to Cure Default on Mortgage. Any Mortgage executed by the Developer with respect to the Development Property or any improvements thereon shall provide that, in the event that the Developer is in default under any Mortgage authorized pursuant to this Article VII, the holder of the Mortgage shall notify the City in writing of:

- (a) the fact of the default;
- (b) the elements of the default; and
- (c) the actions required to cure the default.

If the default is an "Event of Default" under such Mortgage, which shall entitle such holder thereof to foreclose upon the Development Property, the Minimum Improvements or any portion thereof, and any applicable grace periods have expired, the City shall have, and each Mortgage executed by the Developer with respect to the Development Property or any portion thereof or any improvements thereon shall provide that the City shall have, such an opportunity to cure the "Event of Default" within such reasonable time period as the holder shall deem appropriate.

Section 7.6. Subordination and Modification for the Benefit of Mortgagees.

(a) In order to facilitate the obtaining of financing for the construction or purchase of the Minimum Improvements by the Developer, the City agrees to subordinate its rights under this Agreement to the holder of the First Mortgage for the purposes described in Section 7.1(a) of this Agreement.

(b) In order to facilitate the obtaining of financing for the construction of the Minimum Improvements, the City agrees that it shall agree to any reasonable modification of this Article VII or waiver of its rights hereunder to accommodate the interests of the holder of the First Mortgage, provided, however, that the City determines, in its reasonable judgment, that any such modification(s) will adequately protect the legitimate interests and security of the City with respect to the Project and the Development Program. The City also agrees to consider such modification(s) of this Article VII with respect to other holders, and to agree to such modifications if the City deems such modification(s) necessary and reasonable.

[Remainder of page intentionally blank.]

ARTICLE VIII

PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER; INDEMNIFICATION

Section 8.1. Status of Developer; Transfer of Substantially All Assets. As security for the obligations of the Developer under this Agreement, the Developer represents and agrees that prior to the Termination Date, the Developer will maintain its existence as a Minnesota limited liability company and will not wind up or otherwise dispose of all or substantially all of its assets; provided that the Developer may sell or otherwise transfer to a partnership or corporation organized under the laws of one of the United States, or an individual, all or substantially all of its assets as an entirety and thereafter wind up and be discharged from liability hereunder if (i) the transferee partnership, corporation or individual assumes in writing all of the obligations of the Developer under this Agreement; and (ii) the City receives such new security from the successor Developer to assure completion of the Project, payment of any shortfall in Tax Increments under Section 4.4 of this Agreement as the City deems necessary or desirable and receives such evidence as the City shall reasonably require, including an opinion of counsel, that the existing guarantees and security provided pursuant to Section 4.4 and 4.5 of this Agreement will remain in effect and will be enforceable against the existing Developer upon a default by the successor Developer with respect to completion of the Project or payment of such shortfall in Tax Increments.

Section 8.2. Prohibition Against Transfer of Property and Assignment of Agreement. The Developer represents and agrees that prior to the Termination Date:

(a) Subject to Article VII of this Agreement, except only by way of security for, and only for, the purpose of obtaining financing necessary to enable the Developer or any successor in interest to the Development Property, or any part thereof, to perform its obligations with respect to making the Minimum Improvements under this Agreement, and any other purpose authorized by this Agreement, the Developer has not made or created and will not make or create or suffer to be made or created any total or partial sale, assignment, conveyance, or lease, or any trust or power, or transfer in any other mode or form of or with respect to this Agreement or the Development Property or any part thereof or any interest therein, or any contract or agreement to do any of the same, without the prior written approval of the City.

(b) The City shall be entitled to require, except as otherwise provided in the Agreement, as conditions to any such approval that:

(i) Any proposed transferee shall have the qualifications and financial responsibility, in the reasonable judgment of the City, necessary and adequate to fulfill the obligations undertaken in this Agreement by the Developer.

