
Cambridge EDA – Housing Division
Meeting Announcement and Agenda
Monday, July 15, 2013 - 6:00 pm
CAMBRIDGE CITY CENTER, 300 3RD AVENUE NE

Members of the audience are encouraged to follow the agenda. Copies of the agenda are on the table outside of the Council Chambers door.

If you are interested in addressing the EDA, please inform the Chair. If the item you wish to address is an agenda item, the Chair, as the presiding officer, will determine if public comment will be heard during the meeting. When addressing the EDA, please state your name, address, and the issue you wish to speak about.

AGENDA

1. Call to Order
2. Approval of Agenda
3. Consent Agenda
 - A. Approve July 1, 2013 EDA meeting minutes (p. 1)
4. New Business
 - A. Presentation on Need & Demand Analysis for Market Rate and Senior Housing (p. 4) (Reports will be printed and available for the EDA prior to the meeting.)
 - B. EDA Resolution No. EDA R13-006 Recommending the City Council Adopt a Modification to the Development Program for Development District No. 6 and the Tax Increment Financing Plan for the Establishment of Tax Increment Financing District No. 6-15 (p. 6)
 - C. Recommend to the City Council the Approval of the Contract for Private Development with Mick Construction, Inc. at Outlot E Parkwood on the lakes 3rd Addition, Cambridge (p. 6)
5. Unfinished Business
6. Adjourn

Notice to the hearing impaired: Upon request to City staff, assisted hearing devices are available for public use.

Accommodations for wheelchair access, Braille, large print, etc. can be made by call City Hall at 689-3211 at least three days prior to the meeting.

**Cambridge Economic Development Authority (EDA)
July 1, 2013**

Pursuant to due call and notice thereof, a regular meeting of the Cambridge Economic Development Authority (EDA) was held on Monday, July 1, 2013 at Cambridge City Center, 300 3rd Ave NE, Cambridge, Minnesota, 55008.

Members Present: President Lisa Iverson, Vice President Chris Caulk and EDA members Howard Lewis, Marlys Palmer (arrived at 3:05 pm), and Corey Bustrom (arrived at 3:05 pm)

Members Absent: None

Others Present: Executive Director Woulfe, Finance Director Moe and Housing Supervisor Fromm

Call to Order

President Iverson called the meeting to order at 3:00 pm.

Approval of Agenda

Lewis moved, seconded by Caulk, to approve the agenda as presented. Motion carried unanimously.

Consent Agenda

Lewis moved, seconded by Caulk, to approve consent agenda as follows:

- A. Approve June 3, 2013 EDA meeting minutes
- B. Approve EDA Housing Division Financial Statements for May 2013
- C. Approval of Housing Division Bills check #16492 to #16579 totaling \$63,528.28
- D. Approval of EDA Bills check #92890 to #93506 totaling \$58,571.88

Upon call of the roll, Caulk, Iverson and Lewis, voted aye. No nay. Motion carried 3/0.

New Business

Housing Supervisor Report

The Housing Supervisor Report was accepted as presented.

The Update on Bid Solicitation for Maintenance Garage

(Palmer and Bustrom arrived.) Fromm reported the solicitation of bids to construct a 24'X34' maintenance garage was posted on the City of Cambridge's web-site and was advertised in the June 6, 13, and 20th edition of the Isanti County News. Fromm reported bid packets were sent out to the following contractors:

- Tight Miter Construction
- Todd Lind Construction
- Mattson Brothers Construction
- Baas Construction

Fromm stated the low bidder was Todd Lind Construction with a bid of \$38,041.00.

Fromm reported this bid is over the HUD funds dedicated to the project by \$6,326 and staff is concerned about the lack of response to such a basic project.

Fromm stated staff requests the EDA reject this bid on the garage and rebid next January for spring work. Fromm stated staff would post the RFP the beginning of January, open bids the middle of February and set completion date for the end of September 2014. Fromm stated staff feels that by putting bids out in February before contractors get busy and extending the completion to the end of September it would provide more flexibility for contractors and we would find more interest and better pricing.

Palmer moved, seconded by Bustrom to reject the bid from Todd Lind Construction in the amount of \$38,041 and reopen the bid process in January of 2014. Caulk asked what will happen to the two existing garages on site. Moe stated the City will use them at parks for storage. Motion passed unanimously.

Section 8 Local Preference Policy Change

Fromm stated staff is in the process of updating our Section 8 Admin Plan and would like to implement a policy change establishing a local preference which would give people who live in Chisago and Isanti Counties a priority when applying for the Section 8 Program. Fromm explained the reason for this amendment is the last time staff accepted applications they had many people from the Metro Area call and apply which limited the number of local families from being served. Fromm stated HUD has issued the Cambridge EDA 58 vouchers for Chisago & Isanti Counties which has a combined population of 91,700 people. Fromm stated staff's mission is to promote adequate and affordable housing, economic opportunity and a suitable living environment free from discrimination" and they want to fulfill this mission in Isanti and Chisago Counties by serving families within our jurisdiction before going outside our area.

Fromm stated staff currently has 138 families on a waiting list and the average turnover rate is 3 - 5 per year so they don't anticipate accepting applications for another 5 years or longer. Fromm reported in preparation for the submission of the 5 year PHA Plan in October, staff would like the Board to understand why staff wants to implement this change. Fromm stated HUD requires the City to give notice and an opportunity for public comment and then receive the Board's approval before including it in the PHA Plan.

Fromm stated the only other preference that HUD requires a PHA to offer is to any family that has been terminated from the HCV Program due to insufficient program funding and the Cambridge EDA has already established this as a preference.

Palmer asked if funding would change by making this policy change. Fromm confirmed funding remains the same if this change is made. Bustrom confirmed the current waiting list includes people from other areas and asked if it would omit them from that waiting list. Fromm stated she would have to check to see if they can purge the list and start over with a new waiting list.

Bustrom asked if staff monitors the individuals that establish residences through the Section 8 Housing Program. Fromm confirmed staff monitors the individuals residing in the dwelling unit and conducts a criminal and credit background check.

Caulk asked how staff monitors individuals on the waiting list after they pass the initial background criminal check. Fromm stated she would like to look into changing the policy to perform background checks on an annual basis.

Caulk moved, seconded by Lewis to approve to move forward in fulfilling the necessary requirements in establishing and adopting a local preference for the Section 8 program. Motion passed unanimously.

Unfinished Business

There was no unfinished business.

Adjournment

Palmer moved, seconded by Lewis, to adjourn the meeting at 3:26 p.m. The motion carried unanimously.

Lisa Iverson, President

ATTEST:

Lynda J. Woulfe, Executive Director

DRAFT

July 15, 2013

Author: Stan Gustafson

Information

EDA approved the professional services contract to have a demand analysis done for market rate and senior housing study. Staff has been assisting and helping with information requests and review of the studies. These studies are now complete and a copy will be placed at each EDA station prior to the July 15, 2013 EDA meeting (due to the size of document).

The Gill Group created two studies, Need Demand Analysis for market rate and senior housing both documents have many similarities. The reports indicate there is a need for all sectors of rental house, lower income, market rate and senior housing.

The report showed a variety of apartment complexes throughout Isanti County including maps and their community services. The reports indicated the number of Bedrooms, baths, approximate size of units, amenities provided, average rents along with various other information. The report also indicated the number of permits issued for single and multi-family over the past 12 years.

The market vacancy rate is as follows:

Affordable vacancy	1.3%
Market vacancy	2%
Senior vacancy	2%
Overall vacancy	1.7%

The report talked about market rate net demand and recommendations and the number of bedrooms needed along with numbers to not over saturate the market. These items can be found on page 82 and 77 in the individual reports.

In conclusion the rental market has continued to see an increase due to the recession, foreclosures, change of life styles and the younger population wanting to rent versus buying. The single housing market has seen an increase over the last several years but not everyone is a home buyer.

The completed study will give staff a better marketing piece to share with developers that are interested in seeing what options are available for additional multi-family residential sites in Cambridge.

No action is needed from the EDA.

Memo to EDA and City Council

The Preserve of Cambridge, LLC Apartment Complex

Enclosed is the packet including updated staff reports for EDA and City Council for the apartment complex or developers name The Preserve of Cambridge (Mick Construction). Please note most all the documents are under in the EDA portion of the packet.

Staff has been working with City Attorney Jay Squires, Ehlers and the Developers on the final language for the development contract.

Staff and Mark Ruff with Ehlers will go through the staff report and TIF plan at the July 15, 2013 EDA and City Council meeting. The Developers will be there for any questions.

4B & C EDA Staff Report

Resolution No. 13-006 Recommending the City Council Adopt a Modification to the Development Program for Development District No. 6 and the Tax Increment Financing Plan for the Establishment of Tax Increment Financing District No. 6-15 and approve Contract for Private Development with The Preserve of Cambridge, LLC

July 15, 2013

Author: Stan Gustafson

Request

The EDA is requested to adopt Resolution No. 13-006 recommending to the City Council To hold a public hearing and adopt a Modification to the Development Program for Development District No. 6, Establish Tax Increment Financing District No. 6-15, and adopt the Tax Increment Financing Plan and approve the Contract for Private Development with The Preserve of Cambridge, LLC.

Background

Staff has been working with developer The Preserve of Cambridge, LLC about constructing a market rate apartment complex. The site is a 6.95 acre lot located at Outlot E Parkwood on the lakes 3rd Addition, once platted a new property identification number will be issued and a new legal indicating a lot and block. Recent studies indicating a strong need for a market rate apartment building.

Their concepts plan was presented to City Council on April 15, 2013 for discussion and an open meeting where surrounding home owners were invited. Planning Commission held public hearing on July 2, 2013 reviewed and approved rezoning, amendment to the future land use of this lot, preliminary and final plats and approval of Resolution R13-02 finding a modification to the Development Program for Development District No. 6 Conforms to the General plans for the Development and Redevelopment of the City. (See attached Planning Commission Minutes).

Parkwood Development is a Planned Unit Development (PUD) that consists of single family, detached townhomes, attached townhomes, twin homes and senior housing units and very little development has occurred over the last several years. Within the last two years the majority of these lots became State Tax Forfeited property and placed up for sale by Isanti County.

The Preserve of Cambridge, LLC is proposing to build two 46 unit, three-story apartment buildings on approximately 6.95 acres in Parkwood Development in two phases. This project will be an upscale apartment building with many amenities that is not offered in Cambridge or in our market area and these will be built in two phases. The first phase is to start construction as soon as possible in 2013.

Of the 46 units, 9 units or 20% of the total units will need to meet an annual income certification.

Housing Qualifications for the District

INCOME RESTRICTIONS - ADJUSTED FOR FAMILY SIZE (HOUSING DISTRICT) - ISANTI COUNTY ISANTI COUNTY MEDIAN INCOME: \$82,300		
No. of Persons	50% of Median Income	60% of Median Income
1-person	\$29,400	\$35,280
2-person	\$33,600	\$40,320
3-person	\$37,800	\$45,360
4-person	\$42,000	\$50,480

Source: Department of Housing and Urban Development and Minnesota Housing Finance Agency

The two options for income limits on a standard housing district are 20% of the units at 50% of median income or 40% of the units at 60% of median income. The TIF District will have 20% of the units occupied by person with incomes less than 50% of median income. There are no rent restrictions for a housing district.

*****PLEASE NOTE: THESE NUMBERS ARE ADJUSTED ANNUALLY. ALL INCOME FIGURES REPORTED ON THIS PAGE ARE FOR 2013.**

The apartment complex will feature an elevator, business office, library, manager office, community room, washer and dryers in each unit, playground, screened balconies, security system (keyless entry and cameras) and an in-house fitness center. The designated library may be utilized for another use and will be determined prior to construction. The building would be sprinkled, parking on the first level or below grade and include a parking lot that would meet the city's requirements. This apartment building would include 14-one bedroom units, 29-two bedroom units and 3-three bedroom units. These units are primarily market rate apartments with 20% of the units at 50% of median income to meet Tax Increment Financing rules.

The Developer is requesting Tax Increment Financing to help finance this project and would be used for a variety of qualified expenses as indicated in the Contract for Private Development. Land acquisition costs, costs to construct parking areas, sidewalks, street lighting, utility infrastructure, landscaping and three segments of City roads. The developer will build the streets on 11th Avenue SE from Opportunity Blvd to Roosevelt and Zachary (from 8th Lane SE) & 10th Avenue SE to Roosevelt as part of this project. The Tax Increment requested is up to \$1,307,861 or up 22 years, Developer will retain

90% of the TIF and the City will retain 10% for Administration cost and this is a pay as you go TIF obligation.

The projected building cost is \$4,646,816, or \$101,018 per developed unit. The development would be located off of Opportunity Blvd, between 8th Lane SE and proposed 11th Ave SE on Outlot E parcel # 15.175.0050

Recommendation:

Staff is recommending the EDA recommend the above request as presented to the City Council for approval to modify the Development Program for Development District No. 6 and the Tax Increment Financing Plan for the Establishment of Tax Increment Financing District No. 6-15 and approve Contract for Private Development with The Preserve of Cambridge, LLC.

PROPOSED ACTION

A motion from the EDA approving Resolution No 11-006 recommending the City Council Adopt a Modification to the Development Program for Development District No. 6 and the Tax Increment Financing Plan for the Establishment of Tax Increment Financing District No. 6-15 as presented and forward to the City Council for their approval.

Attachments:

Tax Increment Financing Plan prepared by Ehlers
Contract for private development
Resolution 13-006
Proposed site
Proposed Building Plans
Ehlers memo to city dated 7-10-2013
Public hearing notice
Tax Increment Financing District Overview

**CAMBRIDGE ECONOMIC DEVELOPMENT AUTHORITY
CITY OF CAMBRIDGE
ISANTI COUNTY
STATE OF MINNESOTA**

RESOLUTION NO. 13-006

**RESOLUTION RECOMMENDING THE CITY COUNCIL ADOPT A
MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT
DISTRICT NO. 6, ESTABLISH TAX INCREMENT FINANCING DISTRICT NO.
6-15 THEREIN AND ADOPT THE TAX INCREMENT FINANCING PLAN
THEREFOR.**

WHEREAS, There is a proposal to adopt a modification to the Deveopment Program for Development District No. 6 (the "Development Program Modification"), establish Tax Increment Financing District No. 6-15 ("TIF District No. 6-15"), and adopt the Tax Increment Financing Plan (the "TIF Plan") therefor (the Development Program Modification and the TIF Plan are referred to collectively herein as the "Program Modification and TIF Plan"), all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.124 to 469.134, and Sections 469.174 to 469.1794, inclusive, as amended (the "Act"); and

WHEREAS, the City of Cambridge (the "City") has investigated the facts relating to the Program Modification and TIF Plan and has caused the Program Modification and TIF Plan to be prepared; and

WHEREAS, the City has performed all actions required by law to be performed prior to the adoption of the Program Modification and TIF Plan, and has scheduled a public hearing on the Program Modification and TIF Plan upon published notice as required by law.

NOW, THEREFORE, BE IT RESOLVED by the Cambridge Economic Development Authority as follows:

1. The EDA hereby finds that the Program Modification and TIF Plan conform in all respects to the requirements of the Act and will increase employment in the state.
2. The EDA further finds that the Program Modification and TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of Development District No. 6 by private enterprise in that the intent is to provide only that public assistance necessary to make the private developments financially feasible.
3. The EDA hereby approves the Program Modification and TIF Plan, as presented to the EDA on this date, and recommends that they be established and adopted by the City Council.

Approved by the Cambridge Economic Development Authority this 15th day of July, 2013.

Chair

ATTEST:

Secretary



Tax Increment Financing District Overview

City of Cambridge

Tax Increment Financing District No. 6-15

The following summary contains an overview of the basic elements of the Tax Increment Financing Plan for Tax Increment Financing District No. 6-15. More detailed information on each of these topics can be found in the complete TIF Plan.

Proposed action:	Establishment of Tax Increment Financing District No. 6-15 (the "District") and the adoption of a Tax Increment Financing Plan. (the "TIF Plan") Modification of the Development Program for Development District No. 6, which includes the establishment of Tax Increment Financing District No. 6-15. The boundaries of Development District No. 6 are being expanded to include any property previously annexed into the City. The boundaries of Development District No. 6 shall be coterminous with the corporate boundaries of the City of Cambridge.
Type of TIF District:	A Housing District
Parcel Numbers:	15.175.0050
Proposed Development:	The District is being created to facilitate construction of two 46-unit, three-story apartment buildings on approximately 6.95 acres of land in the City. Please see Appendix A of the TIF Plan for a more detailed project description.
Maximum duration:	Pursuant to <i>M.S., Section 469.176, Subd. 1b.</i> , the duration of the District will be 26 years after receipt of the first increment by the City. The City elects to receive the first increment in 2015. Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2040, or when the TIF Plan is satisfied. The City reserves the right to decertify the District prior to the legally required date.
Estimated annual tax increment:	Up to \$185,486

Authorized uses: The TIF Plan contains a budget that authorizes the maximum amount that may be expended:

Land Acquisition	\$75,000
Site Improvements/Preparation	\$373,960
Utilities	\$400,000
Other Qualifying Improvements	\$900,000
<u>Administrative Costs (up to 10%)</u>	<u>\$365,525</u>
PROJECT COSTS TOTAL	\$2,114,485
<u>Interest</u>	<u>\$1,723,523</u>
PROJECT COST AND INTEREST COST TOTAL....	\$3,838,008

See Subsection 2-10, page 2-5 of the TIF Plan for the full budget authorization.

Form of financing: As presently proposed, the projects within the District will be financed by a pay-as-you-go note. The City reserves the right to incur bonds or other indebtedness as a result of the TIF Plan.

Administrative fee: The City may retain up to 10% of annual increment, if costs are justified for administration.

Interfund Loan Requirement: If the City wants to pay for administrative expenditures from a tax increment fund, it is recommended that a resolution authorizing a loan from another fund be passed *PRIOR* to the issuance of the check.