(ii) Any proposed transferee, by instrument in writing satisfactory to the City and in form recordable among the land records, shall, for itself and its successors and assigns, and expressly for the benefit of the City, have expressly assumed all of the obligations of the Developer under this Agreement and agreed to be subject to all the conditions and restrictions to which the Developer is subject (unless the Developer agrees to continue to fulfill those obligations, in which case the preceding provisions of this Section 8.2(b)(ii) shall not apply); provided, however, that the fact

that any transferee of, or any other successor in interest whatsoever to, the Development Property, or any part thereof, shall not, for whatever reason, have assumed such obligations or so agreed, and shall not (unless and only to the extent otherwise specifically provided in this Agreement or agreed to in writing by the City) deprive the City of any rights or remedies or controls with respect to the Development Property or the construction of the Minimum Improvements; it being the intent of the parties as expressed in this Agreement that (to the fullest extent permitted at law and in equity and excepting only in the manner and to the extent specifically provided otherwise in this Agreement) no transfer of, or change with respect to, ownership in the Development Property or any part thereof, or any interest therein, however consummated or occurring, and whether voluntary or involuntary, shall operate, legally or practically, to deprive or limit the City of or with respect to any rights or remedies or controls provided in or resulting from this Agreement with respect to the Minimum Improvements that the City would have had, had there been no such transfer or change. In the absence of specific written agreement by the City to the contrary, no such transfer or approval by the City thereof shall be deemed to relieve the Developer, or any other party bound in any way by this Agreement or otherwise with respect to the construction of the Minimum Improvements, from any of its obligations with respect thereto.

(iii) There shall be submitted to the City for review and prior written approval all instruments and other legal documents involved in effecting the transfer of any interest in this Agreement or the Development Property governed by this Article VIII.

Section 8.3. Release and Indemnification Covenants.

(a) The Developer releases the City and the governing body members, officers, agents, servants and employees thereof (hereinafter, for purposes of this Section 8.3, the "indemnified parties") from, covenants and agrees that the indemnified parties shall not be liable for, and agrees to indemnify, defend and hold harmless the indemnified parties against, any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Project.

(b) Except for any willful misrepresentation or any willful or wanton misconduct or any unlawful act of the indemnified parties, the Developer agrees to protect and defend the indemnified parties, now or forever, and further agrees to hold the indemnified parties harmless, from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising (i) from any violation of any agreement or condition of this Agreement (except with respect to any suit, action, demand or other proceeding brought by the Developer against the City to enforce its rights under this Agreement) or (ii) the acquisition, construction, installation, ownership, and operation of the Project or (iii) any hazardous substance located in or on the Development Property.

(c) The indemnified parties shall not be liable for any damage or injury to the persons or property of the Developer or its officers, agents, servants or employees or any other person who may be about the Project due to any act of negligence of any person, other than any act of negligence on the part of any such indemnified party or its officers, agents, servants or employees.

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

(e) The provisions of this Section 8.3 shall survive the termination of this Agreement.

Section 8.4. Approvals. Any approval of a transfer of interest in the Developer, this Agreement, or the Development Property required to be given by the City under this Article VIII may be denied only in the event that the City reasonably determines that the ability of the Developer to perform its obligations under this Agreement and its statutory duty, as owner, to pay ad valorem real property taxes assessed with respect to the Development Property, or the overall financial security provided to the City under the terms of this Agreement, or the likelihood of the Minimum Improvements being successfully constructed and operated pursuant to the terms of this Agreement, will be materially impaired by the action for which approval is sought.

[Remainder of page intentionally blank.]

ARTICLE IX

EVENTS OF DEFAULT

Section 9.1. Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean, whenever it is used in this Agreement, any one or more of the following events:

(a) Failure by the Developer to timely pay pursuant to Article VI of this Agreement all ad valorem real property taxes assessed with respect to the Development Property, or to make debt service payments on the Tax Increment Bonds as required by Section 4.3(1).

(b) Failure by the Developer to pay any Tax Increment shortfall guaranty as required by Section 4.3.

(c) Failure by the Developer to cause the construction of the Minimum Improvements to be commenced and/or completed pursuant to the terms, conditions and limitations of Article III.

(d) Failure by the Developer to cause the Minimum Improvements to be reconstructed when required pursuant to Section 5.1 of this Agreement.

(e) Transfer of any interest in the Developer or the Project in violation of the provisions of Article VIII of this Agreement.

(f) Failure by the Developer to observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement.

(g) The holder of any Mortgage on the Development Property, or any improvements thereon, or any portion thereof, commences foreclosure proceedings as a result of any default under the applicable Mortgage documents.

(h) The Developer shall

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

(B) make an assignment for the benefit of its creditors; or

(C) admit in writing its inability to pay its debts generally as they become due; or

(D) be adjudicated a bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Developer as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety (90) days after the filing thereof; or a receiver, trustee or liquidator of

the Developer or of the Project, or part thereof, shall be appointed in any proceeding brought against the Developer, and shall not be discharged within ninety (90) days after such appointment, or if the Developer shall consent to or acquiesce in such appointment.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 of this Agreement occurs and is continuing, the City, as specified below, may take any one or more of the following actions after (except in the case of an Event of Default under subsection (g) or (h) of said Section 9.1) the giving of thirty (30) days' written notice by the City to the Developer and the holder of the First Mortgage of the Event of Default, but only if the Event of Default has not been cured within said thirty (30) days, or if the Event of Default cannot be cured within thirty (30) days and the Developer does not provide assurances to the City reasonably satisfactory to the City that the Event of Default will be cured as soon as reasonably possible:

- (a) The City may suspend its performance under this Agreement until it receives assurances from the Developer, deemed adequate by the City, that the Developer will cure its default and continue its performance under this Agreement.
- (b) The City may cancel and rescind this Agreement.
- (c) The City may draw upon any guarantee or security provided to the City pursuant to any of the terms of this Agreement according to its terms.
- (d) The City may take any action, including legal or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement, or to enforce performance and observance of any obligation, agreement, or covenant of the Developer under this Agreement.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 9.4. No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 9.5. Agreement to Pay Attorneys' Fees and Expenses. Whenever any Event of Default occurs and the City shall employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement or performance or observance of any obligation or agreement on the part of the Developer herein contained, the Developer agrees that it shall, on demand therefor, pay to the City the reasonable fees of such attorneys and such other expenses so incurred by the City.

ARTICLE X

ADDITIONAL PROVISIONS

Section 10.1. Restrictions on Use. The Developer agrees for itself, its successors and assigns and every successor in interest to the Development Property, or any part thereof, that the Developer and such successors and assigns shall devote the Development Property to, and in accordance with, the uses specified in this Agreement and shall at all times until the Termination Date cause the Project to be owned and operated in a manner that will not adversely affect the tax exempt status of the Housing Note and Tax Increment Bonds.

Section 10.2. Conflicts of Interest. No member of the governing body or other official of the City shall have any financial interest, direct or indirect, in this Agreement, the Development Property or the Minimum Improvements, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the City shall be personally liable to the City in the event of any default or breach by the Developer or successor or on any obligations under the terms of this Agreement.

Section 10.3. Titles of Articles and Sections. Any titles of the several parts, articles and sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 10.4. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by any party to any other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and

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

The Lodge of Taylors Falls LLC
1110 Yellow Brick Road
Chaska, MN 55318

(b) in the case of the City, is addressed to or delivered personally to the City at:

City of Taylors Falls
637 First Street
Taylors Falls, MN 55084-1144
Attn: Clerk-Treasurer

(c) in the case of the holder of the First Mortgage, is addressed or delivered personally to such holder at:

Community Bank Corporation
706 Walnut Street
P.O. Box 114
Chaska, MN 55318

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

Section 10.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 10.6. Modification. If the Developer is requested by the holder of a Mortgage or by a prospective holder of a prospective Mortgage to amend or supplement this Agreement in any manner whatsoever, the City will, in good faith, consider the request with a view to granting the same unless the City, in its reasonable judgment, concludes that such modification is not in the public interest, or will significantly and undesirably weaken the financial security provided to the interests of the City by the terms and provisions of this Agreement.

Section 10.7. Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 10.8. Legal Opinions. Upon execution of this Agreement, each party shall, upon request of the other party, supply the other party with an opinion of its legal counsel to the effect that this Agreement is legally issued or executed by, and valid and binding upon, such party, and enforceable in accordance with its terms.