4 Year Activity Rule (§ 469.176 Subd. 6) After four years from the date of certification of the District one of the following activities must have been commenced on each parcel in the District:

- Demolition
- Rehabilitation
- Renovation
- Other site preparation (not including utility services such as sewer and water)

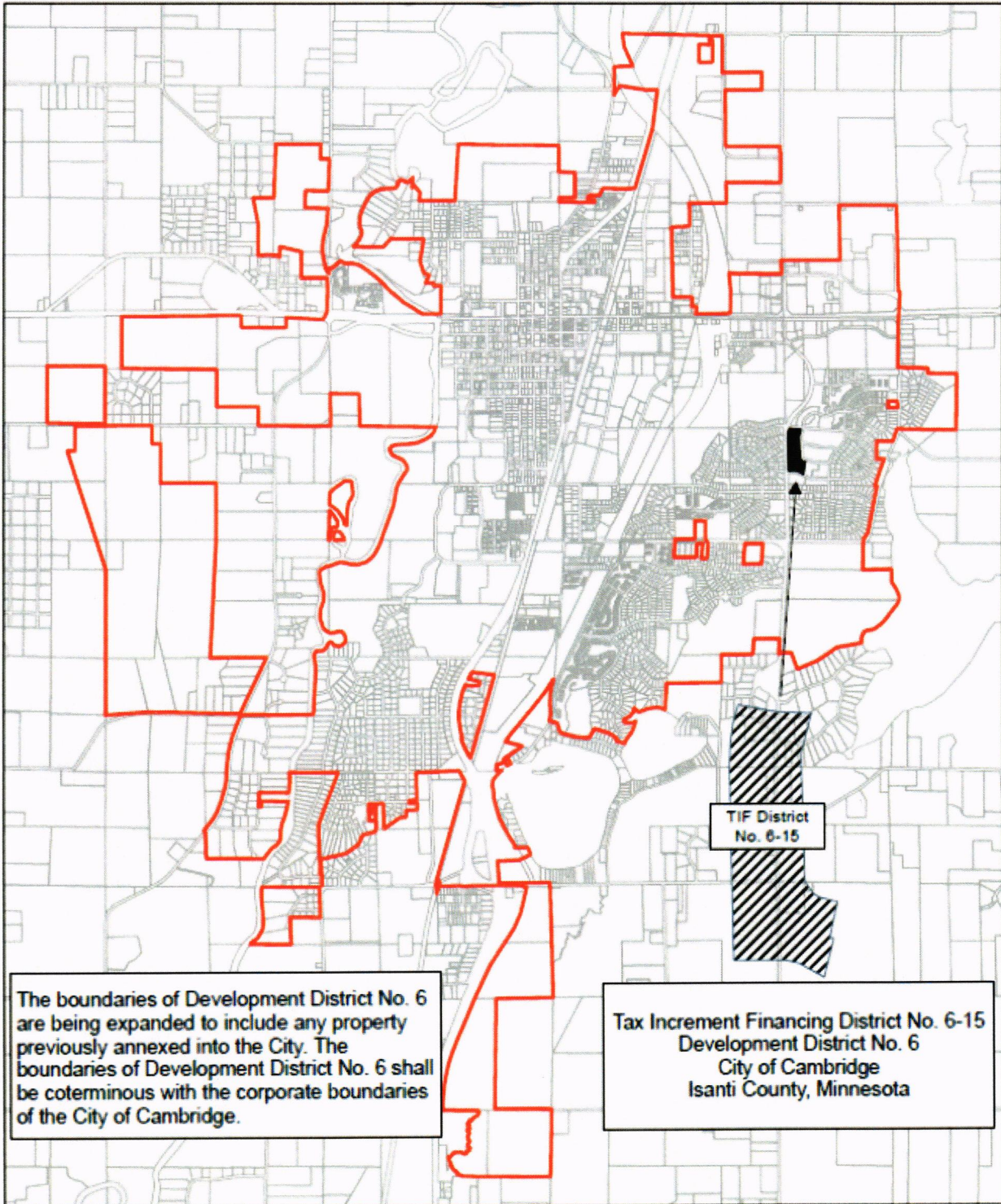
If the activity has not been started by approximately July 2017, no additional tax increment may be taken from that parcel until the commencement of a qualifying activity.

The reasons and facts supporting the findings for the adoption of the TIF Plan for the District, as required pursuant to *M.S., Section 469.175, Subd. 3*, are included in Exhibit F of the TIF Plan

MAPS OF DEVELOPMENT PROGRAM NO. 6 AND
TAX INCREMENT FINANCING DISTRICT NO. 6-15



Maps of Development District No. 6 and the District



The boundaries of Development District No. 6 are being expanded to include any property previously annexed into the City. The boundaries of Development District No. 6 shall be coterminous with the corporate boundaries of the City of Cambridge.

TIF District No. 6-15
Development District No. 6
City of Cambridge
Isanti County, Minnesota



MEMO

To: Stan Gustafson, City of Cambridge
From: Mark Ruff and Nick Anhut, Ehlers & Associates
Date: July 10, 2013
Subject: TIF Request from Mick Construction, Inc.

The City has received a request from Mick Construction, Inc. to provide tax increment funds to assist with the two-phased construction of two 46-unit market rate apartment buildings.

This memo is intended to discuss the following:

1. TIF Available
2. Our review of the underlying economics of the development and its “need” for assistance
3. Options for the Council to consider if it moves forward

TIF Available

The City proposes to establish a housing TIF District for the project. Assuming 2013 local tax rates and the County Assessor’s estimated market value, the development is expected to generate approximately \$114,844 per year in tax increment (“TIF”), as shown in the chart below.

ESTIMATED TAX INCREMENT – 2013	
Total Property Taxes	120,271
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(1,079)
less Base Value Taxes	(4,348)
Annual Gross TIF	114,844

The developer is requesting TIF assistance for the two 46 unit apartment buildings with a total number of 92 units. We have assumed 18 units (just over 20%) will be occupied by low and moderate income individual/families to meet TIF requirements. The estimated TIF cashflow is attached as Exhibit A.

Because the proposed multi-family project is requesting housing TIF assistance, the TIF must be used to pay for costs associated with financing the housing project or public improvements directly related to it. Based on the annual TIF estimate and assuming a 5% interest rate, the present value of increment available over 26 year district is \$1,288,518. The developer is requesting the full amount of increment over 22 years. The present value of increment over this term is \$1,172,837 or \$586,400 per building. On a future value basis, this translates to \$2,158,842 or \$1,079,400 per building.

It should be mentioned that predicting TIF over a 20+ year period is very uncertain. We have assumed no inflation on values, base value of \$185,600 on property that is currently exempt, and 20% of the units at a lower class rate related to affordability. The TIF could be higher on an annual basis if any of these factors change or it could be lower.

The request is for “pay-as-you-go” assistance. This means that the developer is responsible for paying all of the costs up-front. No City bonds or direct loans will be involved in the transaction. The developer will finance the costs and receive an annual payment from TIF received by the City. If the TIF decreases, the developer takes the risk of lower annual payment. If the TIF increases, the term of the assistance could be less than 22 years.

In order to qualify as a housing TIF district, the project must be intended for occupancy in part by low- and moderate-income individuals as defined by law. The TIF act specifies that rental developments must either: have 20% of units occupied by individuals with 50% or less of area median income, or 40% of units occupied by those with 60% or less of area median income. It is our understanding that the developer intends to meet the 20% test for Isanti County, which means that for a one person household, the income must be less than \$29,400 (subject annual adjustments) or for two people the combined income is no more than \$33,600. Given the rent for a one bedroom person projected at \$745, a single person would be paying about 30% to 35% of their income in rent. The developer must certify to the City each year that it is meeting the affordability requirements.

The developer does not intend to designate affordable units or have lower rental rates for those that meet the income guidelines. Generally, the justification that the developer is making for the TIF is that the rent levels that can be achieved in Cambridge are below the market-rate rents necessary to support the type of construction being proposed on this site with the high quality of construction expected by the City.

Economics of Request

The developer, Mick Construction, has completed acquisition of the site, plans to replace sanitary sewer utilities, complete road improvements, undertake in two phases

of construction the 46-unit apartment buildings, and own the project. INH Companies will manage the property. The developer has site control. The project is located adjacent to Opportunity Drive and is within the area platted as the Parkwood on the Lake.

The total project costs reported are \$9,293,632, or \$101,018 per unit.

The project funding sources are as follows:

SOURCES		
	<u>% OF TOTAL</u>	<u>TOTALS</u>
DEVELOPER EQUITY	25.00%	2,323,408
LOANS	75.00%	6,970,224
TOTAL SOURCES	100.00%	9,293,632

It is fair to say that Mick Construction's numbers are estimates at this time. They have disclosed construction quotes for the road improvements, and have experience building similar developments. The developer has indicated that the project will only be financially viable, and they will only proceed, if the City provides tax increment assistance to the project.

The developer provided a pro forma showing expected cash flow with and without their estimate of TIF assistance. Without assistance, Ehlers estimates that the annual rate of return on equity in the first five years would average 2.6% and the internal rate of return on equity for the project investors would be less than 2.3%. These returns, projected without TIF assistance, are not high enough to attract equity investment to the project.

With TIF assistance, the annual cash on cash return would increase to an average of 6.5% the first five years.. These returns are within the acceptable range of expected returns by equity investors in multi-family properties.

Analysis of Economics

The first step in this type of commercial analysis is to determine if the following are within industry standards:

1. Land price
2. Lease rate
3. Construction costs
4. Developer fee
5. Financing assumptions
6. Return on equity

On land price, the purchase price is \$60,000 or \$652 per unit. The land was tax forfeited land purchase from the State in May of 2013. The land price has not been supported with an independent appraisal, but the land was valued by the county

assessor at \$185,600 in 2013. The developer is therefore well within industry standards for land cost and the land cost is not driving the need for a subsidy.

The rents for the units appear to be conservatively estimated within the market. The rents for larger units are in the \$0.75-0.80 /s.f. per month and in the \$0.99 /s.f. for the smaller units. Owner-paid utilities include gas, water/sewer, and refuse. The rents are expected to increase 1.5% annually.

The construction costs for the building are on the lower end of the scale compared to other products we see for similar units with underground parking.

The developer fee at 5% of the building construction costs is within the acceptable range for this type of development.

The assumption is a loan for 75% of the project, or approximately \$6.97 million, at a 5% interest rate with an amortization of 25 years. Typically, we see 30 year terms on apartment buildings. However, increasing the term of the loan to 30 years would only raise the annual return on equity to 8%, which is within industry standards.

From a pure economic analysis, one could make an argument that the developer has demonstrated a need for TIF assistance to produce a product with affordable rents given income levels set by the state and federal government.



Cambridge, MN
The Preserve at Parkwood
 Two 46 unit phases - 37 market rate; 9 affordable

SOURCES				
	<u>% OF TOTAL</u>	<u>% OF FINANCE</u>	<u>TOTALS</u>	
DEVELOPER EQUITY	25.00%	25.00%	2,323,408	
LOANS	75.00%	75.00%	6,970,224	
TOTAL SOURCES	100.00%		9,293,632	

USES				
	<u>Per Unit</u>	<u>% OF TOTAL</u>	<u>SUBTOTAL</u>	<u>TOTALS</u>
ACQUISITION COSTS				
Land Acquisition	\$652	0.6456%	60,000	60,000
Demo - Site Prep			0	
CONSTRUCTION COSTS				
Building	\$84,478	78.6990%	7,314,000	7,772,000
General Conditions		0.5165%	48,000	
Road Improvements		3.7660%	350,000	
Contingency			0	
FF&E		0.6456%	60,000	
SOFT COSTS				
PROFESSIONAL SERVICES				
Architectural & Engineering		0.5595%	52,000	498,000
Construction Management		2.4748%	230,000	
Soils			0	
Environmental			0	
Geotechnical Survey			0	
Contingency		1.7216%	160,000	
IT Equipment			0	
WDCDC Admin Fee (Coordination)			0	
Management			0	
Survey / Plat		0.0538%	5,000	
Marketing & Lease Up		0.4304%	40,000	250/unit lease-up fee, plus marketing
Appraisals		0.0646%	6,000	
Utilities during construction			0	
Legal & Accounting		0.0538%	5,000	
FINANCING COSTS				
Builders Risk Insurance		0.1291%	12,000	82,000
Real Estate Taxes			0	
Lisc 2% Origination			0	
Insurance			0	
FHA Mortgage Insurance			0	
FHA Exam Fee			0	
FHA Inspection Fee			0	
Loan Closing Fees		0.7532%	70,000	
Recording			0	
GOVERNMENTAL FEES				
Water/Sewer Trunk Charges		0.3435%	31,924	335,932
WAC/SAC		3.1420%	292,008	
Park Dedication			0	paid???
City TIF Consultant		0.1291%	12,000	
INTEREST EXPENSE				
Developer Fee		1.9368%	180,000	180,000
PROJECT MANAGEMENT				
Developer Fee		3.9350%	365,700	365,700
CASH ACCOUNTS				
Operating Reserves (LP)			0	0
Negative Interest Costs			0	5% of Hard Cost
Total Soft Costs				1,461,632
TOTAL USES		100.00%		9,293,632

PROJECT REVENUE ASSUMPTIONS					
TYPE	MONTHLY		ANNUAL		RENT/
	CHARGE	UNITS	REVENUE	Sq/Ft	Sq/Ft
1 BR	745.00	12	107,280	750	0.99
2 BR	865.00	52	539,760	980	0.88
2 BR / 2 Bath	910.00	16	174,720	1140	0.80
3 BR / 2 Bath	985.00	12	141,840	1320	0.75
Parking	60	92	66,240		
Total Rental Income			1,029,840		
Miscellaneous	7.25	92	8,000		
Total Other Income			8,000		
GRAND TOTAL			1,037,840	94,040	0.86

PROJECT SALE ASSUMPTIONS	
First Year N. O. I.	631,510
C.A.P Rate	6.80%
Sales Expense	4.00%

PROJECT DEBT ASSUMPTIONS	
Private Debt:	
DEVELOPER FINANCING	6,970,224
Amount of Bond-Loan	6,970,224
Term Of Bond-Loan	25
Rate of Bond-Loan	5.00%
Monthly Payment	40,747
Annual Payment	488,967

INFLATION ASSUMPTIONS						
YEAR	2014	2015	2016	2017	2018	
Rental Revenue	1.50%	1.50%	1.50%	1.50%	1.50%	Per Developer (calc. by type)
Other Income	1.50%	1.50%	1.50%	1.50%	1.50%	Per Developer
Expenses	3.00%	3.00%	3.00%	3.00%	3.00%	Per Developer (calc. by type)
Vacancy	5.00%	5.00%	5.00%	5.00%	5.00%	Per Developer
MONTHS OPERATING	12					

YEAR	2019	2020	2021	2022	2023
Rental Revenue	1.50%	1.50%	1.50%	1.50%	1.50%
Other Income	1.50%	1.50%	1.50%	1.50%	1.50%
Expenses	3.00%	3.00%	3.00%	3.00%	3.00%
VACANCY	5.00%	5.00%	5.00%	5.00%	5.00%

YEAR	2024	2025	2026	2027	2028
Rental Revenue	1.50%	1.50%	1.50%	1.50%	1.50%
Other Income	1.50%	1.50%	1.50%	1.50%	1.50%
Expenses	3.00%	3.00%	3.00%	3.00%	3.00%
VACANCY	5.00%	5.00%	5.00%	5.00%	5.00%

CASH FLOW - INCOME					
	2014	2015	2016	2017	2018
Rental Revenue					
Units	1,029,840	1,045,288	1,060,967	1,076,881	1,093,035
Total Rental	1,029,840	1,045,288	1,060,967	1,076,881	1,093,035
Other Revenue					
	8,000	8,080	8,161	8,242	8,325
Total Other	8,000	8,080	8,161	8,242	8,325
Gross Revenue	1,037,840	1,053,368	1,069,128	1,085,124	1,101,359
Vacancies	51,892	52,668	53,456	54,256	55,068
Effective Income	985,948	1,000,699	1,015,671	1,030,868	1,046,291

	2019	2020	2021	2022	2023
Rental Revenue					
Units	1,109,430	1,126,072	1,142,963	1,160,107	1,177,509
Total Rental	1,109,430	1,126,072	1,142,963	1,160,107	1,177,509
Other Revenue					
	8,408	8,492	8,577	8,663	8,749
Total Other	8,408	8,492	8,577	8,663	8,749
Gross Revenue	1,117,838	1,134,564	1,151,540	1,168,770	1,186,258
Vacancies	55,892	56,728	57,577	58,438	59,313
Effective Income	1,061,946	1,077,836	1,093,963	1,110,331	1,126,945

	2024	2025	2026	2027	2028
Rental Revenue					
Units	1,195,171	1,213,099	1,231,295	1,249,765	1,268,511
Total Rental	1,195,171	1,213,099	1,231,295	1,249,765	1,268,511
Other Revenue					
	8,837	8,925	9,015	9,105	9,196
Total Other	8,837	8,925	9,015	9,105	9,196
Gross Revenue	1,204,008	1,222,024	1,240,310	1,258,870	1,277,707
Vacancies	60,200	61,101	62,016	62,943	63,885
Effective Income	1,143,808	1,160,923	1,178,295	1,195,926	1,213,822

CASH FLOW - EXPENSES AND DEBT					
OPERATING EXP.	2014	2015	2016	2017	2018
Salaries & Wages	70,000	72,100	74,263	76,491	78,786
Reserves	\$250	23,000	23,000	23,000	23,000
Admin / Advertising	26,000	26,520	27,050	27,591	28,143
Total Utilities	100,000	104,000	108,160	112,486	116,986
Total Maintenance	63,000	64,890	66,837	68,842	70,907
MANAGEMENT AND OTHER FEES					
Management F	4.00%	39,438	40,028	40,627	41,235
Property Taxes (Net of TIF)		15,000	15,450	15,914	16,391
Property Insurance		18,000	18,540	19,096	19,669
Licenses and Fees		0	0	0	0
Marketing		0	0	0	0
Developer/Administrative/Contractor Fee		0	0	0	0
TOTAL FEES		72,438	74,018	75,637	77,295
TOTAL EXPENSES		354,438	364,528	374,947	385,705
NET OPERATING INCOME		631,510	636,171	640,725	645,162
TIF PAYMENTS		0	0	0	0
CASH FLOW AVAIL. FOR DEBT SERVICE		631,510	636,171	640,725	645,162
DEBT SERVICE - Loan		488,967	488,967	488,967	488,967
CASH FLOW AFTER FINANCING		142,543	147,204	151,758	156,196
RETURN ON INVES.-ANNUAL		6.14%	6.34%	6.53%	6.72%
RETURN ON INVES.-AVERAGE		6.14%	6.24%	6.33%	6.43%

Operating Expenses
 \$354,438
 \$3,853 Per Unit
 50,000 M&R; and 13,000 Grounds

1.014960191
 1.014961844

OPERATING EXP. (-)	2019	2020	2021	2022	2023
Operation	81,149	83,584	86,091	88,674	91,334
Reserves	23,000	23,000	23,000	23,000	23,000
Admin / Advertising	28,706	29,280	29,866	30,463	31,072
Total Utilities	121,665	126,532	131,593	136,857	142,331
Total Maintenance	73,034	75,225	77,482	79,807	82,201
MANAGEMENT AND OTHER FEES					
Management Fees	42,478	43,113	43,759	44,413	45,078
Property Taxes (Net of TIF)	17,389	17,911	18,448	19,002	19,572
Property Insurance	20,867	21,493	22,138	22,802	23,486
Licenses and Fees	0	0	0	0	0
Marketing	0	0	0	0	0
Developer/Administrative/Contractor Fee	0	0	0	0	0
TOTAL FEES	80,734	82,517	84,344	86,217	88,135
TOTAL EXPENSES	408,289	420,138	432,377	445,017	458,074
NET OPERATING INCOME	653,658	657,697	661,586	665,314	668,872
TIF PAYMENTS	0	0	0	0	0
CASH FLOW AVAIL. FOR DEBT SERVICE	653,658	657,697	661,586	665,314	668,872
CASH FLOW AFTER FINANCING	164,691	168,731	172,619	176,348	179,905
RETURN ON INVES.-ANNUAL	7.09%	7.26%	7.43%	7.59%	7.74%
RETURN ON INVES.-AVERAGE	6.62%	6.71%	6.80%	6.89%	6.97%

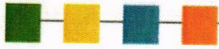
OPERATING EXP. (-)	2024	2025	2026	2027	2028
Operation	94,074	96,896	99,803	102,797	105,881
Reserves	23,000	23,000	23,000	23,000	23,000
Admin / Advertising	31,694	32,328	32,974	33,634	34,306
Total Utilities	148,024	153,945	160,103	166,507	173,168
Total Maintenance	84,667	87,207	89,823	92,518	95,293
MANAGEMENT AND OTHER FEES					
Management Fees	45,752	46,437	47,132	47,837	48,553
Property Taxes (Net of TIF)	20,159	20,764	21,386	22,028	22,689
Property Insurance	24,190	24,916	25,664	26,434	27,227
Licenses and Fees	0	0	0	0	0
Marketing	0	0	0	0	0
Developer/Administrative/Contractor Fee	0	0	0	0	0
TOTAL FEES	90,102	92,117	94,182	96,299	98,468
TOTAL EXPENSES	471,561	485,493	499,886	514,755	530,117
NET OPERATING INCOME	672,247	675,430	678,409	681,171	683,705
TIF PAYMENTS	0	0	0	0	0
CASH FLOW AVAIL. FOR DEBT SERVICE	672,247	675,430	678,409	681,171	683,705
CASH FLOW AFTER FINANCING	183,280	186,463	189,442	192,205	194,738
RETURN ON INVES.-ANNUAL	7.89%	8.03%	8.15%	8.27%	8.38%
RETURN ON INVES.-AVERAGE	7.06%	7.14%	7.22%	7.29%	7.36%