Section 10.9. City Approvals. Any approval, execution of documents, or other action to be taken by the City pursuant to this Agreement, for the purpose of carrying out the terms of this Agreement or for the purpose of determining sufficient performance by the Developer under this Agreement, may be made, executed or taken by the City Clerk-Treasurer without further approval by the City Council. The City Clerk-Treasurer may, but shall not be required to, consult with other City staff with respect to such matters.

[Remainder of page intentionally blank.]

ARTICLE XI

DEVELOPER'S OPTION TO TERMINATE AGREEMENT

Section 11.1. The Developer's Options to Terminate. This Agreement may be terminated by the Developer, if (i) the Developer is in compliance with all material terms of this Agreement and no Event of Default has occurred; and (ii) the City fails to comply with any material term of this Agreement, and, after written notice by the Developer of such failure, the City has failed to cure such noncompliance within ninety (90) days of receipt of such notice, or, if such noncompliance cannot reasonably be cured by the City within ninety (90) days, of receipt of such notice, the City has not provided assurances, reasonably satisfactory to the Developer, that such noncompliance will be cured as soon as reasonably possible.

Section 11.2. Action to Terminate. Termination of this Agreement pursuant to Section 11.1 of this Agreement must be accomplished by written notification by the Developer to the City within thirty (30) days after the date when such option to terminate may first be exercised. A failure by the Developer to terminate this Agreement within such period constitutes a waiver by the Developer of its rights to terminate this Agreement due to such occurrence or event.

Section 11.3. Effect of Termination. If this Agreement is terminated pursuant to this Article XI, this Agreement shall be from such date forward null and void and of no further effect; provided, however, the termination of this Agreement shall not affect the rights of either party to institute any action, claim or demand for damages suffered as a result of breach or default of the terms of this Agreement by the other party, or to recover amounts which had accrued and become due and payable as of the date of such termination. Upon termination of this Agreement pursuant to this Article XI, the City shall release all guarantees and letters of credit delivered to the City pursuant to the terms of this Agreement and the Developer shall be free to proceed with the Project at its own expense and without regard to the provisions of this Agreement; provided, however, that the City shall have no further obligations to the Developer with respect to the acquisition or sale of the Development Property.

[Remainder of page intentionally blank; Signature pages follow.]

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

CITY OF TAYLORS FALLS, MINNESOTA

By _____
Its Mayor

By _____
Its Clerk-Treasurer

(SEAL)

STATE OF MINNESOTA)
): ss
COUNTY OF CHISAGO)

This instrument was acknowledged before me on October _____, 2014, by Mike Buchite and Jo Everson, as the Mayor and Clerk-Treasurer, respectively, of the City of Taylors Falls, Minnesota, a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota.

Notary Public

This is a signature page to the Development Agreement by and between the City of Taylors Falls, Minnesota and The Lodge of Taylors Falls LLC.

THE LODGE OF TAYLORS FALLS LLC

By _____
Its Chief Manager

STATE OF MINNESOTA)
): ss
COUNTY OF HENNEPIN)

This instrument was acknowledged before me on October ____, 2014, by Richard Ford, Chief Manager of The Lodge of Taylors Falls LLC a Minnesota limited liability company on behalf of such company.

Notary Public

This is a signature page to the Development Agreement by and between the City of Taylors Falls, Minnesota and The Lodge of Taylors Falls LLC.

EXHIBIT A TO DEVELOPMENT AGREEMENT

Legal Description of Development Property

In the County of Chisago, State of Minnesota:

The South 351 feet of the East 423 feet of the North Half of the East Half of the Southeast Quarter of the Southwest Quarter of Section 24, Township 34, Range 19, Chisago County, Minnesota.

EXHIBIT B TO DEVELOPMENT AGREEMENT

Permitted Encumbrances

The encumbrances identified in the loan policy of title insurance (file no. 140481) issued by Title Mark, LLC, as agent for First American Title Insurance Company, covering the Mortgagee.

EXHIBIT D TO DEVELOPMENT AGREEMENT

Minimum Improvements

The Minimum Improvements to be located on the Development Property (described as 1051 Mulberry Street in the City), generally constituting the acquisition, construction and equipping of 24-unit senior housing facility with services and related improvements.

EXHIBIT E

Assessment Agreement

THIS AGREEMENT, dated as of this ____ day of October, 2014, is by and among the City of Taylors Falls, Minnesota (the "City") and The Lodge of Taylors Falls LLC, a Minnesota limited liability company (the "Developer"), and the Chisago County Assessor (the "Assessor").

WITNESSETH

WHEREAS, on or before the date hereof the City and Developer have entered into a Development Agreement dated as of October 1, 2014 (the "Agreement") regarding certain real property located in the City (the "Development Property") which property is legally described on Exhibit A attached hereto and made a part hereof.

WHEREAS, it is contemplated that pursuant to said Agreement, the Developer will construct an approximately 24-unit senior housing facility (the "Project") on the Development Property.

WHEREAS, the City and Developer desire to establish a minimum market value for the Development Property and the improvements constructed or to be constructed thereon, pursuant to Minnesota Statutes, Section 469.177, Subdivision 8.

WHEREAS, the Developer has acquired the Development Property.

WHEREAS, the City and the Assessor have reviewed plans and specifications for the Project.

NOW, THEREFORE, the parties to this Agreement, in consideration of the promises, covenants and agreements made by each to the other, do hereby agree as follows:

1. As of January 2, 2016 through and thereafter until December 31, 2043 the minimum market value which shall be assessed for the Project shall be not less than \$2,160,000.
2. The minimum market value herein established shall be of no further force and effect and this Agreement shall terminate on December 31, 2043.
3. This Agreement shall be recorded by the City along with an attached copy of Minnesota Statutes, Section 469.177, with the County Recorder of Chisago County, Minnesota. The Developer shall pay all costs of recording.
4. The Assessor has reviewed the plans and specifications for the improvements and the market value previously assigned to the land upon which the improvements are to be constructed, and that the "minimum market value" as set forth above is reasonable.
5. Neither the preamble nor provisions of this Agreement are intended to, or shall they be construed as, modifying the terms of the Agreement between the City and the Developer.
6. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

IN WITNESS WHEREOF, the City, the Developer and the Assessor have caused this Agreement to be executed in their names and on their behalf all as of the date set forth above.

CITY OF TAYLORS FALLS, MINNESOTA

(SEAL)

By _____
Its Mayor

By _____
Its Clerk/Treasurer

STATE OF MINNESOTA)
) ss
COUNTY OF CHISAGO)

The foregoing instrument was acknowledged before me this ____ day of October, 2014, by Mike Buchite, the Mayor and Jo Everson, the Clerk/Treasurer of the City of Taylors Falls on behalf of said City.

Notary Public

This Instrument Drafted By:
Briggs and Morgan, P.A.
2200 First National Bank Building
St. Paul, MN 55101

THE LODGE OF TAYLORS FALLS LLC

By: _____
Its: _____

STATE OF MINNESOTA)
) ss.
COUNTY OF CHISAGO)

The foregoing instrument was acknowledged before me this ____ day of October, 2014, by _____, the _____ of The Lodge of Taylors Falls LLC, a Minnesota limited liability company, on behalf of said company.

Notary Public

Signature page for Assessment Agreement by and between the City of Taylors Falls, Minnesota, The Lodge of Taylors Falls LLC, and the Chisago County Assessor.

CERTIFICATION BY COUNTY ASSESSOR

The undersigned, having reviewed the Assessment Agreement dated as of October 1, 2014 between the City of Taylors Falls, Minnesota and The Lodge of Taylors Falls LLC, a Minnesota limited liability company; the construction plans for the Project, as defined in the Assessment Agreement; and the market value currently assigned to land upon which the improvements are to be constructed and being of the opinion that the minimum market value contained in the Assessment Agreement appears reasonable, hereby certifies as follows:

The undersigned Assessor, being legally responsible for the assessment of the above described property, hereby certifies that the market values assigned to such land and improvements are reasonable.

County Assessor for Chisago County

STATE OF MINNESOTA)
) ss.
COUNTY OF CHISAGO)

This instrument was acknowledged before me on _____, 2014, by _____, the County Assessor of Chisago County.