Total Reserves
 \$345,000

ANNUAL EQUITY REQUIREMENT	
Year	
Amount of Equity	2,323,408
Minimum Rate Of Return - Percent	10.27%
Minimum Rate Of Return - Amount	238,614

SALE ANALYSIS	
Net Operating Income End 2023	668,872
Divided By Cap Rate	7.50% per dev
Gross Sale Price	8,918,287
Minus Debt - Bank - End 2023	5,152,702
Net Sale Amount	3,765,586
Developer	3,765,586
	0
Sales Expense	150,623
Final Amount	3,614,962

INTERNAL RATE OF RETURN ANALYSIS - EQUITY PARTNERS					
Years	Year	Initial Investment	CASH Flow	Sale Price	Total Cash Flow
	2013	(2,323,408)			(2,323,408)
1	2014		142,543		142,543
2	2015		147,204		147,204
3	2016		151,758		151,758
4	2017		156,196		156,196
5	2018		160,509		160,509
6	2019		164,691		164,691
7	2020		168,731		168,731
8	2021		172,619		172,619
9	2022		176,348		176,348
10	2023		179,905	3,614,962	3,794,867
Total		(2,323,408)	1,620,504	3,614,962	2,912,058
					10.27%



*As of July 10, 2013
Draft for Public Hearing*

**Modification to the Development Program
for Development District No. 6**

and the

Tax Increment Financing Plan

for the establishment of

**Tax Increment Financing District No. 6-15
(a housing district)**

within

Development District No. 6

City of Cambridge
Isanti County
State of Minnesota

Public Hearing: July 15, 2013
Adopted:



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Table of Contents
(for reference purposes only)

<i>Section 1 - Modification to the Development Program for Development District No. 6</i>	
Foreword	1-1
<i>Section 2 - Tax Increment Financing Plan for Tax Increment Financing District No. 6-15</i>	
Subsection 2-1. Foreword	2-1
Subsection 2-2. Statutory Authority	2-1
Subsection 2-3. Statement of Objectives	2-1
Subsection 2-4. Development Program Overview	2-1
Subsection 2-5. Description of Property in the District and Property To Be Acquired ..	2-1
Subsection 2-6. Classification of the District	2-2
Subsection 2-7. Duration and First Year of Tax Increment of the District	2-3
Subsection 2-8. Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity Value/Increment and Notification of Prior Planned Improvements	2-3
Subsection 2-9. Sources of Revenue/Bonds to be Issued	2-4
Subsection 2-10. Uses of Funds	2-5
Subsection 2-11. Business Subsidies	2-6
Subsection 2-12. County Road Costs	2-6
Subsection 2-13. Estimated Impact on Other Taxing Jurisdictions	2-7
Subsection 2-14. Supporting Documentation	2-8
Subsection 2-15. Definition of Tax Increment Revenues	2-9
Subsection 2-16. Modifications to the District	2-9
Subsection 2-17. Administrative Expenses	2-9
Subsection 2-18. Limitation of Increment	2-10
Subsection 2-19. Use of Tax Increment	2-11
Subsection 2-20. Excess Increments	2-12
Subsection 2-21. Requirements for Agreements with the Developer	2-12
Subsection 2-22. Assessment Agreements	2-12
Subsection 2-23. Administration of the District	2-12
Subsection 2-24. Annual Disclosure Requirements	2-12
Subsection 2-25. Reasonable Expectations	2-13
Subsection 2-26. Other Limitations on the Use of Tax Increment	2-13
Subsection 2-27. Summary	2-13
Appendix A	
Project Description	A-1
Appendix B	
Map of Development District No. 6 and the District	B-1
Appendix C	
Description of Property to be Included in the District	C-1
Appendix D	
Estimated Cash Flow for the District	D-1
Appendix E	
Housing Qualifications for the District	E-1

Appendix F
Findings for the District F-1

**Section 1 - Modification to the Development Program
for Development District No. 6**

Foreword

The following text represents a Modification to the Development Program for Development District No. 6. This modification represents a continuation of the goals and objectives set forth in the Development Program for Development District No. 6. Generally, the substantive changes include the establishment of Tax Increment Financing District No. 6-15.

For further information, a review of the Development Program for Development District No. 6 is recommended. It is available from the City Administrator at the City of Cambridge. Other relevant information is contained in the Tax Increment Financing Plans for the Tax Increment Financing Districts located within Development District No. 6.

I. Description of Development District

The boundaries of Development District No. 6 encompass and incorporate previously established Development Districts Nos. 1, 2, 3, 4 and 5 and are coterminous with the corporate boundaries of the City of Cambridge.

(AS MODIFIED ON JULY 15, 2013)

The boundaries of Development District No. 6 are being expanded to include any property previously annexed into the City. The boundaries of Development District No. 6 shall be coterminous with the corporate boundaries of the City of Cambridge.

Section 2 - Tax Increment Financing Plan for Tax Increment Financing District No. 6-15

Subsection 2-1. Foreword

The City of Cambridge (the "City"), staff and consultants have prepared the following information to expedite the establishment of Tax Increment Financing District No. 6-15 (the "District"), a housing tax increment financing district, located in Development District No. 6.

Subsection 2-2. Statutory Authority

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the City has certain statutory powers pursuant to *Minnesota Statutes ("M.S.")*, Sections 469.124 to 469.134, inclusive, as amended, and *M.S.*, Sections 469.174 to 469.1799, inclusive, as amended (the "Tax Increment Financing Act" or "TIF Act"), to assist in financing public costs related to this project.

This section contains the Tax Increment Financing Plan (the "TIF Plan") for the District. Other relevant information is contained in the Modification to the Development Program for Development District No. 6.

Subsection 2-3. Statement of Objectives

The District currently consists of one parcel of land that will be replatted and adjacent roadways and internal rights-of-way. The District is being created to facilitate construction of two 46-unit, three-story apartment buildings on approximately 6.95 acres of land in the City. Please see Appendix A for further District information. The City has not entered into an agreement at the time of preparation of this TIF Plan, but development is likely to begin in 2013 with a second phase in 2 or 3 years. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 6.

The activities contemplated in the Modification to the Development Program and the TIF Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of Development District No. 6 and the District.

Subsection 2-4. Development Program Overview

1. Property to be Acquired - Selected property located within the District may be acquired by the City and is further described in this TIF Plan.
2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S.*, Chapter 117 and other relevant state and federal laws.
3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. The City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.

Subsection 2-5. Description of Property in the District and Property To Be Acquired

The District encompasses all property and adjacent rights-of-way and abutting roadways identified by the parcels listed in Appendix C of this TIF Plan. Please also see the map in Appendix B for further information on the location of the District.

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

Subsection 2-6. Classification of the District

The City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1799*, as amended, inclusive, finds that the District, to be established, is a housing district pursuant to *M.S., Section 469.174, Subd. 11* and *M.S., Section 469.1761* as defined below:

M.S., Section 469.174, Subd.11:

"Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts, and that satisfies the requirements of M.S., Section 469.1761. Housing project means a project, or portion of a project, that meets all the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

M.S., Section 469.1761:

Subd. 1. Requirement imposed.

(a) In order for a tax increment financing district to qualify as a housing district:

(1) the income limitations provided in this section must be satisfied; and

(2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses.

(b) The requirements imposed by this section apply to property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the Authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions of this section do not apply to districts located within a targeted area as defined in Section 462C.02 Subd 9, clause (e).

(c) For purposes of the requirements of paragraph (a), the authority may elect to treat an addition to an existing structure as a separate building if:

- (1) *construction of the addition begins more than three years after construction of the existing structure was completed; and*
- (2) *for an addition that does not meet the requirements of paragraph (a), clause (2), if it is treated as a separate building, the addition was not contemplated by the tax increment financing plan which includes the existing structure.*

Subd. 2. Owner occupied housing.

For owner occupied residential property, 95 percent of the housing units must be initially purchased and occupied by individuals whose family income is less than or equal to the income requirements for qualified mortgage bond projects under section 143(f) of the Internal Revenue Code.

Subd. 3. Rental property.

For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The requirements of this subdivision apply for the duration of the tax increment financing district.

Subd. 4. Noncompliance; enforcement.

Failure to comply with the requirements of this section is subject to M.S., Section 469.1771.

In meeting the statutory criteria the City relies on the following facts and findings:

- The District consists of one parcel of land that will be replatted.
- The development will consist of 92 units of multi-family rental housing
- 20% of the units will be occupied by person with incomes less than 50% of median income

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

Subsection 2-7. Duration and First Year of Tax Increment of the District

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 25 years after receipt of the first increment by the City (a total of 26 years of tax increment). The City elects to receive the first tax increment in 2015, which is no later than four years following the year of approval of the District. Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2040, or when the TIF Plan is satisfied. The City reserves the right to decertify the District prior to the legally required date.

Subsection 2-8. Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity Value/Increment and Notification of Prior Planned Improvements

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2013 for taxes payable 2014.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2015) the amount by which the original value has increased or decreased as a result of:

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

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

The original local tax rate for the District will be the local tax rate for taxes payable 2014, assuming the request for certification is made before June 30, 2014. The ONTC and the Original Local Tax Rate for the District for taxes payable 2013, the most recent data available, appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4* and *M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 6, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. The City requests 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2015. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

Project Estimated Tax Capacity upon Completion (PTC)	\$101,294	
Original Estimated Net Tax Capacity (ONTC)	\$2,320	
Estimated Captured Tax Capacity (CTC)	\$98,974	
Original Local Tax Rate	1.874089	Pay 2013
Estimated Annual Tax Increment (CTC x Local Tax Rate)	\$185,486	
Percent Retained by the City	100%	

Tax capacity includes a 2% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in year 25. The tax capacity of the District in year one is estimated to be \$15,900.

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

The City is reviewing the area to be included in the District to determine if any building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.

Subsection 2-9. Sources of Revenue/Bonds to be Issued

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The City reserves the right to incur bonds or other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by a pay-as-you-go note. Any refunding amounts will be deemed a budgeted cost without a formal TIF Plan Modification. This provision does not

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

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

<u>SOURCES OF FUNDS</u>	<u>TOTAL</u>
Tax Increment	\$3,655,245
<u>Interest</u>	<u>\$182,763</u>
TOTAL	\$3,838,008

The City may issue bonds (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of \$2,114,485. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

Subsection 2-10. Uses of Funds

Currently under consideration for the District is a proposal to facilitate construction of two 46-unit, three-story apartment buildings on approximately 6.95 acres of land. The City has determined that it will be necessary to provide assistance to the two buildings for certain District costs, as described. The City has studied the feasibility of the development or redevelopment of property in and around the District. To facilitate the establishment and development or redevelopment of the District, this TIF Plan authorizes the use of tax increment financing to pay for the cost of certain eligible expenses. The estimate of public costs and uses of funds associated with the District is outlined in the following table.

<u>USES OF TAX INCREMENT FUNDS</u>	<u>TOTAL</u>
Land/Building Acquisition	\$75,000
Site Improvements/Preparation	\$373,960
Utilities	\$400,000
Other Qualifying Improvements	\$900,000
<u>Administrative Costs (up to 10%)</u>	<u>\$365,525</u>
PROJECT COST TOTAL	\$2,114,485
<u>Interest</u>	<u>\$1,723,523</u>
PROJECT AND INTEREST COSTS TOTAL	\$3,838,008

The total project cost, including financing costs (interest) listed in the table above does not exceed the total projected tax increments for the District as shown in Subsection 2-9.

Estimated costs associated with the District are subject to change among categories without a modification to this TIF Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory requirements. The City

may expend funds for qualified housing activities outside of the District boundaries.

Subsection 2-11. Business Subsidies

Pursuant to *M.S., Section 116J.993, Subd. 3*, the following forms of financial assistance are not considered a business subsidy:

- (1) A business subsidy of less than \$150,000;
- (2) Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) Public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) Redevelopment property polluted by contaminants as defined in *M.S., Section 116J.552, Subd. 3*;
- (5) Assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50% of the total cost;
- (6) Assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- (7) Assistance for housing;
- (8) Assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under *M.S., Section 469.174, Subd. 23*;
- (9) Assistance for energy conservation;
- (10) Tax reductions resulting from conformity with federal tax law;
- (11) Workers' compensation and unemployment compensation;
- (12) Benefits derived from regulation;
- (13) Indirect benefits derived from assistance to educational institutions;
- (14) Funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501 (c) (3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- (15) Assistance for a collaboration between a Minnesota higher education institution and a business;
- (16) Assistance for a tax increment financing soils condition district as defined under *M.S., Section 469.174, Subd. 19*;
- (17) Redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
- (18) General changes in tax increment financing law and other general tax law changes of a principally technical nature;
- (19) Federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
- (20) Funds from dock and wharf bonds issued by a seaway port authority;
- (21) Business loans and loan guarantees of \$150,000 or less;
- (22) Federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and
- (23) Property tax abatements granted under *M.S., Section 469.1813* to property that is subject to valuation under Minnesota Rules, chapter 8100.

The City will comply with *M.S., Sections 116J.993 to 116J.995* to the extent the tax increment assistance under this TIF Plan does not fall under any of the above exemptions.

Subsection 2-12. County Road Costs

Pursuant to *M.S., Section 469.175, Subd. 1a*, the county board may require the City to pay for all or part of the cost of county road improvements if the proposed development to be assisted by tax increment will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs and if the road improvements are not scheduled within the next five years under a capital improvement plan or within five years under another county plan.

If the county elects to use increments to improve county roads, it must notify the City within forty-five days of receipt of this TIF Plan. In the opinion of the City and consultants, the proposed development outlined in this TIF Plan will have little or no impact upon county roads, therefore the TIF Plan was not forwarded to the county 45 days prior to the public hearing. The City is aware that the county could claim that tax increment should be used for county roads, even after the public hearing.

Subsection 2-13. Estimated Impact on Other Taxing Jurisdictions

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

IMPACT ON TAX BASE			
	Pay 2013 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) Upon Completion	Percent of CTC to Entity Total
Isanti County	25,718,410	98,974	0.3848%
City of Cambridge	5,705,573	98,974	1.7347%
Cambridge Isanti ISD No. 911	19,062,859	98,974	0.5192%

IMPACT ON TAX RATES				
	Pay 2013 Extension Rates	Percent of Total	CTC	Potential Taxes
Isanti County	0.603034	32.18%	98,974	59,685
City of Cambridge	0.874036	46.64%	98,974	86,507
Cambridge Isanti ISD No. 911	0.394780	21.07%	98,974	39,073
Other	<u>0.002239</u>	<u>0.12%</u>	<u>98,974</u>	<u>222</u>
Total	1.874089	100.00%		185,486

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the actual Pay 2013 rate. The total net capacity for the entities listed above are based on actual Pay 2013 figures. The District will be certified under the actual Pay 2014 rates, which were unavailable at the time this TIF Plan was prepared.

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

- (1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is \$3,655,245;
- (2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is expected. The City currently has 1 to 2 on duty officers and 1 detective. The City does track all calls by location. With any addition of new residents or businesses, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. The Police Department strives to maintain a strong community policing relationship with apartment management and assigns a patrol officer as a liaison, requiring additional officer time. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment in vehicles.

The probable impact of the District on fire protection is not expected to be significant. Typically new buildings generate few calls, if any, and are of superior construction.

The impact of the District on public infrastructure is expected to be minimal. The development is not expected to significantly impact any traffic movements in the area. The current infrastructure for sanitary sewer, storm sewer and water will be able to handle the additional volume generated from the proposed development. Based on the development plans, there are no additional costs associated with street maintenance, sweeping, plowing, lighting and sidewalks. The development in the District is expected to contribute an estimated \$31,650 in water and sewer trunk area charges and \$121,500 in sewer access and water facility charges. These charges will be paid by the developer prior to issuance of a building permit.

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

- (3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is \$770,160;
- (4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is \$1,176,258;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S. Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

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

Subsection 2-14. Supporting Documentation

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

District. Following is a list of reports and studies on file at the City that support the City's findings:

- Need and Demand Analysis Isanti County, Minnesota, Gill Group, April 3, 2013.
- Application for Tax Increment Financing, Mick Construction, May 22, 2013.
- Ehlers "But For" Analysis dated June 2013.

Subsection 2-15. Definition of Tax Increment Revenues

Pursuant to *M.S., Section 469.174, Subd. 25*, tax increment revenues derived from a tax increment financing district include all of the following potential revenue sources:

1. Taxes paid by the captured net tax capacity, but excluding any excess taxes, as computed under *M.S., Section 469.177*;
2. The proceeds from the sale or lease of property, tangible or intangible, to the extent the property was purchased by the Authority with tax increments;
3. Principal and interest received on loans or other advances made by the Authority with tax increments;
4. Interest or other investment earnings on or from tax increments;
5. Repayments or return of tax increments made to the Authority under agreements for districts for which the request for certification was made after August 1, 1993; and
6. The market value homestead credit paid to the Authority under *M.S., Section 273.1384*.

Subsection 2-16. Modifications to the District

In accordance with *M.S., Section 469.175, Subd. 4*, any:

1. Reduction or enlargement of the geographic area of the District, if the reduction does not meet the requirements of *M.S., Section 469.175, Subd. 4(e)*;
2. Increase in amount of bonded indebtedness to be incurred;
3. A determination to capitalize interest on debt if that determination was not a part of the original TIF Plan;
4. Increase in the portion of the captured net tax capacity to be retained by the City;
5. Increase in the estimate of the cost of the District, including administrative expenses, that will be paid or financed with tax increment from the District; or
6. Designation of additional property to be acquired by the City,

shall be approved upon the notice and after the discussion, public hearing and findings required for approval of the original TIF Plan.

Pursuant to *M.S. Section 469.175 Subd. 4(f)*, the geographic area of the District may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor. If a housing district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of *M.S., Section 469.174, Subd. 11* must be documented. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcel(s) from the District and (2) (A) the current net tax capacity of the parcel(s) eliminated from the District equals or exceeds the net tax capacity of those parcel(s) in the District's original net tax capacity or (B) the City agrees that, notwithstanding *M.S., Section 469.177, Subd. 1*, the original net tax capacity will be reduced by no more than the current net tax capacity of the parcel(s) eliminated from the District.

The City must notify the County Auditor of any modification to the District. Modifications to the District in the form of a budget modification or an expansion of the boundaries will be recorded in the TIF Plan.

Subsection 2-17. Administrative Expenses

In accordance with *M.S., Section 469.174, Subd. 14*, administrative expenses means all expenditures of the City, *other than*:

1. Amounts paid for the purchase of land;
2. Amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the District;
3. Relocation benefits paid to or services provided for persons residing or businesses located in the District; or
4. Amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to *M.S., Section 469.178*; or
5. Amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clauses (1) to (3).

For districts for which the request for certification were made before August 1, 1979, or after June 30, 1982, and before August 1, 2001, administrative expenses also include amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants. Pursuant to *M.S., Section 469.176, Subd. 3*, tax increment may be used to pay any **authorized and documented** administrative expenses for the District up to but not to exceed 10 percent of the total estimated tax increment expenditures authorized by the TIF Plan or the total tax increments, as defined by *M.S., Section 469.174, Subd. 25, clause (1)*, from the District, whichever is less.