Notary Public

EXHIBIT A TO ASSESSMENT AGREEMENT

LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY

In the County of Chisago, State of Minnesota:

The South 351 feet of the East 423 feet of the North Half of the East Half of the Southeast Quarter of the Southwest Quarter of Section 24, Township 34, Range 19, Chisago County, Minnesota.

2014 Minnesota Statutes

469.177 COMPUTATION OF TAX INCREMENT.

Subd. 8. Assessment agreements.

An authority may enter into a written assessment agreement with any person establishing a minimum market value of land, existing improvements, or improvements to be constructed in a district, if the property is owned or will be owned by the person. The minimum market value established by an assessment agreement may be fixed, or increase or decrease in later years from the initial minimum market value. If an agreement is fully executed before July 1 of an assessment year, the market value as provided under the agreement must be used by the county or local assessor as the taxable market value of the property for that assessment. Agreements executed on or after July 1 of an assessment year become effective for assessment purposes in the following assessment year. An assessment agreement terminates on the earliest of the date on which conditions in the assessment agreement for termination are satisfied, the termination date specified in the agreement, or the date when tax increment is no longer paid to the authority under section [469.176, subdivision 1](#). The assessment agreement shall be presented to the county assessor, or city assessor having the powers of the county assessor, of the jurisdiction in which the tax increment financing district and the property that is the subject of the agreement is located. The assessor shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land upon which the improvements are to be constructed and, so long as the minimum market value contained in the assessment agreement appears, in the judgment of the assessor, to be a reasonable estimate, shall execute the following certification upon the agreement:

The undersigned assessor, being legally responsible for the assessment of the above described property, certifies that the market values assigned to the land and improvements are reasonable

The assessment agreement shall be filed for record and recorded in the office of the county recorder or the registrar of titles of each county where the real estate or any part thereof is situated. After the agreement becomes effective for assessment purposes, the assessor shall value the property under section [273.11](#), except that the market value assigned shall not be less than the minimum market value established by the assessment agreement. The assessor may assign a market value to the property in excess of the minimum market value established by the assessment agreement. The owner of the property may seek, through the exercise of administrative and legal remedies, a reduction in market value for property tax purposes, but no city assessor, county assessor, county auditor, board of review, board of equalization, commissioner of revenue, or court of this state shall grant a reduction of the market value below the minimum market value established by the assessment agreement during the term of the agreement filed of record regardless of actual market values which may result from incomplete construction of improvements, destruction, or diminution by any cause, insured or uninsured, except in the case of acquisition or reacquisition of the property by a public entity. Recording an assessment agreement constitutes notice of the agreement to anyone who acquires any interest in the land or improvements that is subject to the assessment agreement, and the agreement is binding upon them.

An assessment agreement may be modified or terminated by mutual consent of the current parties to the agreement. Modification or termination of an assessment agreement must be approved by the governing body of the

municipality. If the estimated market value for the property for the most recently available assessment is less than the minimum market value established by the assessment agreement for that or any later year and if bond counsel does not conclude that termination of the agreement is necessary to preserve the tax exempt status of outstanding bonds or refunding bonds to be issued, the modification or termination of the assessment agreement also must be approved by the governing bodies of the county and the school district. A document modifying or terminating an agreement, including records of the municipality, county, and school district approval, must be filed for record. The assessor's review and certification is not required if the document terminates an agreement. A change to an agreement not fully executed before July 1 of an assessment year is not effective for assessment purposes for that assessment year. If an assessment agreement has been modified or prematurely terminated, a person may seek a reduction in market value or tax through the exercise of any administrative or legal remedy. The remedy may not provide for reduction of the market value below the minimum provided under a modified assessment agreement that remains in effect. In no event may a reduction be sought for a year other than the current taxes payable year.

EXHIBIT F

PROJECTED TAX INCREMENT REPORT

8/7/2014

Base Value Assumptions - Page 1



Senior Living Facility - No Inflation

City of Taylors Falls, MN

24 units

ASSUMPTIONS AND RATES

| | |
|--|-------------------|
| DistrictType: | Housing |
| District Name/Number: | |
| County District #: | |
| First Year Construction or Inflation on Value | 2015 |
| Existing District - Specify No. Years Remaining | |
| Inflation Rate - Every Year: | 0.00% |
| Interest Rate: | 4.00% |
| Present Value Date: | 1-Aug-14 |
| First Period Ending | 1-Feb-15 |
| Tax Year District was Certified: | Pay 2015 |
| Cashflow Assumes First Tax Increment For Development: | 2017 |
| Years of Tax Increment | 26 |
| Assumes Last Year of Tax Increment | 2042 |
| Fiscal Disparities Election (Outside (A), Inside (B), or NA) | NA |
| Incremental or Total Fiscal Disparities | |
| Fiscal Disparities Contribution Ratio | |
| Fiscal Disparities Metro-Wide Tax Rate | |
| Maximum/Frozen Local Tax Rate: | 181.189% Pay 2014 |
| Current Local Tax Rate: (Use lesser of Current or Max.) | 181.189% Pay 2014 |
| State-wide Tax Rate (Comm/Ind. only used for total taxes) | 53.0000% Pay 2014 |
| Market Value Tax Rate (Used for total taxes) | 0.17792% Pay 2014 |

| 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 # | 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 |
|-------|-------------|-------|-------------------|-------------------|-----------------------|--------------------|---------------------------------------|-----------------------|--------------------------------|--------------------|-------------------------------|------------------------|---------------------------------|------------|
| | 20.00032.00 | | 1119 Mulberry St. | 45,600 | 94,500 | 140,100 | 100% | 140,100 | Pay 2015 | Non-H Res. 1 Unit | 1,401 | Rental | 1,751 | |
| | | | | 45,600 | 94,500 | 140,100 | | 140,100 | | | 1,401 | | 1,751 | |

Note:

1. Base values are based upon review of County website on 7.15.2014.



Senior Living Facility - No Inflation
City of Taylors Falls, MN
24 units

| 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 2015 | Percentage Completed 2016 | Percentage Completed 2017 | Percentage Completed 2018 | First Year Full Taxes Payable |
| | Aff. Rental | 90,000 | 90,000 | 24 | 2,160,000 | Rental | 27,000 | 1,125 | 100% | 100% | 100% | 100% | 2017 |
| TOTAL | | | | | 2,160,000 | | 27,000 | | | | | | |
| Subtotal Residential | | | | 24 | 2,160,000 | | 27,000 | | | | | | |
| Subtotal Commercial/Ind. | | | | 0 | 0 | | 0 | | | | | | |

Note:

1. Market values are based upon estimates from the County Assessor's office on 7.18.2014.

| 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 |
| Aff. Rental | 27,000 | 0 | 27,000 | 48,921 | 0 | 0 | 3,843 | 52,764 | 2,198.51 |
| TOTAL | 27,000 | 0 | 27,000 | 48,921 | 0 | 0 | 3,843 | 52,764 | |

Note:

1. Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law, and other factors which cannot be predicted.

| WHAT IS EXCLUDED FROM TIF? | |
|----------------------------|---------------|
| Total Property Taxes | 52,764 |
| less State-wide Taxes | 0 |
| less Fiscal Disp. Adj. | 0 |
| less Market Value Taxes | (3,843) |
| less Base Value Taxes | (3,173) |
| Annual Gross TIF | 45,748 |

| MARKET VALUE BUT / FOR ANALYSIS | |
|---|-----------|
| Current Market Value - Est. | 140,100 |
| New Market Value - Est. | 2,160,000 |
| Difference | 2,019,900 |
| Present Value of Tax Increment | 665,969 |
| Difference | 1,353,931 |
| Value likely to occur without Tax Increment is less than: | 1,353,931 |