For districts for which certification was requested after July 31, 2001, no tax increment may be used to pay any administrative expenses for District costs which exceed ten percent of total estimated tax increment expenditures authorized by the TIF Plan or the total tax increments, as defined in *M.S., Section 469.174, Subd. 25, clause (1)*, from the District, whichever is less.

Pursuant to *M.S., Section 469.176, Subd. 4h*, tax increments may be used to pay for the County's actual administrative expenses incurred in connection with the District and are not subject to the percentage limits of *M.S., Section 469.176, Subd. 3*. The county may require payment of those expenses by February 15 of the year following the year the expenses were incurred.

Pursuant to *M.S., Section 469.177, Subd. 11*, the County Treasurer shall deduct an amount (currently .36 percent) of any increment distributed to the City and the County Treasurer shall pay the amount deducted to the State Commissioner of Management and Budget for deposit in the state general fund to be appropriated to the State Auditor for the cost of financial reporting of tax increment financing information and the cost of examining and auditing authorities' use of tax increment financing. This amount may be adjusted annually by the Commissioner of Revenue.

Subsection 2-18. Limitation of Increment

The tax increment pledged to the payment of bonds and interest thereon may be discharged and the District may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or redemption date.

Pursuant to *M.S., Section 469.176, Subd. 6*:

if, after four years from the date of certification of the original net tax capacity of the tax

increment financing district pursuant to M.S., Section 469.177, no demolition, rehabilitation or renovation of property or other site preparation, including qualified improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel and the original net tax capacity of that parcel shall be excluded from the original net tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation or renovation or other site preparation on that parcel including qualified improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district. For purposes of this subdivision, qualified improvements of a street are limited to (1) construction or opening of a new street, (2) relocation of a street, and (3) substantial reconstruction or rebuilding of an existing street.

The City or a property owner must improve parcels within the District by approximately July 2017 and report such actions to the County Auditor.

Subsection 2-19. Use of Tax Increment

The City hereby determines that it will use 100 percent of the captured net tax capacity of taxable property located in the District for the following purposes:

1. To pay the principal of and interest on bonds issued to finance a project;
2. To finance, or otherwise pay the capital and administration costs of Development District No. 6 pursuant to *M.S., Sections 469.124 to 469.134*;
3. To pay for project costs as identified in the budget set forth in the TIF Plan;
4. To finance, or otherwise pay for other purposes as provided in *M.S., Section 469.176, Subd. 4*;
5. To pay principal and interest on any loans, advances or other payments made to or on behalf of the City or for the benefit of Development District No. 6 by a developer;
6. To finance or otherwise pay premiums and other costs for insurance or other security guaranteeing the payment when due of principal of and interest on bonds pursuant to the TIF Plan or pursuant to *M.S., Chapter 462C, M.S., Sections 469.152 through 469.165*, and/or *M.S., Sections 469.178*; and
7. To accumulate or maintain a reserve securing the payment when due of the principal and interest on the tax increment bonds or bonds issued pursuant to *M.S., Chapter 462C, M.S., Sections 469.152 through 469.165*, and/or *M.S., Sections 469.178*.

Revenues derived from tax increment from a housing district must be used solely to finance the cost of housing projects as defined in *M.S., Sections 469.174, Subd. 11 and 469.1761*. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the City may be included in the cost of a housing project.

These revenues shall not be used to circumvent any levy limitations applicable to the City nor for other purposes prohibited by *M.S., Section 469.176, Subd. 4*.

Tax increments generated in the District will be paid by Isanti County to the City for the Tax Increment Fund of said District. The City will pay to the developer(s) annually an amount not to exceed an amount as specified in a developer's agreement to reimburse the costs of land acquisition, public improvements, demolition and relocation, site preparation, and administration. Remaining increment funds will be used for City administration (up to 10 percent) and for the costs of public improvement activities outside the District.

Subsection 2-20. Excess Increments

Excess increments, as defined in *M.S., Section 469.176, Subd. 2*, shall be used only to do one or more of the following:

1. Prepay any outstanding bonds;
2. Discharge the pledge of tax increment for any outstanding bonds;
3. Pay into an escrow account dedicated to the payment of any outstanding bonds; or
4. Return the excess to the County Auditor for redistribution to the respective taxing jurisdictions in proportion to their local tax rates.

The City must spend or return the excess increments under paragraph (c) within nine months after the end of the year. In addition, the City may, subject to the limitations set forth herein, choose to modify the TIF Plan in order to finance additional public costs in Development District No. 6 or the District.

Subsection 2-21. Requirements for Agreements with the Developer

The City will review any proposal for private development to determine its conformance with the Development Program and with applicable municipal ordinances and codes. To facilitate this effort, the following documents may be requested for review and approval: site plan, construction, mechanical, and electrical system drawings, landscaping plan, grading and storm drainage plan, signage system plan, and any other drawings or narrative deemed necessary by the City to demonstrate the conformance of the development with City plans and ordinances. The City may also use the Agreements to address other issues related to the development.

Pursuant to *M.S., Section 469.176, Subd. 5*, no more than 10 percent, by acreage, of the property to be acquired in the District as set forth in the TIF Plan shall at any time be owned by the City as a result of acquisition with the proceeds of bonds issued pursuant to *M.S., Section 469.178* to which tax increments from property acquired is pledged, unless prior to acquisition in excess of 10 percent of the acreage, the City concluded an agreement for the development of the property acquired and which provides recourse for the City should the development not be completed.

Subsection 2-22. Assessment Agreements

Pursuant to *M.S., Section 469.177, Subd. 8*, the City may enter into a written assessment agreement in recordable form with the developer of property within the District which establishes a minimum market value of the land and completed improvements for the duration of the District. The assessment agreement shall be presented to the County Assessor who 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, the County Assessor shall also certify the minimum market value agreement.

Subsection 2-23. Administration of the District

Administration of the District will be handled by the City Administrator.

Subsection 2-24. Annual Disclosure Requirements

Pursuant to *M.S., Section 469.175, Subds. 5, 6, and 6b* the City must undertake financial reporting for all tax increment financing districts to the Office of the State Auditor, County Board and County Auditor on or before August 1 of each year. *M.S., Section 469.175, Subd. 5* also provides that an annual statement shall be published in a newspaper of general circulation in the City on or before August 15.

If the City fails to make a disclosure or submit a report containing the information required by *M.S., Section 469.175 Subd. 5 and Subd. 6*, the OSA will direct the County Auditor to withhold the distribution of tax increment from the District.

Subsection 2-25. Reasonable Expectations

As required by the TIF Act, in establishing the District, the determination has been made that the anticipated development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. In making said determination, reliance has been placed upon written representation made by the developer to such effects and upon City staff awareness of the feasibility of developing the project site(s) within the District.

Subsection 2-26. Other Limitations on the Use of Tax Increment

1. General Limitations. All revenue derived from tax increment shall be used in accordance with the TIF Plan. The revenues shall be used to finance, or otherwise pay the capital and administration costs of Development District No. 6 pursuant to *M.S., Sections 469.124 to 469.134*. Tax increments may not be used to circumvent existing levy limit law. No tax increment may be used for the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the state or federal government. This provision does not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure.
2. Housing District Exceptions to Restriction on Pooling; Five Year Limit. Pursuant to *M.S., Section 469.1763, (1)* At least 80% of the tax increment derived from the District must be expended on Public Costs incurred within said district, and up to 20% of said tax increments may be spent on Public Costs incurred outside of the District but within Development District No. 6; provided that in the case of a housing district, a housing project, as defined in *M.S., Section 469.174, Subd. 11*, is deemed to be an activity in the District, even if the expenditure occurred after five years.

Subsection 2-27. Summary

The City of Cambridge is establishing the District to provide an impetus for residential development and provide safe and decent life cycle housing in the City. The TIF Plan for the District was prepared by Ehlers & Associates, Inc., 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, telephone (651) 697-8500.

Appendix A

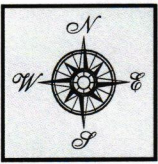
Project Description

Tax Increment Financing District No. 6-15 is being created to facilitate the development of two - 46 unit, three story apartment building on approximately 6.95 acres of land. The lot was State Tax Forfeited property prior to purchase by Mick Construction, Inc. and therefore no taxes were being generated during that time. In addition, there are unpaid special assessments from the street project that was never completed in 2011.

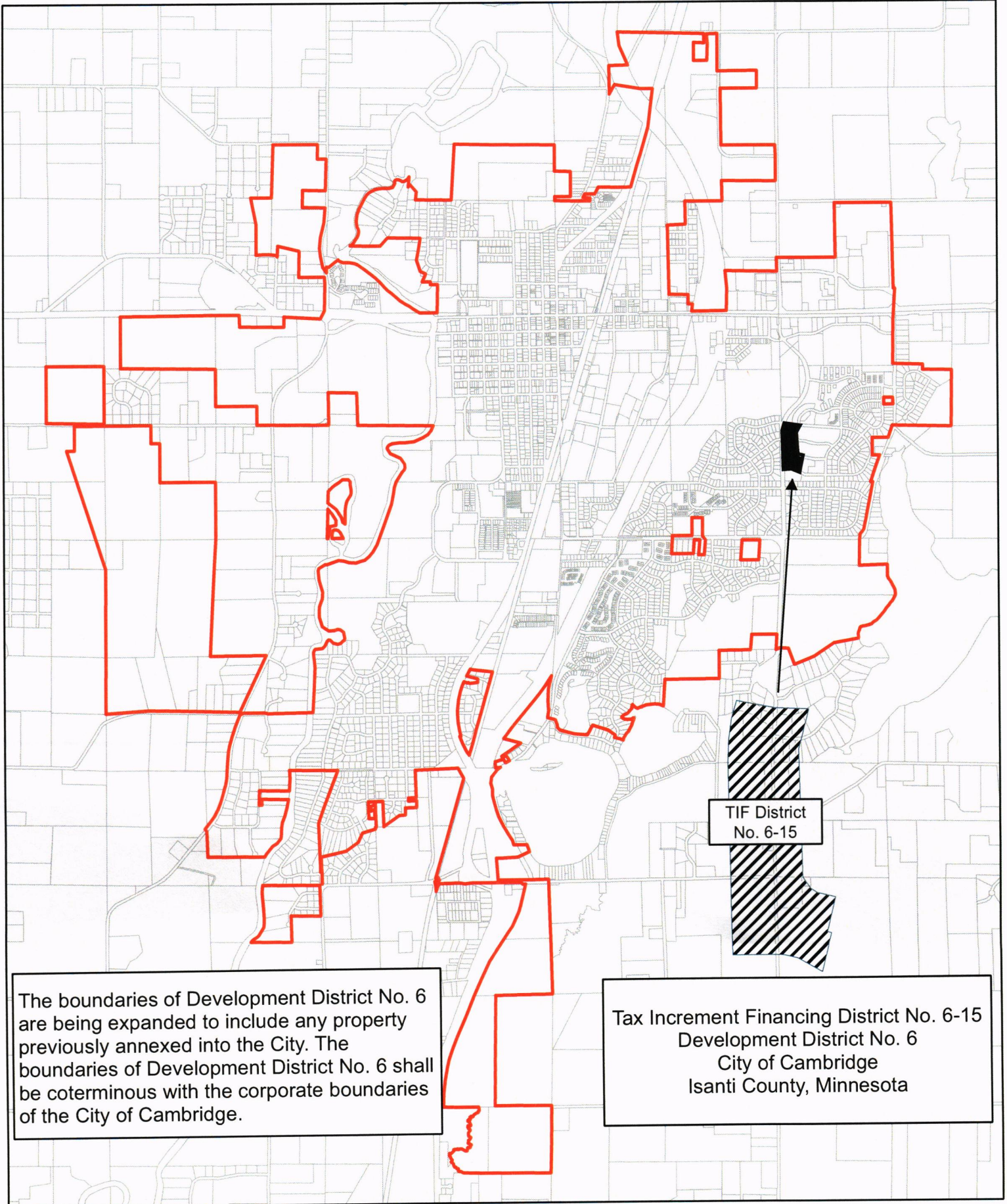
Tax increment generated by the TIF District will be paid on a pay-as-you-go basis. The TIF District will have 20% of the units occupied by person with incomes less than 50% of median income.

Appendix B

Map of Development District No. 6 and the District



Maps of Development District No. 6 and the District



Appendix C

Description of Property to be Included in the District

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

<u>Parcel Number</u>	<u>Address</u>	<u>Owner</u>
15.175.0050*		Terry John Mick

*This parcel will be platted and assigned a new parcel number prior to request for certification of the District.

Appendix D
Estimated Cash Flow for the District



Apartment Development - Two Phases
 City of Cambridge, MN
 Housing District

ASSUMPTIONS AND RATES

DistrictType:	Housing	Maximum/Frozen Local Tax Rate:	187.409%	Pay 2013
District Name/Number:		Current Local Tax Rate: (Use lesser of Current or Max.)	187.409%	Pay 2013
County District #:		State-wide Tax Rate (Comm./Ind. only used for total taxes)	n/a	Pay 2013
First Year Construction or Inflation on Value	2013	Market Value Tax Rate (Used for total taxes)	0.01955%	Pay 2013
Existing District - Specify No. Years Remaining		Exempt Class Rate (Exempt)	0.00%	
Inflation Rate - Every Year:	2.00%	Commercial Industrial Preferred Class Rate (C/I Pref.)		
Interest Rate:	5.00%	First \$150,000	1.50%	
Present Value Date:	1-Aug-13	Over \$150,000	2.00%	
First Period Ending	1-Feb-14	Commercial Industrial Class Rate (C/I)	2.00%	
Tax Year District was Certified:	Pay 2014	Rental Housing Class Rate (Rental)	1.25%	
Cashflow Assumes First Tax Increment For Development:	2015	Affordable Rental Housing Class Rate (Aff. Rental)	0.75%	
Years of Tax Increment	26	Non-Homestead Residential (Non-H Res. 1 Unit)		
Assumes Last Year of Tax Increment	2040	First \$500,000	1.00%	
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	NA	Over \$500,000	1.25%	
Incremental or Total Fiscal Disparities		Homestead Residential Class Rate (Hmstd. Res.)		
Fiscal Disparities Contribution Ratio		First \$500,000	1.00%	
Fiscal Disparities Metro-Wide Tax Rate		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
	15.175.0050			185,600	0	185,600	100%	185,600	Pay 2014	Exempt	-	Rental	2,320	
						185,600		185,600			0		2,320	

Note:

1. Base values are based upon review of County website on June 5, 2013.



Apartment Development - Two Phases
City of Cambridge, MN
Housing District

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	Percentage Completed 2013	Percentage Completed 2014	Percentage Completed 2015	Percentage Completed 2016	First Year Full Taxes Payable
Phase I	Apartment	60,000	60,000	37	2,220,000	Rental	27,750	50%	100%	100%	100%	2016
Phase I	Affordable	60,000	60,000	9	540,000	Aff. Rental	4,050	50%	100%	100%	100%	2016
Phase II	Apartment	60,000	60,000	37	2,220,000	Rental	27,750		50%	100%	100%	2017
Phase II	Affordable	60,000	60,000	9	540,000	Aff. Rental	4,050		50%	100%	100%	2017
TOTAL					5,520,000		63,600					

Note:


1. Market values are based upon assessor's email to City

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
Apartment	27,750	0	27,750	52,006	0	0	434	52,440	1,417.29
Affordable	4,050	0	4,050	7,590	0	0	106	7,696	855.07
Apartment	27,750	0	27,750	52,006	0	0	434	52,440	1,417.29
Affordable	4,050	0	4,050	7,590	0	0	106	7,696	855.07
TOTAL	63,600	0	63,600	119,192	0	0	1,079	120,271	

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	120,271
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(1,079)
less Base Value Taxes	(4,348)
Annual Gross TIF	114,844


EHLERS
 LEADERS IN PUBLIC FINANCE
Apartment Development - Two Phases
City of Cambridge, MN
Housing District

TAX INCREMENT CASH FLOW														
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
														02/01/14
														08/01/14
														02/01/15
100%	15,900	(2,320)	-	13,580	187.409%	25,450	12,725	(46)	(1,268)	11,411	10,338	0.5	2015	08/01/15
							12,725	(46)	(1,268)	11,411	20,424	1	2015	02/01/16
100%	47,700	(2,320)	-	45,380	187.409%	85,046	42,523	(153)	(4,237)	38,133	53,306	1.5	2016	08/01/16
							42,523	(153)	(4,237)	38,133	85,386	2	2016	02/01/17
100%	64,236	(2,320)	-	61,916	187.409%	116,036	58,018	(209)	(5,781)	52,028	128,088	2.5	2017	08/01/17
							58,018	(209)	(5,781)	52,028	169,749	3	2017	02/01/18
100%	65,521	(2,320)	-	63,201	187.409%	118,444	59,222	(213)	(5,901)	53,108	211,236	3.5	2018	08/01/18
							59,222	(213)	(5,901)	53,108	251,712	4	2018	02/01/19
100%	66,831	(2,320)	-	64,511	187.409%	120,900	60,450	(218)	(6,023)	54,209	292,019	4.5	2019	08/01/19
							60,450	(218)	(6,023)	54,209	331,344	5	2019	02/01/20
100%	68,168	(2,320)	-	65,848	187.409%	123,405	61,702	(222)	(6,148)	55,332	370,504	5.5	2020	08/01/20
							61,702	(222)	(6,148)	55,332	408,709	6	2020	02/01/21
100%	69,531	(2,320)	-	67,211	187.409%	125,960	62,980	(227)	(6,275)	56,478	446,754	6.5	2021	08/01/21
							62,980	(227)	(6,275)	56,478	483,871	7	2021	02/01/22
100%	70,922	(2,320)	-	68,602	187.409%	128,566	64,283	(231)	(6,405)	57,646	520,831	7.5	2022	08/01/22
							64,283	(231)	(6,405)	57,646	556,891	8	2022	02/01/23
100%	72,340	(2,320)	-	70,020	187.409%	131,224	65,612	(236)	(6,538)	58,838	592,798	8.5	2023	08/01/23
							65,612	(236)	(6,538)	58,838	627,829	9	2023	02/01/24
100%	73,787	(2,320)	-	71,467	187.409%	133,935	66,968	(241)	(6,673)	60,054	662,713	9.5	2024	08/01/24
							66,968	(241)	(6,673)	60,054	696,745	10	2024	02/01/25
100%	75,263	(2,320)	-	72,943	187.409%	136,701	68,351	(246)	(6,810)	61,294	730,633	10.5	2025	08/01/25
							68,351	(246)	(6,810)	61,294	763,695	11	2025	02/01/26
100%	76,768	(2,320)	-	74,448	187.409%	139,522	69,761	(251)	(6,951)	62,559	796,615	11.5	2026	08/01/26
							69,761	(251)	(6,951)	62,559	828,733	12	2026	02/01/27
100%	78,303	(2,320)	-	75,983	187.409%	142,400	71,200	(256)	(7,094)	63,849	860,714	12.5	2027	08/01/27
							71,200	(256)	(7,094)	63,849	891,914	13	2027	02/01/28
100%	79,869	(2,320)	-	77,549	187.409%	145,334	72,667	(262)	(7,241)	65,165	922,981	13.5	2028	08/01/28
							72,667	(262)	(7,241)	65,165	953,290	14	2028	02/01/29
100%	81,467	(2,320)	-	79,147	187.409%	148,328	74,164	(267)	(7,390)	66,507	983,469	14.5	2029	08/01/29
							74,164	(267)	(7,390)	66,507	1,012,912	15	2029	02/01/30
100%	83,096	(2,320)	-	80,776	187.409%	151,382	75,691	(272)	(7,542)	67,876	1,042,229	15.5	2030	08/01/30
							75,691	(272)	(7,542)	67,876	1,070,830	16	2030	02/01/31
100%	84,758	(2,320)	-	82,438	187.409%	154,496	77,248	(278)	(7,697)	69,273	1,099,308	16.5	2031	08/01/31
							77,248	(278)	(7,697)	69,273	1,127,091	17	2031	02/01/32
100%	86,453	(2,320)	-	84,133	187.409%	157,673	78,837	(284)	(7,855)	70,697	1,154,754	17.5	2032	08/01/32
							78,837	(284)	(7,855)	70,697	1,181,742	18	2032	02/01/33
100%	88,182	(2,320)	-	85,862	187.409%	160,914	80,457	(290)	(8,017)	72,150	1,208,613	18.5	2033	08/01/33
							80,457	(290)	(8,017)	72,150	1,234,828	19	2033	02/01/34
100%	89,946	(2,320)	-	87,626	187.409%	164,219	82,109	(296)	(8,181)	73,632	1,260,930	19.5	2034	08/01/34
							82,109	(296)	(8,181)	73,632	1,286,395	20	2034	02/01/35
100%	91,745	(2,320)	-	89,425	187.409%	167,590	83,795	(302)	(8,349)	75,144	1,311,749	20.5	2035	08/01/35
							83,795	(302)	(8,349)	75,144	1,336,484	21	2035	02/01/36
100%	93,580	(2,320)	-	91,260	187.409%	171,029	85,514	(308)	(8,521)	76,686	1,361,112	21.5	2036	08/01/36
							85,514	(308)	(8,521)	76,686	1,385,138	22	2036	02/01/37
100%	95,451	(2,320)	-	93,131	187.409%	174,536	87,268	(314)	(8,695)	78,259	1,409,060	22.5	2037	08/01/37
							87,268	(314)	(8,695)	78,259	1,432,398	23	2037	02/01/38
100%	97,360	(2,320)	-	95,040	187.409%	178,114	89,057	(321)	(8,874)	79,863	1,455,633	23.5	2038	08/01/38
							89,057	(321)	(8,874)	79,863	1,478,302	24	2038	02/01/39
100%	99,308	(2,320)	-	96,988	187.409%	181,763	90,882	(327)	(9,055)	81,499	1,500,871	24.5	2039	08/01/39
							90,882	(327)	(9,055)	81,499	1,522,889	25	2039	02/01/40
100%	101,294	(2,320)	-	98,974	187.409%	185,486	92,743	(334)	(9,241)	83,168	1,544,811	25.5	2040	08/01/40
							92,743	(334)	(9,241)	83,168	1,566,197	26	2040	02/01/41
Total							3,668,452	(13,206)	(365,525)	3,289,721				
Present Value From 08/01/2013							1,746,507	(6,287)	(174,022)	1,566,197				
Present Value Rate							5.00%							

Appendix E

Housing Qualifications for the District

INCOME RESTRICTIONS - ADJUSTED FOR FAMILY SIZE (HOUSING DISTRICT) - ISANTI COUNTY ISANTI COUNTY MEDIAN INCOME: \$82,300		
No. of Persons	50% of Median Income	60% of Median Income
1-person	\$29,400	\$35,280
2-person	\$33,600	\$40,320
3-person	\$37,800	\$45,360
4-person	\$42,000	\$50,480

Source: Department of Housing and Urban Development and Minnesota Housing Finance Agency

The two options for income limits on a standard housing district are 20% of the units at 50% of median income or 40% of the units at 60% of median income. The TIF District will have 20% of the units occupied by person with incomes less than 50% of median income. There are no rent restrictions for a housing district.

***PLEASE NOTE: THESE NUMBERS ARE ADJUSTED ANNUALLY. ALL INCOME FIGURES REPORTED ON THIS PAGE ARE FOR 2013.

Appendix F

Findings for the District

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 6-15, as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 6-15 is a housing district as defined in M.S., Section 469.174, Subd. 11.*

Tax Increment Financing District No. 6-15 consists of one parcel. The development will consist of a rental apartment building. All or a portion of which will receive tax increment assistance and will meet income restrictions described in *M.S. 469.1761*. At least 20 percent of the units/homes receiving assistance will have incomes at or below 50 percent of median income as measured by the appropriate state and federal agencies. Appendix E of the TIF Plan contains background for the above finding.

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.*

The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future: This finding is supported by the fact that the development proposed in this plan is a housing district that meets the City's objectives for development and redevelopment. Due to the high cost of building affordable new housing in the City and the cost of public improvements, this project is feasible only through assistance, in part, from tax increment financing. The developer of the buildings will be responsible for higher than average infrastructure costs. Rents for the Cambridge area do not support high enough market rents to pay for all costs of construction to the level of quality expected by the City and prospective tenants. The proposed rents are at levels that are affordable (approximately 1/3 of median incomes as measured by the U.S. Department of Housing and Urban Development) and the developer has guaranteed that 20% of the units will be occupied by people with 50% of median income. City staff and the city's financial advisor have reviewed the developer's pro forma and have recommended to the Council that the assistance is necessary to provide adequate returns on equity to attract private investment in the proposed housing. Based upon this evident, it is determined that the developments would not have gone forward without tax increment assistance.

3. *Finding that the TIF Plan for Tax Increment Financing District No. 6-15 conforms to the general plan for the development or redevelopment of the municipality as a whole.*

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

4. *Finding that the TIF Plan for Tax Increment Financing District No. 6-15 will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 6 by private enterprise.*

Through the implementation of the TIF Plan, the City will provide an impetus for residential development, which is desirable or necessary for increased population and an increased need for life-cycle housing within the City.

Final COPY

CONTRACT FOR PRIVATE DEVELOPMENT

By and Between

CITY OF CAMBRIDGE, MINNESOTA

and

THE PRESERVE OF CAMBRIDGE, LLC

Dated: _____, 2013

This document was drafted by:
Rupp, Anderson, Squires &
Waldspurger, P.A.
527 Marquette Ave. S. #1200
Minneapolis, MN 55402
(612) 436-4300

TABLE OF CONTENTS

	<u>Page</u>
RECITALS	1
 ARTICLE I Definitions	
Section 1.1. Definitions.....	3
 ARTICLE II Representations and Warranties	
Section 2.1. Representations by the City	6
Section 2.2. Representations and Warranties by the Developer	6
 ARTICLE III Status of Property; Public Development Costs	
Section 3.1. Status of the Development Property	8
Section 3.2. Public Development Costs.....	8
Section 3.3. Reimbursement: TIF Note	8
Section 3.4. Compliance with Low and Moderate Income.....	9
Section 3.5. Payment of Administrative Costs	10
Section 3.6. Records	10
 ARTICLE IV Construction of Minimum Improvements	
Section 4.1. Construction of Improvements	12
Section 4.2. Construction Plans	12
Section 4.3. Commencement and Completion of Construction.....	13
Section 4.4. Certificate of Completion	13
 ARTICLE V Insurance and Subordination	
Section 5.1. Insurance	14
Section 5.2. Subordination.....	15
 ARTICLE VI Taxes	
Section 6.1. Right to Collect Delinquent Taxes.....	16
Section 6.2. Reduction of Taxes	16
 ARTICLE VII Financing	
Section 7.1. Developer Financing.....	17
Section 7.2. Subordination.....	17
Section 7.3. Land and Site Improvement Costs.....	17

ARTICLE VIII
Prohibitions Against Assignment and Transfer; Indemnification

Section 8.1.	Representation as to Development.....	19
Section 8.2.	Developer’s Transfer of Property and Assignment of Agreement	19
Section 8.3.	Release and Indemnification Covenants.....	20

ARTICLE IX
Events of Default

Section 9.1.	Events of Default Defined	22
Section 9.2.	Remedies on Default.....	22
Section 9.3.	No Remedy Exclusive.....	23
Section 9.4.	No Additional Waiver Implied by One Waiver.....	23
Section 9.5.	Attorney Fees	23

ARTICLE X
Additional Provisions

Section 10.1.	Conflict of Interests; Representatives Not Individually Liable	24
Section 10.2.	Equal Employment Opportunity	24
Section 10.3.	Restrictions on Use	24
Section 10.4.	Provisions Not Merged With Deed.....	24
Section 10.5.	Titles of Articles and Sections	24
Section 10.6.	Notices and Demands	24
Section 10.7.	Counterparts	25
Section 10.8.	Recording.....	25
Section 10.9.	Amendment.....	25
Section 10.10.	Governing Law	25
Section 10.11.	Severability	25
Section 10.12.	Entire Agreement.....	25

SIGNATURES AND ACKNOWLEDGEMENTS	26
---------------------------------------	----

EXHIBIT A	Development Property	A-1
EXHIBIT B	Minimum Improvements	B-1
EXHIBIT C	Certificate of Completion	C-1
EXHIBIT D	TIF Note.....	D-1

THIS AGREEMENT made and entered into as of this ____ day of _____, 2013, by and between the CITY OF CAMBRIDGE, MINNESOTA, a public body corporate and politic under the laws of Minnesota (“City”) and THE PRESERVE OF CAMBRIDGE, LLC, a Minnesota limited liability company (“Developer”).

RECITALS

WHEREAS, the City has undertaken a program to promote the development and redevelopment of land which is underutilized within the City, and in this connection created Municipal Development District No. 6 (hereinafter referred to as the “Development District”) and Tax Increment District No. 6-15 (the “TIF District”) in the Development District located in the City pursuant to Minnesota Statutes, Sections 469.124 to 469.134, as amended (the “Act”) and Sections 469.174 to 469.1799, as amended (the “Tax Increment Act”); and

WHEREAS, pursuant to the Act, the City is authorized to undertake certain activities to provide an impetus for development by private enterprise, to promote increased employment, and to encourage the development of blighted or underutilized areas; and

WHEREAS, the Developer owns certain land in the City (the “Development Property”) and desires to construct improvements to the Development Property consisting of two new 46 unit three story apartment buildings and, in conjunction with the project, intends to construct parking areas, sidewalks, street lighting, utility infrastructure, landscaping and three segments of City road as identified in Exhibit B (the “Minimum Improvements”) as provided in this Agreement; and

WHEREAS, a gap exists between the cost of Developer acquiring the Development Property and constructing the apartment units and related improvements and the funds available to Developer to undertake the project and, based on best estimates, that gap equals \$1,307,861 .

WHEREAS, the City is providing financial assistance to the Developer in the form of tax increment financing funds to assist with the establishment of the Minimum Improvements on the Development Property, which assistance is a “business subsidy” to the Developer pursuant to Minnesota Statutes, sections 116J.993 to 116J.995, as amended (the “Business Subsidy Act”); and

WHEREAS, the City as a “grantor” under the Business Subsidy Act is required to enter into this subsidy agreement (the “Subsidy Agreement”) to set forth the terms and conditions of the subsidy, which includes the provision of tax increment financing assistance to the Developer (the “Subsidy”); and

WHEREAS the City has caused to be prepared this Contract for Private Development, including the business subsidy agreement required by the Business Subsidy Act (the “Agreement”); and

WHEREAS, the City believes that the development of the Development Property pursuant to and in general fulfillment of this Agreement, is in the vital and best interests of the

City, will promote the health, safety, morals, and welfare of its residents, and will be in accord with the public purposes and provisions of the applicable State and local laws and requirements under which the Development District has been undertaken and is being assisted.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein, the parties agree as follows:

ARTICLE I

Definitions

Section 1.1. Definitions. In this Agreement, unless a different meaning clearly appears from the context:

“Act” means Minnesota Statutes Sections 469.124 to 469.134, as amended.

“Affiliate” means with respect to the Developer: (a) any corporation, partnership, limited liability company or other business entity or person controlling, controlled by or under common control with the Developer, and (b) any successor to such party by merger, acquisition, reorganization or similar transaction involving all or substantially all of the assets of such party (or such Affiliate). For the purpose hereof the words “controlling”, “controlled by” and “under common control with” shall mean, with respect to any corporation, partnership, limited liability company or other business entity, the ownership of fifty percent or more of the voting interests in such entity or possession, directly or indirectly, of the power to direct or cause the direction of management policies of such entity, whether through ownership of voting securities or by contract or otherwise.

“Agreement” means this Agreement, as the same may be from time to time modified, amended, or supplemented.

“Available Tax Increment” means, on each Payment Date, 90% of the Tax Increment derived from the Development Property, and received by the City in the six months preceding the Payment Date.

“Business Subsidy Act” means Minnesota Statutes, Sections 116J.993 through 116J.995, as amended.

“Certificate of Completion” means the certification provided to the Developer, or the purchaser of any part, parcel or unit of the Development Property, pursuant to Section 4.4 of this Agreement.

“City” means the City of Cambridge, Minnesota.

“Construction Plans” means the plans, specifications, drawings and related documents on the construction work to be performed on the Development Property which (a) shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the appropriate building officials of the City, and (b) shall include at least the following: (1) site plan; (2) landscape plan; and (3) such other plans or supplements to the foregoing plans as the City may reasonably request to allow it to ascertain the nature and quality of the proposed construction work. The Construction Plans for any building to be constructed on the Development Property shall additionally include the following: (1) foundation plan;

(2) basement plans; (3) floor plan for each floor; (4) cross sections of each (length and width); and (5) elevations (all sides).

“County” means the County of Isanti, Minnesota.

“Developer” means The Preserve of Cambridge, LLC, or its permitted successors and assigns.

“Development Property” means the real property described as such in Exhibit A of this Agreement. After construction of the Minimum Improvements, the term means the Development Property as improved.

“Eligible Costs” means those costs permitted to be reimbursed under Minn. Stat. §469.174 and the Tax Increment Financing Plan for the TIF District.

“Event of Default” means an action by the Developer listed in Article IX of this Agreement.

“Holder” means the owner of a Mortgage.

“Maturity Date” means the date referenced in Section 7.3 (c).

“Minimum Improvements” means the Phase 1 Minimum Improvements and Phase 2 Minimum Improvements as described in Exhibit B.

“Mortgage” means any mortgage made by the Developer which is secured, in whole or in part, with the Development Property and which is a permitted encumbrance pursuant to the provisions of Article VIII of this Agreement.

“Phase 1 Minimum Improvements” means the construction of one 46 unit apartment complex to be known as The Preserve at Parkwood, the construction of parking areas and utility infrastructure in conjunction with the two apartment complexes, and the construction of the three road sections as described in Exhibit B.

“Phase 2 Minimum Improvements” means the construction of the second 46 unit apartment complex to be known as the Preserve at Parkwood as described in Exhibit B.

“Project” means the City’s Municipal Development District No. 6.

“Public Development Costs” means land acquisition costs, costs to construct parking areas, sidewalks, street lighting, utility infrastructure, landscaping and three segments of City road as identified in Exhibit B (the “Minimum Improvements”) as provided in this Agreement

“State” means the State of Minnesota.

“Tax Increment” means that portion of the real property taxes that is paid with respect to the Development Property and that is remitted to the City as tax increment pursuant to the Tax Increment Act.

“Tax Increment Act” or “TIF Act” means the Tax Increment Financing Act, Minnesota Statutes Sections 469.174 to 469.1799, as amended.

“Tax Increment District” or “TIF District” means Tax Increment Financing District No. 6-15 created by the City.

“Tax Official” means any County assessor, County auditor, County or State board of equalization, the commissioner of revenue of the State, or any State or federal district court, the tax court of the State, or the State Supreme Court.

“TIF Note” means the Tax Increment Revenue Note to be executed by the City pursuant to Article III hereof in the principal amount not to exceed \$879,824.00 (the Phase 1 Note”), a copy of which is attached hereto as Exhibit D. Upon completion of the Phase 2 Minimum Improvements, the Phase 1 Note shall be cancelled and reissued in the principal amount of \$1,307,861.00 (the Phase 2 Note). The Phase 2 Note shall recognize that TIF payments made under the Phase 1 Note count against the principal amount of the Phase 2 Note. For example, if the City paid to the Developer \$200,000 under the Phase 1 Note, then the City’s maximum obligation under the Phase 2 Note would be \$1,107,861.00 (\$1,307,861-\$200,000). References in the Agreement to the TIF Note shall mean the Phase 1 Note or the Phase 2 Note as determined by the context.

“Transfer” has the meaning set forth in Section 8.2(a) hereof.

“Unavoidable Delays” means delays beyond the reasonable control of the party seeking to be excused as a result thereof which are the result of strikes, other labor troubles, prolonged adverse weather or acts of God, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, state or local governmental unit (other than the City in exercising its rights under this Agreement) which directly result in delays. Unavoidable Delays shall include delays as a result of the City not approving the Construction Plans. The performance of any covenant work, service or other act required in this Agreement shall be excused for the period of the Unavoidable Delay, and the period for the performance of the same shall be extended by such period.

(The remainder of this page is intentionally left blank.)

ARTICLE II

Representations and Warranties

Section 2.1. Representations by the City. (a) The City is a statutory city duly organized and existing under the laws of the State. Under the provisions of the Act, the City has the power to enter into this Agreement and carry out its obligations hereunder.

(b) The City will use its best efforts to facilitate development of the Minimum Improvements, including but not limited to cooperating with the Developer in obtaining necessary administrative and land use approvals.

(c) The activities of the City are undertaken for the purpose of fostering the development of certain real property which will vitalize this portion of the Development District, increase tax base, and increase employment opportunities.

(d) There are no pending or threatened legal proceedings, of which the City has notice, to restrain or enjoin the execution or delivery of this Agreement or in any way contesting the validity of this Agreement, or contesting the authority of the City to execute, deliver and perform this Agreement.

(e) The consummation of the transactions contemplated by this Agreement, and compliance by the City with the terms of this Agreement, will not result in any breach of any of the terms of, or constitute a default under, any indenture, lease, loan agreement, or other instrument to which the City is a party or by which the City is bound, or any law applicable to the City or this transaction.

Section 2.2. Representations and Warranties by the Developer. The Developer represents and warrants that:

(a) The Developer is a limited liability company in good standing under the laws of Minnesota, is not in violation of any provisions of its articles or bylaws, is duly authorized to transact business within the State, has power to enter into this Agreement and has duly authorized the execution, delivery, and performance of this Agreement by proper action of its officers.

(b) The Developer will construct, operate, and maintain the two apartment buildings to be known as the Preserve at Parkwood and the Phase 1 and Phase 2 Minimum Improvements in accordance with the terms of this Agreement and all local, state and federal laws and regulations (including, but not limited to, environmental, zoning, building code and public health laws and regulations).

(c) The Developer will obtain, 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.

(d) The Developer has received no notice or communication from any local, state or federal official that the activities of the Developer or the City in the Development District may be or will be in violation of any environmental law or regulation (other than those notices or communications of which the City is aware). The Developer is aware of no facts the existence of which would cause it to be in violation of or give any person a valid claim under any local, state or federal environmental law, regulation or review procedure.

(e) The Developer shall promptly advise the City in writing of all litigation or claims affecting any part of the Minimum Improvements and all written complaints and charges made by any governmental city materially affecting the Minimum Improvements or materially affecting Developer or its business which may delay or require changes in construction of the Minimum Improvements.

(f) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provisions of any corporate restriction or any evidences 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.

(g) The proposed development by the Developer hereunder would not occur but for the tax increment financing assistance being provided by the City hereunder.

(h) The Developer is not currently in default under any business subsidy agreement with any grantor, as such terms are defined in the Business Subsidy Act.