Senior Living Facility - No Inflation
City of Taylors Falls, MN
24 units

| TAX INCREMENT CASH FLOW | | | | | | | | | | | | | | |
|-------------------------|----------------------|-----------------------|--------------------|-----------------------|----------------|------------------------|---------------------------------|---------------------|-----------------|-------------------------------|---------------------------|--------------------|----------|--------------|
| % of OTC | Project Tax Capacity | Original Tax Capacity | Fiscal Disparities | Captured Tax Capacity | Local Tax Rate | Annual Gross Increment | Semi-Annual Gross Tax Increment | State Auditor 0.36% | Admin. at 1% | Semi-Annual Net Tax Increment | Semi-Annual Present Value | PERIOD ENDING Yrs. | Tax Year | Payment Date |
| | | | | | | | | | | | | | | 02/01/15 |
| | | | | | | | | | | | | | | 08/01/15 |
| | | | | | | | | | | | | | | 02/01/16 |
| | | | | | | | | | | | | | | 08/01/16 |
| | | | | | | | | | | | | | | 02/01/17 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 20,036 | 0.5 | 2017 | 08/01/17 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 39,679 | 1 | 2017 | 02/01/18 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 58,937 | 1.5 | 2018 | 08/01/18 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 77,817 | 2 | 2018 | 02/01/19 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 96,327 | 2.5 | 2019 | 08/01/19 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 114,475 | 3 | 2019 | 02/01/20 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 132,266 | 3.5 | 2020 | 08/01/20 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 149,708 | 4 | 2020 | 02/01/21 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 166,809 | 4.5 | 2021 | 08/01/21 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 183,574 | 5 | 2021 | 02/01/22 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 200,011 | 5.5 | 2022 | 08/01/22 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 216,125 | 6 | 2022 | 02/01/23 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 231,923 | 6.5 | 2023 | 08/01/23 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 247,411 | 7 | 2023 | 02/01/24 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 262,596 | 7.5 | 2024 | 08/01/24 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 277,483 | 8 | 2024 | 02/01/25 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 292,078 | 8.5 | 2025 | 08/01/25 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 306,387 | 9 | 2025 | 02/01/26 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 320,416 | 9.5 | 2026 | 08/01/26 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 334,169 | 10 | 2026 | 02/01/27 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 347,653 | 10.5 | 2027 | 08/01/27 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 360,872 | 11 | 2027 | 02/01/28 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 373,832 | 11.5 | 2028 | 08/01/28 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 386,538 | 12 | 2028 | 02/01/29 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 398,995 | 12.5 | 2029 | 08/01/29 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 411,207 | 13 | 2029 | 02/01/30 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 423,180 | 13.5 | 2030 | 08/01/30 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 434,918 | 14 | 2030 | 02/01/31 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 446,427 | 14.5 | 2031 | 08/01/31 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 457,709 | 15 | 2031 | 02/01/32 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 468,770 | 15.5 | 2032 | 08/01/32 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 479,615 | 16 | 2032 | 02/01/33 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 490,246 | 16.5 | 2033 | 08/01/33 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 500,670 | 17 | 2033 | 02/01/34 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 510,889 | 17.5 | 2034 | 08/01/34 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 520,907 | 18 | 2034 | 02/01/35 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 530,729 | 18.5 | 2035 | 08/01/35 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 540,359 | 19 | 2035 | 02/01/36 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 549,799 | 19.5 | 2036 | 08/01/36 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 559,055 | 20 | 2036 | 02/01/37 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 568,129 | 20.5 | 2037 | 08/01/37 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 577,025 | 21 | 2037 | 02/01/38 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 585,747 | 21.5 | 2038 | 08/01/38 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 594,298 | 22 | 2038 | 02/01/39 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 602,681 | 22.5 | 2039 | 08/01/39 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 610,900 | 23 | 2039 | 02/01/40 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 618,957 | 23.5 | 2040 | 08/01/40 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 626,857 | 24 | 2040 | 02/01/41 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 634,601 | 24.5 | 2041 | 08/01/41 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 642,194 | 25 | 2041 | 02/01/42 |
| 100% | 27,000 | (1,751) | - | 25,249 | 181.189% | 45,748 | 22,874 | (82) | (228) | 22,564 | 649,638 | 25.5 | 2042 | 08/01/42 |
| | | | | | | | 22,874 | (82) | (228) | 22,564 | 656,936 | 26 | 2042 | 02/01/43 |
| Total | | | | | | | 1,188,448 | (4,282) | (11,852) | 1,173,315 | | | | |
| | | | | | 4.00% | | 665,969 | (2,397) | (6,636) | 656,936 | | | | |
| | | | | | | | | | | | | | | |