[Remainder of page intentionally left blank.]

ARTICLE III

Status of Property; Public Development Costs

Section 3.1. Status of the Development Property. As of the date of this Agreement, the Developer owns the Development Property. The City has no obligation to acquire any interest in the Development Property.

Section 3.2. Public Development Costs. The Developer shall undertake and assume all necessary Development Costs to construct the Minimum Improvements on the Development Property (such activities are collectively referred to as the "Public Development Costs").

Section 3.3. Reimbursement: TIF Note. The City shall reimburse the payments made by the Developer for Public Development Costs through the issuance of the City's TIF Note in substantially the form attached to this Agreement as Exhibit D, subject to the following conditions:

(1) The Phase 1 TIF Note shall be dated, issued and delivered when the Developer shall have demonstrated in writing to the reasonable satisfaction of the City that the construction of the Phase 1 Improvements and the Project has been completed and that the Developer has incurred and paid all costs of acquisition of the Development Property and the construction of Phase 1 Improvements, as described in and limited by Section 3.1 and shall have submitted paid invoices for the costs of construction of the Phase 1 Improvements in an amount not less than the Reimbursement Amount. The same requirements shall apply to the Phase 2 TIF Note.

(2) The unpaid principal amount of the TIF Note shall bear simple, non-compounding interest from the date of issuance of the TIF Note, at ___% per annum. Interest shall be computed on the basis of a 360 day year consisting of twelve (12) 30-day months. The principal amount of the TIF Note and the interest thereon shall be payable solely from the Available Tax Increments.

(3) The payment dates of the TIF Note shall be the Note Payment Dates. On each Note Payment Date and subject to the provisions of the TIF Note, the City shall pay, against the principal and interest outstanding on the TIF Note, the Available Tax Increments received by the City during the preceding six months. All such payments shall be applied first to accrued interest and then to reduce the principal of the TIF Note.

(4) The TIF Note shall be a special and limited obligation of the City and not a general obligation of the City, and only Available Tax Increments shall be used to pay the principal of and interest on the TIF Note. If, on any Note Payment Date, the Tax Increments for the payment of the accrued and unpaid interest on the TIF Note are insufficient for such purposes, the difference shall be carried forward, without interest accruing thereon, and shall be paid if and to the extent that on a future Note Payment Date there are Available Tax Increments in excess of the amounts needed to pay the accrued interest then due on the TIF Note.

(5) The City's obligation to make payments on the TIF Note on any Note Payment Date or any date thereafter shall be conditioned upon the requirement that there shall not at that time be an Event of Default that has occurred beyond applicable cure periods and is continuing under this Agreement.

(6) The TIF Note shall be governed by and payable pursuant to the additional terms thereof, as set forth in Exhibit D. In the event of any conflict between the terms of the TIF Note and the terms of this Section 3.3, the terms of the TIF Note shall govern. The issuance of the TIF Note pursuant and subject to the terms of this Agreement, and the taking by the City of such additional actions as bond counsel for the TIF Note may require in connection therewith, are hereby authorized and approved by the City.

Section 3.4. Compliance with Low and Moderate Income Requirements.

(7) 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:

(A) 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

(B) 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.

(8) On or before each July 1, commencing on July 1, 2015, and each July 1 thereafter, 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 twelve (12) 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 TIF Note, 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.

Section 3.5. Payment of Administrative Costs. The City acknowledges that Developer has deposited with the City \$10,000. The City will use such deposit to pay “Administrative Costs,” which term means out of pocket costs incurred by the City (including without limitation attorney and fiscal consultant fees) in the negotiation and preparation of this Agreement and other documents and agreements in connection with the Development contemplated hereunder. At Developer’s request, but no more often than monthly, the City will provide Developer with a written report including invoices, time sheets or other comparable evidence of expenditures for Administrative Costs and the outstanding balance of funds deposited. If at any time the City determines that the deposit is insufficient to pay Administrative Costs, the Developer is obligated to pay such shortfall within 15 days after receipt of a written notice from the City containing evidence of the unpaid costs. If any balance of funds deposited remains upon issuance of the Certificate of Completion pursuant to Section 4.4 of this Agreement, the City shall promptly return such balance to Developer; provided that Developer remains obligated to pay subsequent Administrative Costs related to any amendments to this Agreement requested by Developer.

Section 3.6. Records. The City and its representatives shall have the right at all reasonable times after reasonable notice to inspect, examine, and copy all books and records of Developer relating to the Minimum Improvements. Developer shall also use its best efforts to cause the contractor or contractors, all sub-contractors and their agents and lenders to make their books and records relating to the Project available to City, upon reasonable notice, for inspection, examination and audit. Such records shall be kept and maintained by Developer until the Maturity Date.

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ARTICLE IV

Construction of Minimum Improvements

Section 4.1. Construction of Improvements. The Developer agrees that it will construct the Minimum Improvements on the Development Property in accordance with the approved Construction Plans and at all times prior to the Maturity Date will operate and maintain, preserve and keep the Minimum Improvements or cause such improvements to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair and condition. The City shall have no obligation to operate or maintain the Minimum Improvements.

Section 4.2. Construction Plans. (a) Before commencement of construction of the Minimum Improvements, the Developer shall submit to the City the Construction Plans. The Construction Plans shall provide for the construction of the Minimum Improvements and shall be in conformity with this Agreement, and all applicable State and local laws and regulations. The City will approve the Construction Plans in writing if: (i) the Construction Plans conform to the terms and conditions of this Agreement; (ii) the Construction Plans conform to all applicable federal, state and local laws, ordinances, rules and regulations; (iii) the Construction Plans are adequate to provide for construction of the Minimum Improvements; (iv) the Construction Plans do not provide for expenditures in excess of the funds available to the Developer from all sources for construction of the Minimum Improvements; and (v) no Event of Default has occurred.

Approval may be based upon a review by the City's Building Official of the Construction Plans. No approval by the City shall relieve the Developer of the obligation to comply with the terms of this Agreement, applicable federal, state and local laws, ordinances, rules and regulations, or to construct the Minimum Improvements in accordance therewith. No approval by the City shall constitute a waiver of an Event of Default. If approval of the Construction Plans is requested by the Developer in writing at the time of submission, such Construction Plans shall be deemed approved unless rejected in writing by the City, in whole or in part. Such rejections shall set forth in detail the reasons therefore, and shall be made within twenty (20) days after the date of their receipt by the City. If the City rejects any Construction Plans in whole or in part, the Developer shall submit new or corrected Construction Plans within twenty (20) days after its receipt of written notification to the Developer of the rejection. The provisions of this Section relating to approval, rejection and resubmission of corrected Construction Plans shall continue to apply until the Construction Plans have been approved by the City. The City's approval shall not be unreasonably withheld, conditioned or delayed. Said approval shall constitute a conclusive determination that the Construction Plans (and the Minimum Improvements constructed in accordance with said plans) comply to the City's satisfaction with the provisions of this Agreement relating thereto.

(b) If the Developer desires to make any material change in the Construction Plans after their approval by the City, the Developer shall submit the proposed change to the City for its approval. For the purposes of this Section, the term "material" means any change that decreases the total size of the Minimum Improvements by 400 square feet or more. If the

Construction Plans, as modified by the proposed change, conform to the requirements of this Section 4.2 of this Agreement with respect to such previously approved Construction Plans, the City shall approve the proposed change and notify the Developer in writing of its approval. Such change in the Construction Plans shall, in any event, be deemed approved by the City unless rejected, in whole or in part, by written notice by the City to the Developer, setting forth in detail the reasons therefor. Such rejection shall be made within twenty (20) days after receipt of the notice of such change. The City's approval of any such change in the Construction Plans will not be unreasonably withheld.

Section 4.3. Commencement and Completion of Construction. Subject to Unavoidable Delays, the Developer shall commence construction of the Phase 1 Minimum Improvements by October 1, 2013. Subject to Unavoidable Delays, the Developer shall complete the construction of the Phase 1 Minimum Improvements by September 30, 2014. All work with respect to the Phase 1 Minimum Improvements to be constructed or provided by the Developer on the Development Property shall be in conformity with the Construction Plans as submitted by the Developer and approved by the City. Subject to Unavoidable Delays, the Developer shall commence the construction of the Phase 2 Minimum Improvements by September 1, 2014, except that the Developer shall have the right to extend the Phase 2 construction commencement based upon market conditions as determined by the Developer. Developer shall give the City written notice of its extension of the Phase 2 construction, and such extension shall continue until further notice from Developer, except that the Phase 2 construction shall be commenced and completed prior to the Maturity Date. The Phase 2 Minimum Improvements shall be completed within 1 year of the commencement of construction.

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 promptly begin and diligently prosecute to completion the Development of the Development Property through the construction of the Phase 1 Minimum Improvements thereon, and that such construction shall in any event be commenced and completed within the period specified in this Section 4.3 of this Agreement. After the date of this Agreement and until construction of the Minimum Improvements has been completed, the Developer shall make reports, in such detail and at such times as may reasonably be requested by the City, as to the actual progress of the Developer with respect to such construction.

Section 4.4. Certificate of Completion. (a) Promptly after completion of the Minimum Improvements in accordance with those provisions of the Agreement relating solely to the obligations of the Developer to construct the Minimum Improvements (including the dates for beginning and completion thereof), the City will furnish the Developer with a Certificate shown as Exhibit C. Such certification and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any Holder of a Mortgage, or any insurer of a Mortgage, securing money loaned to finance the Minimum Improvements, or any part thereof.

(b) If the City shall refuse or fail to provide any certification in accordance with the provisions of this Section 4.4 of this Agreement, the City shall, within thirty (30) days after written request by the Developer, provide the Developer with a written statement, indicating in

adequate detail in what respects the Developer has failed to complete the Minimum Improvements in accordance with the provisions of the Agreement, or is otherwise in default, and what measures or acts it will be necessary, in the reasonable opinion of the City, for the Developer to take or perform in order to obtain such certification.

(c) The construction of the Minimum Improvements shall be deemed to be complete upon issuance of a certificate of occupancy by the City, and the issuance of such certificate shall not be unreasonably withheld, conditioned, or delayed.

ARTICLE V

Insurance and Subordination

Section 5.1. Insurance. (a) The Developer will provide and maintain at all times during the process of constructing the Minimum Improvements an All Risk Broad Form Basis Insurance Policy and, from time to time during that period, at the request of the City, furnish the City with proof of payment of premiums on policies covering the following:

(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 Protective Liability Policy with limits against bodily injury and property damage of not less than \$2,000,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used). The City shall be listed as an additional insured on the policy; and

(iii) workers' compensation insurance, with statutory coverage, provided that the Developer may be self-insured with respect to all or any part of its liability for workers' compensation.

(b) Upon completion of construction of the Minimum Improvements and prior to the Maturity 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.

(ii) Comprehensive general public liability insurance, including personal injury liability (with employee exclusion deleted), against liability for injuries to persons and/or property, in the minimum amount for each occurrence and for each year of \$2,000,000, and shall be endorsed to show the City as additional insured.

(iii) Such other insurance, including workers' 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 workers' compensation.

(c) All insurance required in Article V of this Agreement 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. Upon request, the Developer will deposit annually with the City 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 of this Agreement each policy shall contain a provision that the insurer shall not cancel nor modify it in such a way as to reduce the coverage provided below the amounts required herein without giving written notice to the Developer and the City at least thirty (30) days before the cancellation or modification becomes effective. In lieu of separate policies, the Developer may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the 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 will notify the City immediately in the case of damage exceeding \$10,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In such event the Developer will promptly repair, reconstruct and restore the Minimum Improvements to substantially the same or an improved condition or value as it 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.

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 to pay for the same. Any net proceeds remaining after completion of such repairs, construction and restoration shall be the property of the Developer.

(e) All of the insurance provisions set forth in this Article V shall terminate upon the termination of this Agreement.

Section 5.2. Subordination. Notwithstanding anything to the contrary contained in this Article V, the rights of the City with respect to the receipt and application of any proceeds of insurance shall, in all respects, be subject and subordinate to the rights of any lender under a Mortgage approved pursuant to Article VII of this Agreement.

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ARTICLE VI

Taxes

Section 6.1. Right to Collect Delinquent Taxes. The Developer acknowledges that the City is providing substantial aid and assistance in furtherance of the Development District through the reimbursement of Public Development Costs under this Agreement. The Developer understands that the Available Tax Increment pledged to payment on the Note is derived from real estate taxes on the Development Property, which taxes must be promptly and timely paid. To that end, the Developer agrees for itself in addition to the obligation pursuant to statute to pay real estate taxes, it is also obligated by reason of this Agreement to pay before delinquency all real estate taxes assessed against the Development Property and the Minimum Improvements. The Developer acknowledges that this obligation creates a contractual right on behalf of the City to sue the Developer to collect delinquent real estate taxes and any penalty or interest thereon and to pay over the same as a tax payment to the county auditor, provided, however, that Developer shall have the right to contest taxes in the manner provided by law. In any such suit, the City shall also be entitled to recover its costs, expenses and reasonable attorney fees.

Section 6.2 Reduction of Taxes. The Developer agrees that prior to the Maturity Date: (1) it will not seek administrative review or judicial review of the applicability of any real property tax statute determined by any Tax Official to be applicable to the Minimum Improvements or the Developer or raise the inapplicability of any such tax statute as a defense in any proceedings, including delinquent tax proceedings; (2) it will not seek administrative review or judicial review of the constitutionality of any real property tax statute determined by any Tax Official to be applicable to the Minimum Improvements or the Developer or raise the unconstitutionality of any such real property tax statute as a defense in any proceedings, including delinquent tax proceedings; (3) it will not (A) cause willful destruction of the Minimum Improvements or any part thereof; (B) willfully refuse to reconstruct damaged or destroyed property pursuant to Section 5.1, except as provided in Section 5.1(e) of this Agreement; (C) apply to the Commissioner of Revenue of the State requesting an abatement of real property taxes pursuant to Minnesota Statutes, Chapter 270; (D) transfer the Development Property or Minimum Improvements, or any part thereof, to an entity exempt from the payment of real property taxes under State law; (E) engage in any other proceedings, whether administrative, legal or equitable, with any administrative body within the County or the State or with any court of the State or the federal government to reduce or defer the amount of real property taxes assessed against the Development Property and the Minimum Improvements, except that (i) the Developer shall have the right to object to the valuation of the Development Property if it reasonably believes the assessed value of the property is inaccurate or unreasonable but if the assessed value is reduced, the Developer agrees the City has no obligation to make up any reduction in the projected Available Tax Increment, and the Developer shall then be eligible to receive only the then Available Tax Increment as computed in light of the new assessed value; and (ii), nothing in this Section 6.2 shall prevent the Developer from taking any action it may choose with respect to any income tax matters.

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ARTICLE VII

Financing

Section 7.1. Developer Financing. In the event the Developer requires construction financing, Developer shall submit to the City evidence of one or more commitments for financing which, together with committed equity, is sufficient for construction of the Minimum Improvements. If the City finds that the financing is sufficiently committed and adequate in amount to provide for the undertakings described in paragraph (a), then the City shall notify the Developer in writing of its approval. Such approval shall not be unreasonably withheld and either approval or rejection shall be given within ten (10) days from the date when the City is provided the evidence of financing. A failure by the City to respond to such evidence of financing shall be deemed to constitute an approval hereunder. If the City rejects the evidence of financing as inadequate, it shall do so in writing specifying the basis for the rejection. In any event the Developer shall submit adequate evidence of financing within ten (10) days after such rejection. In the event that there occurs a default under any Mortgage, the Developer shall cause the City to receive copies of any notice of default received by the Developer from the holder of such Mortgage or the Developer shall have the right to terminate this Agreement by giving the City written notice, and the Developer shall have no further obligations hereunder.

Section 7.2. Subordination. In order to facilitate the Developer obtaining financing for the Development of the Minimum Improvements, the City shall subordinate its rights under this Agreement to the Holder of any Mortgage, provided that such subordination shall be subject to such reasonable terms and conditions as required by the Holder of a Mortgage.

Section 7.3. Land and Site Improvement Costs. The City agrees to reimburse Developer for Land and other Eligible Costs. The City will reimburse the Developer solely for eligible costs in an amount not to exceed \$1,307,861.00 for Phase 1 and Phase 2 improvements to be secured solely by the Available Tax Increment from TIF District 6-15. Payments are not a general obligation of the City. Available Tax Increment is subject to great variation due to factors outside the City's control, including but not limited to assessor's estimated market values, tax rates, legislative changes, and payment of taxes by other parcels in TIF District 6.

(b) The obligation to make payments on the reimbursement is conditioned in addition on the following:

- (1) the Developer having submitted and the City having approved Construction Plans for the Minimum Improvements;
- (2) the Developer having executed this Agreement;
- (3) the Developer having provided evidence satisfactory to the City of documentation of the total amount of Public Development Costs;
- (4) the Developer making timely payment in full of all property tax, special assessment and public utility payments;

(5) the Developer having not filed a tax petition for the Development Property

(6) there being no uncured Event of Default by Developer under this Agreement;

(c) Payments. Payments of Available Tax Increment will be paid in semi-annual installments on August 1 and February 1, commencing August 1, 2015 and concluding no later than February 1, 2037 (the "Maturity Date").

(d) Termination of Right to Reimbursement. Notwithstanding anything to the contrary in this Agreement, if the conditions in Section 7.3(b) are not met by March 31, 2017, subject to Unavoidable Delays or the extension of this date by the City, the City may terminate this Agreement by ten days written notice to the Developer. Thereafter neither party shall have any obligations or liability to the other hereunder, except that any obligations of the Developer under Sections 3.4 and 8.3 of this Agreement survive such termination.

(e) Issuance to Third Parties. (i) If the Developer chooses to assign payments of the Available Tax Increment to third parties, the Developer shall notify the City in writing at least 30 days prior to the next payment date.

(f) Qualifications. The Developer understands and acknowledges that the City makes no representations or warranties regarding the amount of Available Tax Increment. Developer expressly acknowledges that estimates of Tax Increment prepared by the City or its financial advisors in connection with the TIF District or this Agreement are for the benefit of the City, and are not intended as representations on which the Developer may rely. If the Public Redevelopment Costs exceed the net proceeds of the Note, such excess is the sole responsibility of Developer.

(g) Reissuance of TIF Note. The TIF Note shall be originally issued as the Phase 1 Note. Upon completion of the Phase 2 Minimum Improvements and delivery to the City of a cancellation of the Phase 1 Note, the City shall issue and deliver the Phase 2 Note.

ARTICLE VIII

Prohibitions Against Assignment and Transfer; Indemnification

Section 8.1. Representation as to Development. The Developer's construction of the Minimum Improvements on the Development Property, and its other undertakings pursuant to the Agreement, are, and will be used, for the purpose of Development of the Development Property and not for speculation in land holding.

Section 8.2. Prohibition Against Developer's Transfer of Property and Assignment of Agreement. Prior to the issuance of a Certificate of Completion for the Minimum Improvements:

(a) 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 the Agreement or the Development Property or any part thereof or any interest therein, or any contract or agreement to do any of the same ("Transfer"), except to an Affiliate of Developer, without the prior written approval of the City unless the Developer remains liable and bound by this Development Agreement in which event the City's approval is not required. Any such Transfer shall be subject to the provisions of this Agreement.

(b) In the event the Developer, upon Transfer of the Development Property or any portion thereof, seeks to be released from its obligations under this Development Agreement as to the portions of the Development Property that is transferred or assigned, the City shall be entitled to require, except as otherwise provided in the Agreement, as conditions to any such release 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 as to the portion of the Development Property to be transferred.

(ii) Any proposed transferee, by instrument in writing satisfactory to the City and in form recordable in the public land records of Isanti County, Minnesota, 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 as to the portion of the Development Property to be transferred and agreed to be subject to all the conditions and restrictions to which the Developer is subject as to such portion; 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 any part thereof 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 on 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) Any and 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, shall be in a form reasonably satisfactory to the City.

In the event the foregoing conditions are satisfied then the Developer shall be released from its obligation under this Agreement, as to the portion of the Development Property that is transferred, assigned or otherwise conveyed. The restrictions under this Section terminate upon issuance of the Certificate of Completion.

Notwithstanding anything herein to the contrary, the Developer shall have the right to assign or transfer its rights hereunder (including the TIF Note) to a third party without any consent requirement of the City after the Phase 1 Minimum Improvements have been constructed, but prior to any commencement of construction of the Phase 2 Minimum Improvements, provided the third party has agreed, in writing, to assume all of the Developer's obligations hereunder.

Section 8.3. Release and Indemnification Covenants. (a) The City and its governing body members, officers, agents, servants and employees (the "Indemnified Parties") shall not be liable for and the Developer shall indemnify and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Development Property or the Minimum Improvements.

(b) Except for any willful misrepresentation or any willful or wanton misconduct or negligence of the Indemnified Parties, and except for any breach by any of the Indemnified Parties of their obligations under this Agreement, the Developer agrees to protect and defend the Indemnified Parties, now and forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, maintenance and operation of the Development Property or the Minimum Improvements.

(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 Development Property or Minimum Improvements.

(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 and not of any governing body member, officer, agent, servant or employee of the City in the individual capacity thereof.

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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, after the non-defaulting party provides thirty (30) days written notice to the defaulting party of the event, but only if the event has not been cured within said 30 days or, if the event is by its nature incurable within thirty (30) days, the defaulting party does not, within such 30-day period, provide assurances reasonably satisfactory to the party providing notice of default that the event will be cured and will be cured as soon as reasonably possible:

(a) failure by either party to observe or perform any covenant, condition, obligation or agreement on its part to be observed or performed hereunder;

(b) commencement by the Holder of any Mortgage on the Development Property or any improvements thereon, or any portion thereof, of foreclosure proceedings as a result of default under the applicable Mortgage documents;

(c) if the Developer shall

(i) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act or under any similar federal or State law; or

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

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

(iv) be adjudicated a bankrupt or insolvent.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 of this Agreement by Developer occurs, the City may exercise any of the following rights under this Section 9.2 after providing thirty days written notice to the Developer 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 is by its nature incurable within thirty (30) days, the Developer does not, within such 30-day period, provide assurances reasonably satisfactory to the party providing notice of default that the Event of Default will be cured and will be cured as soon as reasonably possible:

(a) Withhold payments under Section 7.3 in accordance with its terms pending cure of the Event of Default.

(b) Terminate this Agreement.

(c) Take whatever action, including legal, equitable 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.

(d) Notwithstanding anything to the contrary herein, in the case of defaults by Developer described in Section 3.3, the City has the additional remedies specified therein, subject to the qualification described in Section 10.3.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to any party 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. In order to entitle the City to exercise any remedy reserved to it, it shall not be necessary to give notice, other than such notice as may be required in this Article IX.

Section 9.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by another 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. Attorneys Fees. Whenever any Event of Default occurs and if the City shall employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer under this Agreement, the Developer shall, within ten (10) days of written demand by the City, 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. Conflict of Interests; Representatives Not Individually Liable. The City and the Developer, to the best of their respective knowledge, represent and agree that no member, official, or employee of the City shall have any personal interest, direct or indirect, in the Agreement, nor shall any such member, official, or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership, or association in which he is, directly or indirectly, interested. No member, official, or employee of the City shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Developer or successor or on any obligations under the terms of the Agreement.

Section 10.2. Equal Employment Opportunity. The Developer, for itself and its successors and assigns, agrees that during the construction of the Minimum Improvements provided for in the Agreement it will comply with all applicable federal, state and local equal employment and non-discrimination laws and regulations.

Section 10.3. Restrictions on Use. Until the Maturity Date the Developer shall not discriminate upon the basis of race, color, creed, sex or national origin in the sale, lease, or rental or in the use or occupancy of the Development Property or any improvements erected or to be erected thereon, or any part thereof.

Section 10.4. Provisions Not Merged With Deed. None of the provisions of this Agreement are intended to or shall be merged by reason of any deed transferring any interest in the Development Property and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement.

Section 10.5. Titles of Articles and Sections. Any titles of the several parts, Articles, and Sections of the Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 10.6. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand, or other communication under the Agreement by either party to the 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 Terry Mick, The Preserve of Cambridge, LLC 2357 Granite View Rd, Waite Park, MN 56387; and
- (b) in the case of the City, is addressed to or delivered personally to the City at City Hall, 300 3rd Avenue NE, Cambridge, MN 55008.
Attn: City Administrator

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

Section 10.7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 10.8. Recording. The City may record this Agreement and any amendments thereto with the Isanti County recorder. The Developer shall pay all costs for recording.

Section 10.9. Amendment. This Agreement may be amended only by a written agreement approved by all parties hereto.

Section 10.10. Governing Law. This Agreement is made and shall be governed in all respects by the laws of Minnesota. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the state or federal courts of Minnesota, and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

Section 10.11. Severability. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications that can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby.

Section 10.12. Entire Agreement. This Agreement, together with its Schedules, which are incorporated by reference, constitutes the complete and exclusive statement of all mutual understandings between the parties with respect to this Agreement, superseding all prior or contemporaneous proposals, communications, and understandings, whether oral or written, concerning this Agreement, provided that nothing contained herein shall impair the rights of the City or the obligations of the Developer under any other agreement between the City and the Developer. This Agreement may not be amended nor any of its terms modified except by a writing authorized and executed by both parties hereto.

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

CITY OF CAMBRIDGE, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

STATE OF MINNESOTA)
) ss.
COUNTY OF ISANTI)

The foregoing instrument was acknowledged before me this __ day of _____, 2013 by Marlys A. Palmer and Lynda Woulfe, the Mayor and Administrator of the City of Cambridge Minnesota, on behalf of the City.

Notary Public

EXHIBIT A
Development Property

EXHIBIT B
Minimum Improvements

EXHIBIT C
Certificate of Completion

EXHIBIT D

FORM OF TIF NOTE

No. R-1

\$ _____

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ISANTI
CITY OF CAMBRIDGE

TAX INCREMENT REVENUE NOTE
(THE PRESERVE AT CAMBRIDGE HOUSING PROJECT)

The City of Cambridge, Minnesota (the "City"), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay the amounts hereinafter described (the "Payment Amounts") to The Preserve of Cambridge, LLC, or its registered assigns (the "Registered Owner"), but only in the manner, at the times, from the sources of revenue, and to the extent hereinafter provided.

The principal amount of this Note shall equal from time to time the principal amount stated above, as reduced to the extent that such principal installments shall have been paid in whole or in part pursuant to the terms hereof; provided that the sum of the principal amount listed above shall in no event exceed \$1,307,861.00 as provided in that certain Development Agreement, dated as of _____, 2013, as the same may be amended from time to time (the "Development Agreement"), by and between the City and The Preserve at Cambridge, LLC. The unpaid principal amount hereof shall bear interest from the date of this Note at the simple, non-compounding interest at a rate of five and zero hundredths percent (5.00%) per annum. Interest shall be computed on the basis of a 360 day year consisting of twelve (12) 30-day months.

The amounts due under this Note shall be payable on August 1, 2015, and on each August 1 and February 1 thereafter to and including February 1, 2037, or, if the first should not be a Business Day (as defined in the Development Agreement) the next succeeding Business Day (the "Payment Dates"). On each Payment Date the City shall pay by check or draft mailed to the person that was the Registered Owner of this Note at the close of the last business day of the City preceding such Payment Date an amount equal to the Available Tax Increments (hereinafter defined) received by the City during the six month period preceding such Payment Date. All payments made by the Authority under this Note shall first be applied to accrued interest and then to principal. This Note is prepayable by the Authority, in whole or in part, on any date.

The Payment Amounts due hereon shall be payable solely from 90% of the tax increments (the "Available Tax Increments") from the Development Property (as defined in the Development Agreement) within the City's Tax Increment Financing District Tax Increment Financing District No. 6-15 (the "Tax Increment District") within its Development District No. 6 which are paid to the City and which the City is entitled to retain pursuant to the provisions of Minnesota Statutes, Sections 469.174 through 469.1799, as the same may be amended or supplemented from time to time (the "Tax Increment Act"). This Note shall terminate and be of no further force and effect following the termination of the Tax Increment District, on any date upon which the City shall

have terminated the Development Agreement under Section 9.2 thereof, or on the date that all principal and interest payable hereunder shall have been paid in full, whichever occurs earliest.

The City makes no representation or covenant, expressed or implied, that the Available Tax Increments will be sufficient to pay, in whole or in part, the amounts which are or may become due and payable hereunder.

The City's payment obligations hereunder shall be further conditioned on the fact that no Event of Default under the Development Agreement shall have occurred and be continuing at the time payment is otherwise due hereunder, but such unpaid amounts shall become payable, without interest accruing thereon in the meantime, if said Event of Default shall thereafter have been cured; and, further, if pursuant to the occurrence of an Event of Default under the Development Agreement the City elects to cancel and rescind the Development Agreement, the City shall have no further debt or obligation under this Note whatsoever. Reference is hereby made to all of the provisions of the Development Agreement, including without limitation Section 3.3 thereof, for a fuller statement of the rights and obligations of the City to pay the principal of this Note, and said provisions are hereby incorporated into this Note as though set out in full herein.

This Note is a special, limited revenue obligation and not a general obligation of the City and is payable by the City only from the sources and subject to the qualifications stated or referenced herein. This Note is not a general obligation of the City of Cambridge, Minnesota, and neither the full faith and credit nor the taxing powers of the City are pledged to the payment of the principal of this Note and no property or other asset of the City, save and except the above-referenced Available Tax Increments, is or shall be a source of payment of the City's obligations hereunder.

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

This Note may be assigned only under the provisions specified in Section 8.2 or with the consent of the City which consent will not be unreasonably withheld. In order to assign the Note, the assignee shall surrender the same to the City either in exchange for a new fully registered note or for transfer of this Note on the registration records for the Note maintained by the City. Each permitted assignee shall take this Note subject to the foregoing conditions and subject to all provisions stated or referenced herein.

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

IN WITNESS WHEREOF, City of Cambridge, Minnesota, by its City Council, has caused this Note to be executed by the manual signatures of its Mayor and City Administrator and has caused this Note to be issued on and dated _____, 20__.

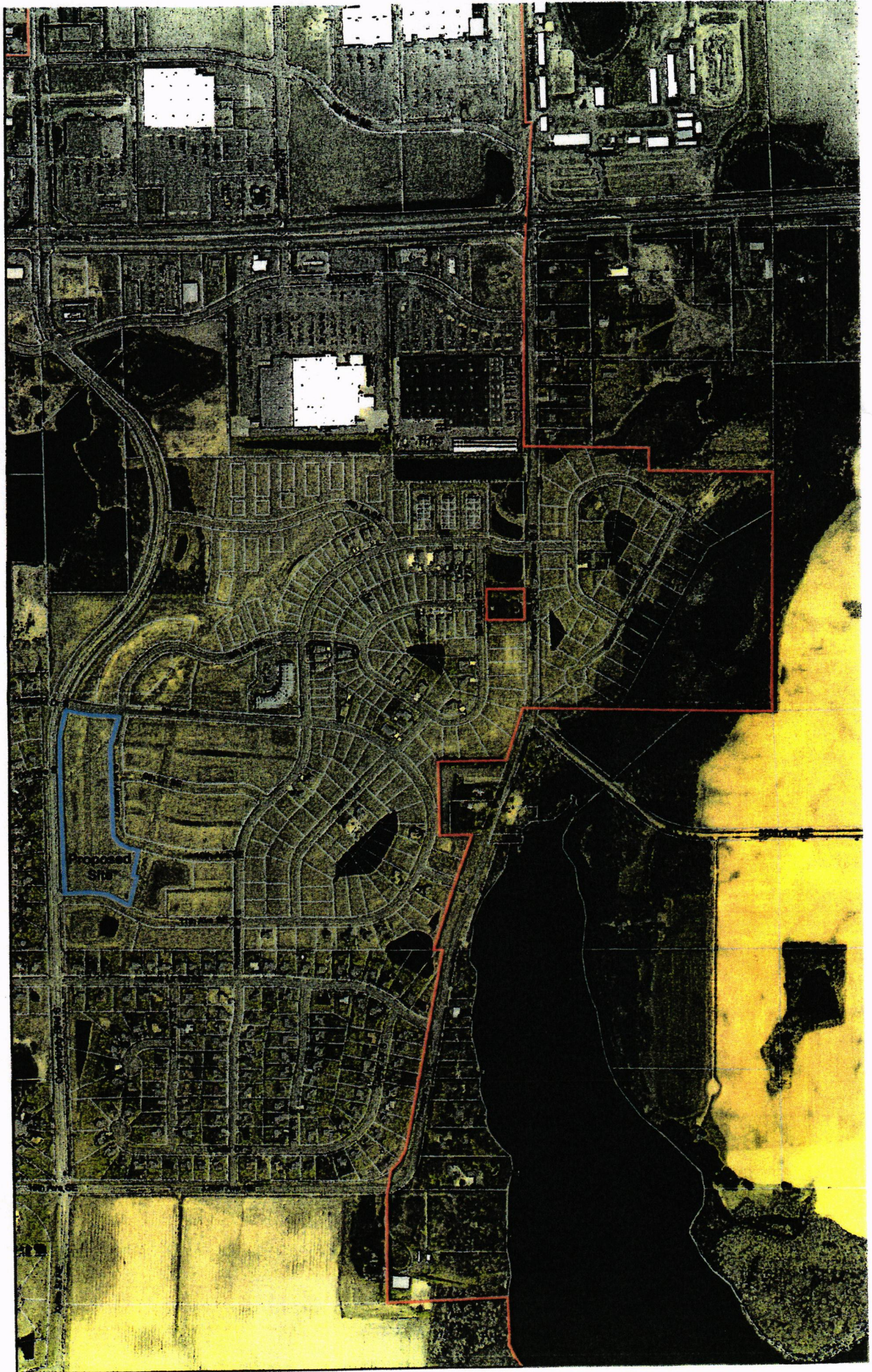
Mayor

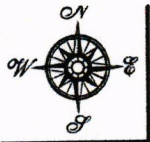
Administrator

CERTIFICATION OF REGISTRATION

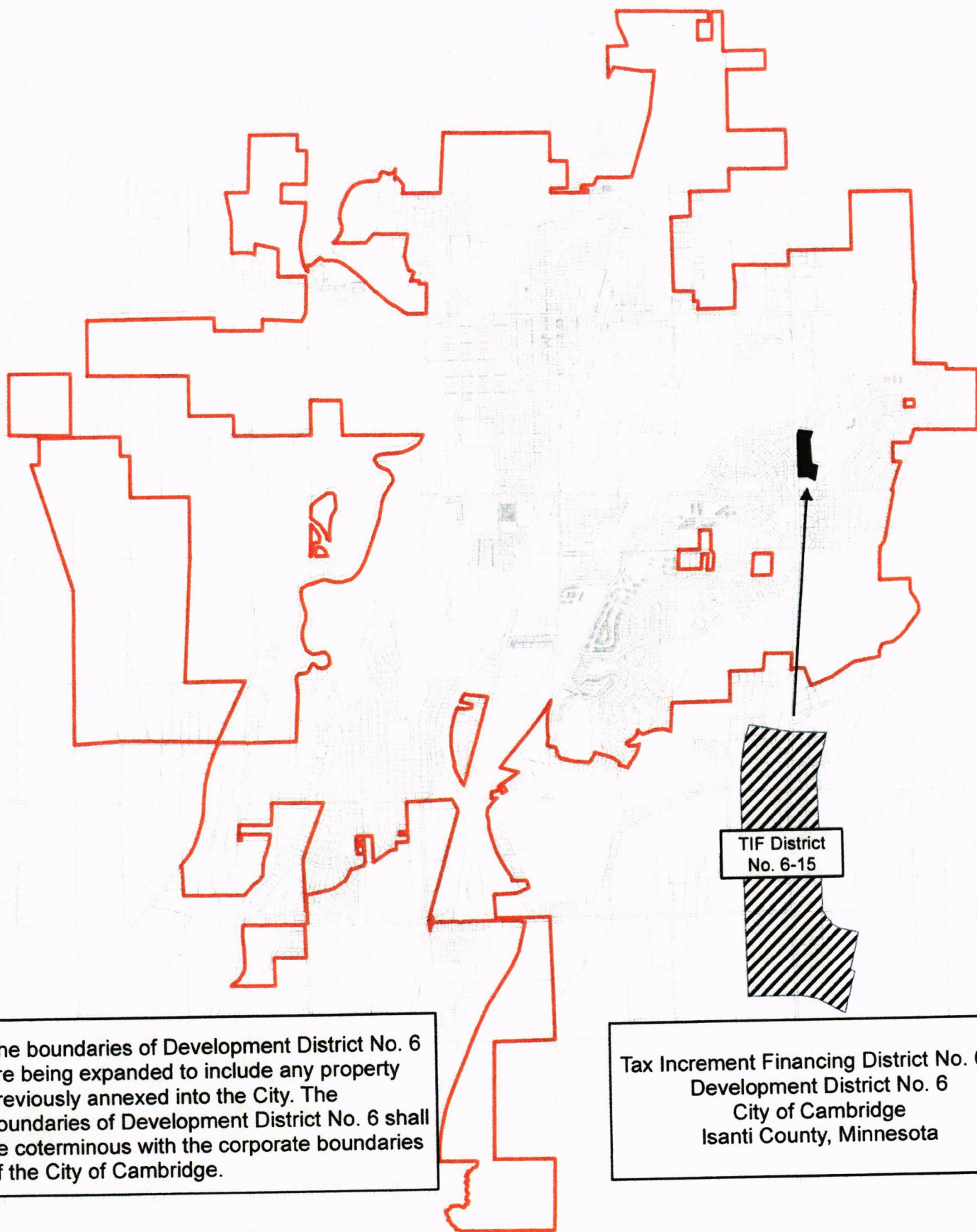
It is hereby certified that the foregoing Note, as originally issued on _____, 20____, was on said date registered in the name of The Preserve at Cambridge, LLC, and that, at the request of the Registered Owner of this Note, the undersigned has this day registered the Note in the name of such Registered Owner, as indicated in the registration blank below, on the books kept by the undersigned for such purposes.

<u>NAME AND ADDRESS OF REGISTERED OWNERS</u>	<u>DATE OF REGISTRATION</u>	<u>SIGNATURE OF CITY ADMINISTRATOR</u>
The Preserve at Cambridge, LLC 2357 Granite View Road Waite Park, Minnesota 56387	_____, 20__	_____
_____	_____, 20__	_____
_____	_____, 20__	_____
_____	_____, 20__	_____
_____	_____, 20__	_____



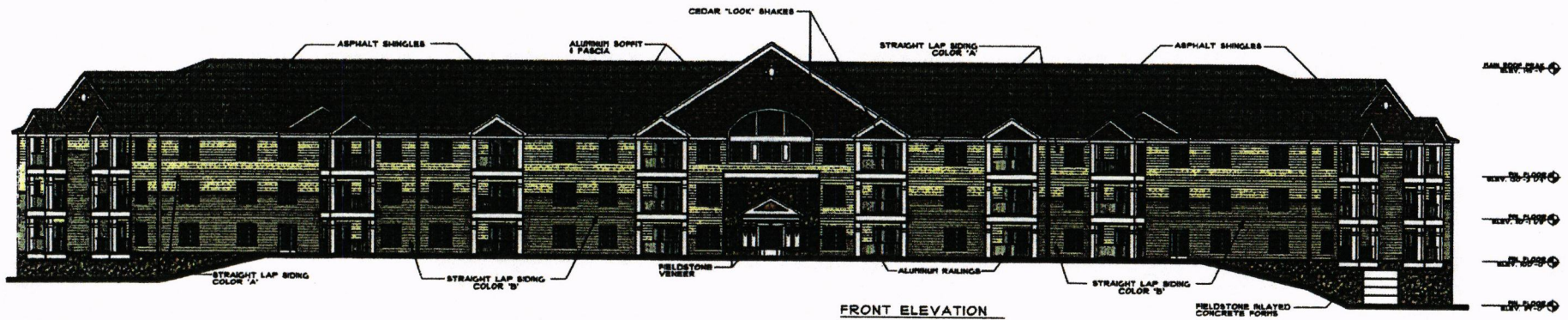


Appendix XXX
Maps of Development District No. 6 and the District



The boundaries of Development District No. 6 are being expanded to include any property previously annexed into the City. The boundaries of Development District No. 6 shall be coterminous with the corporate boundaries of the City of Cambridge.

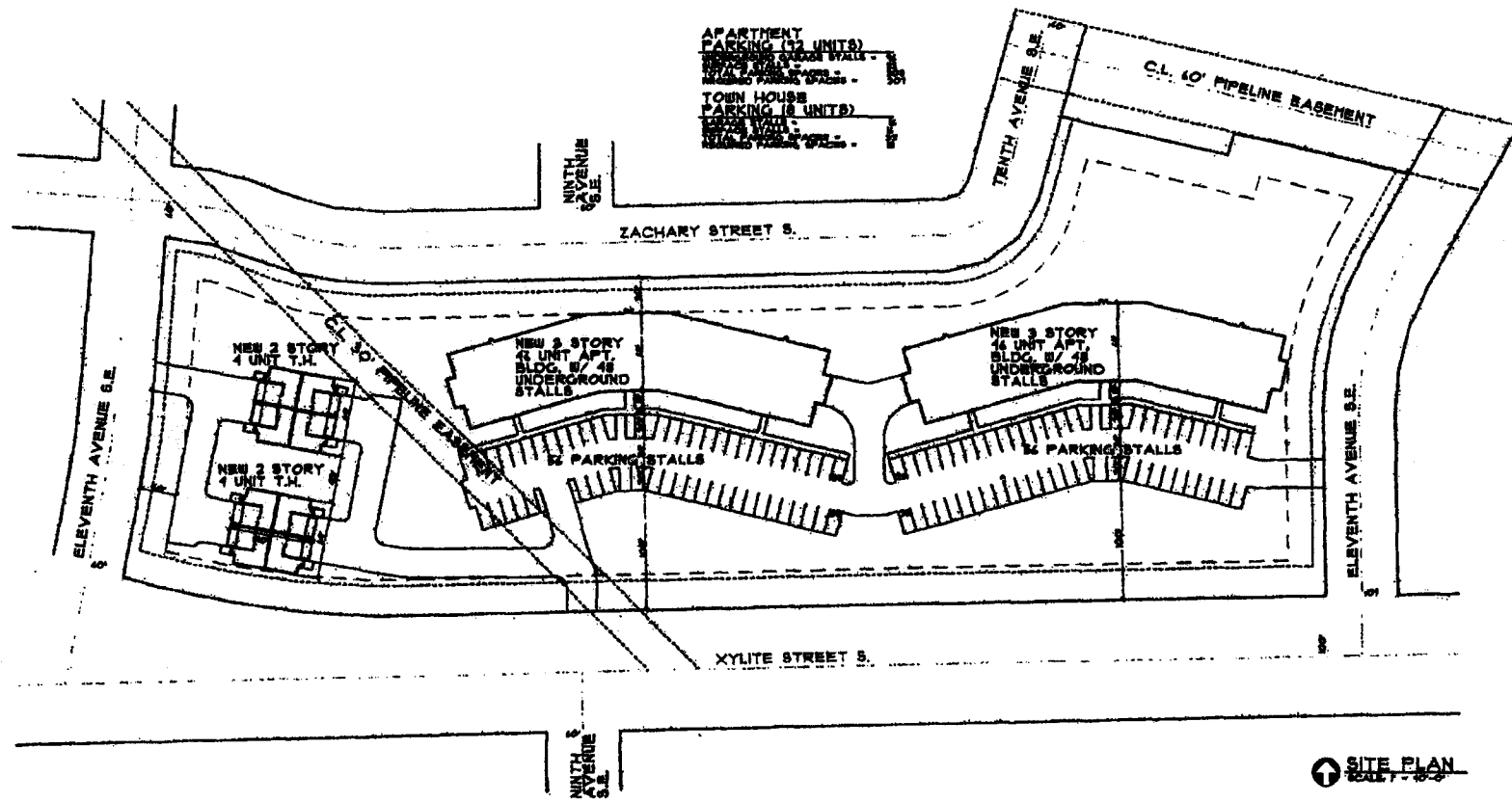
Tax Increment Financing District No. 6-15
Development District No. 6
City of Cambridge
Isanti County, Minnesota



**THE PRESERVE
CAMBRIDGE, MINNESOTA**

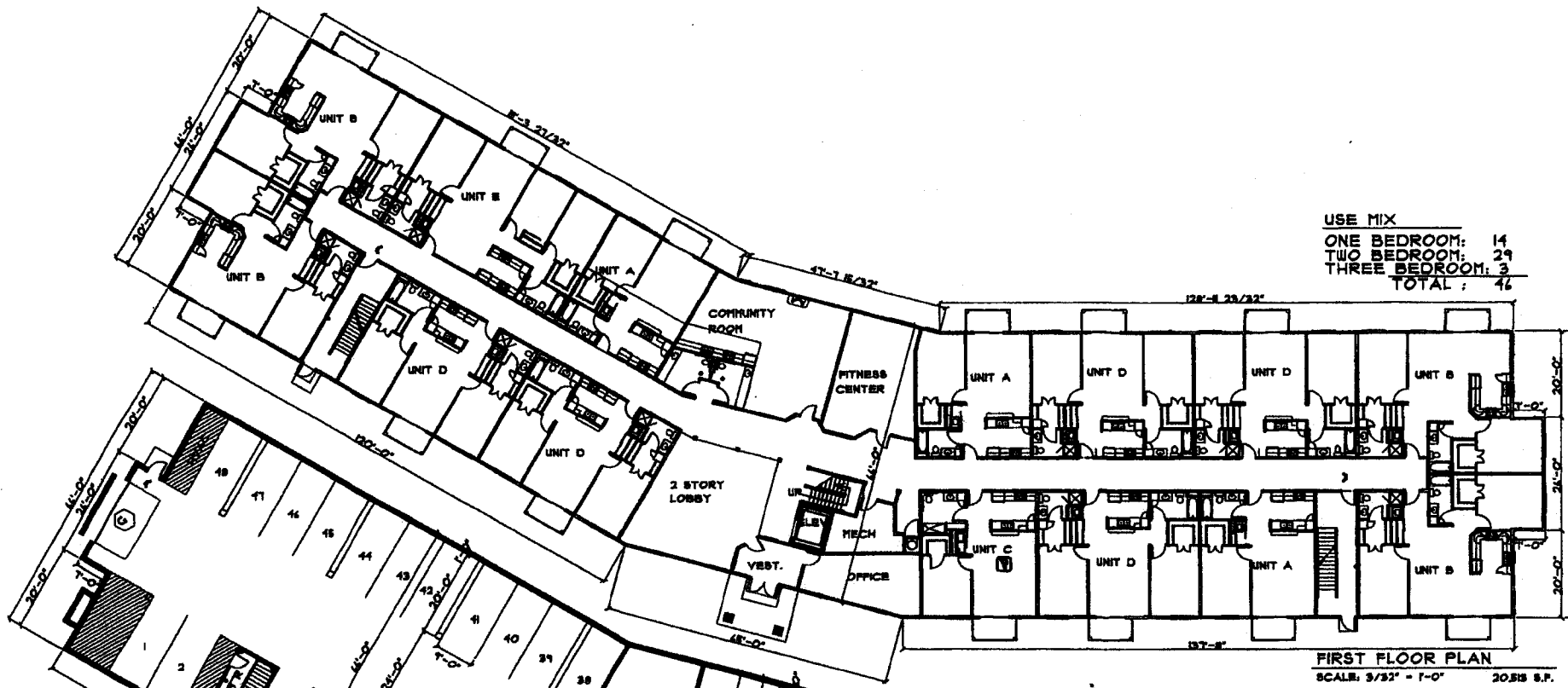
**MICK
CONSTRUCTION,
INC.**
2557 GRANITE VIEW ROAD
WAITE PARK, MN PHONE: 920-255-2185

**COLE GROUP
ARCHITECTS**
216 Park Avenue S., Suite 102 • St. Cloud, MN 56301
Phone: (320) 654-6570 Fax: (320) 330-6570



SITE PLAN
 11/17/83

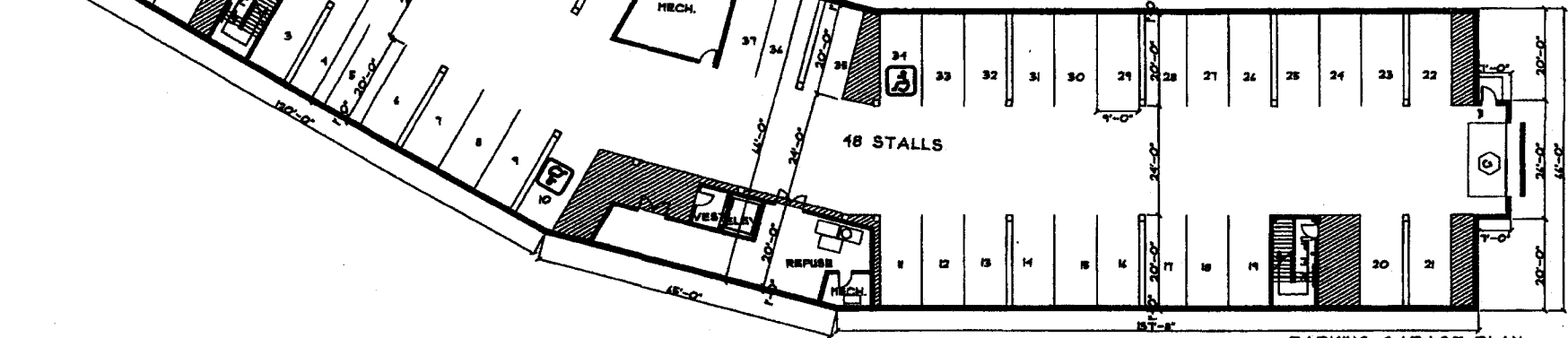




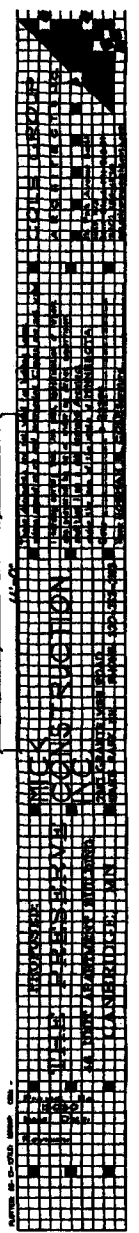
USE MIX

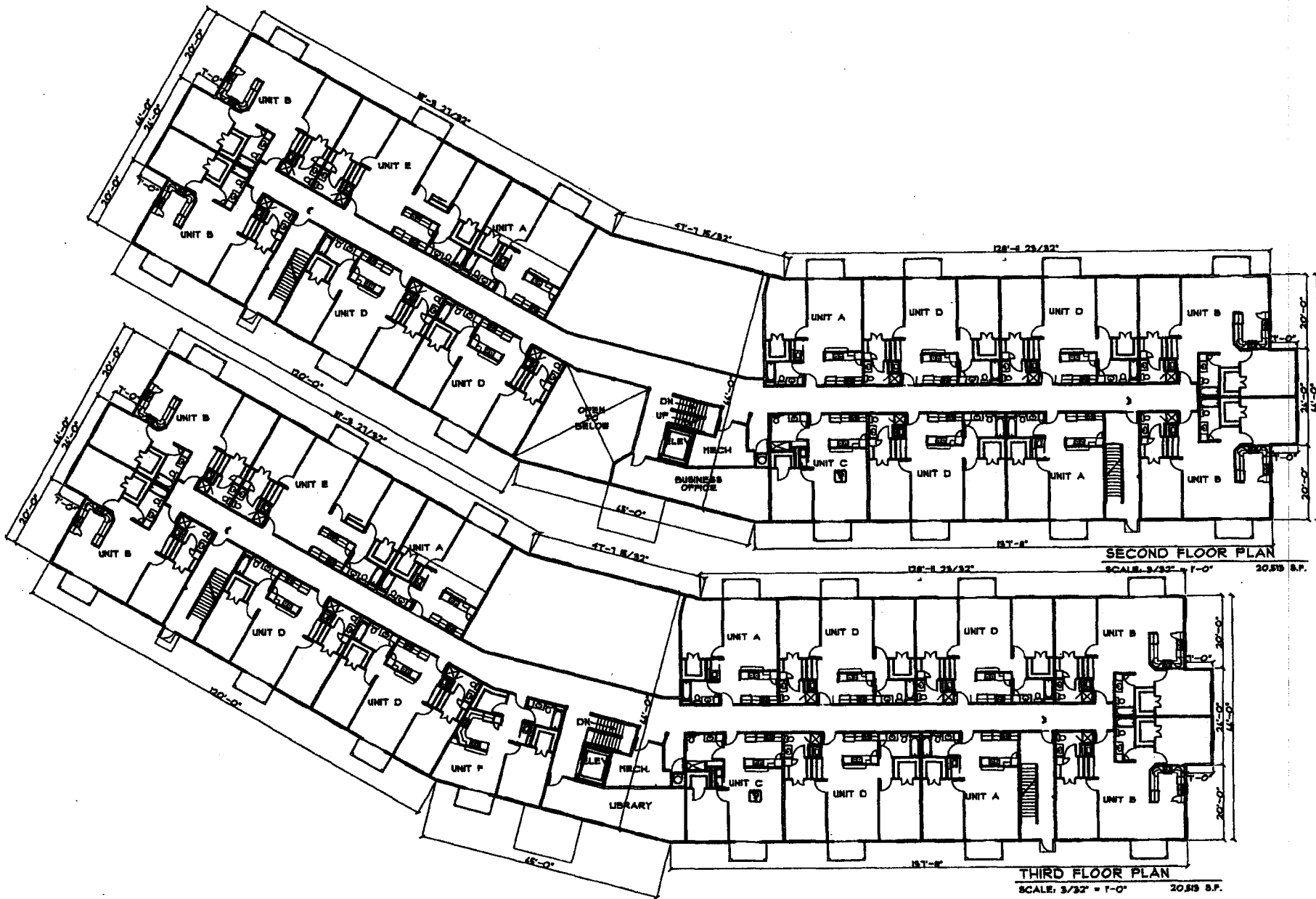
ONE BEDROOM:	14
TWO BEDROOM:	29
THREE BEDROOM:	3
TOTAL :	46

FIRST FLOOR PLAN
SCALE: 3/32" = 1'-0" 20519 S.F.



PARKING GARAGE PLAN
SCALE: 3/32" = 1'-0" 20519 S.F.



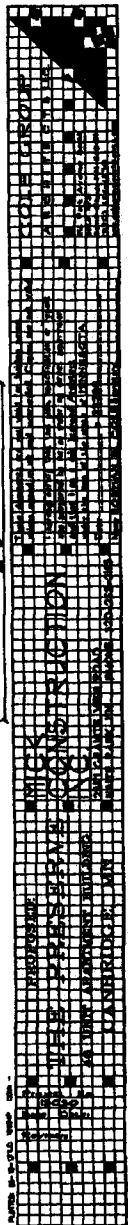


SECOND FLOOR PLAN

SCALE: 3/32" = 1'-0" 20,519 S.F.

THIRD FLOOR PLAN

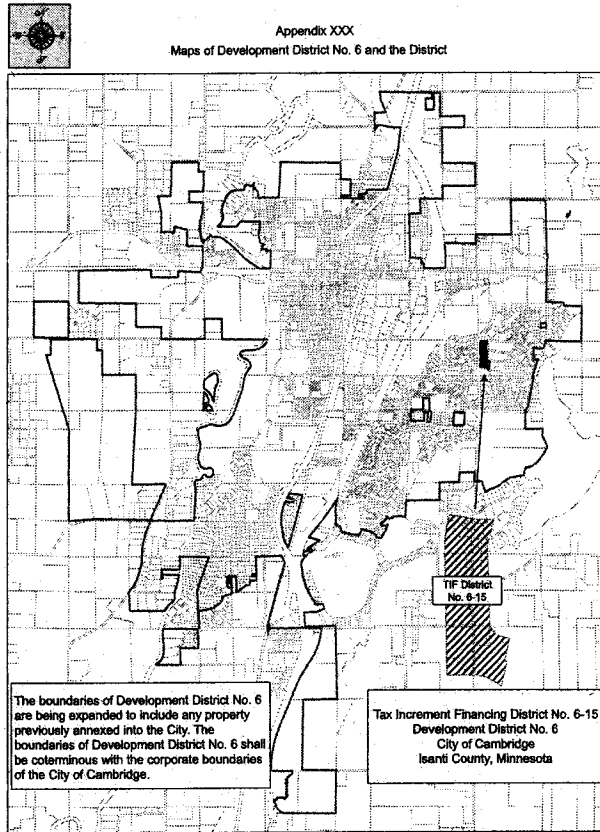
SCALE: 3/32" = 1'-0" 20,519 S.F.



NOTICE OF PUBLIC HEARING
CITY OF CAMBRIDGE
ISANTI COUNTY
STATE OF MINNESOTA

NOTICE IS HEREBY GIVEN that the City Council of the City of Cambridge, Isanti County, State of Minnesota, will hold a public hearing on July 15, 2013, at approximately 6:00 P.M., or soon thereafter, at the Cambridge City Council Chambers in City Hall, 300 Third Avenue NE, Cambridge, Minnesota, relating to the City of Cambridge to adopt a Modification to the Development Program (the "Development Program Modification") for Development District No. 6, establish Tax Increment Financing District No. 6-15 (a housing tax increment financing district) therein, and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Development Program Modification and the TIF Plan are referred to collectively herein as the "Program Modification and TIF Plan"), all pursuant to and in accordance with Minnesota Statutes, Sections 469.124 to 469.134, Sections 469.174 to 469.1794, all inclusive, as amended. Copies of the Program Modification and TIF Plan are on file and available for public inspection at the office of the City Administrator at City Hall.

The property to be included in Tax Increment Financing District No. 6-15 is located within Development District No. 6 in the City of Cambridge. A map of Development District No. 6 and Tax Increment Financing District No. 6-15 is set forth below. Subject to certain limitations, tax increment from Tax Increment Financing District No. 6-15 may be spent on eligible uses within the boundaries of Development District No. 6.



All interested persons may appear at the hearing and present their views orally or prior to the meeting in writing.

BY ORDER OF THE CITY COUNCIL OF THE CITY OF CAMBRIDGE, MINNESOTA

/s/ Lynda J. Woulfe, City Administrator

Published in the ISANTI COUNTY NEWS, July 3, 2013. 3435816