
Cambridge EDA
Meeting Announcement and Agenda
MONDAY, JULY 21, 2014
EDA SPECIAL MEETING BEGINS AT 5:30 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 (p. 1)
3.	Consent Agenda <ul style="list-style-type: none">A. Approve July 7, 2014 EDA meeting minutes (p. 3)B. Approve Resolution EDA R14-007 Application for Payment #2 from Todd Lind Construction for Bridge Park Garage Project (p. 5)
4.	New Business <ul style="list-style-type: none">A. EDA Resolution No. EDA R14-008 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. 6-16 (p. 8)B. Recommend to the City Council the Approval of the Contract for Private Development with Summit Senior Communities LLC at Outlot C Parkwood on the Lakes 4th Addition, Cambridge (p. 8)
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 calling Cambridge City Hall at 763-689-3211 at least three days prior to the meeting.

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**Cambridge Economic Development Authority (EDA)
Regular Meeting Minutes
July 7, 2014**

Pursuant to due call and notice thereof, a regular meeting of the Cambridge Economic Development Authority (EDA) was held on Monday, July 7, 2014 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, and Corey Bustrom

Members Absent: None

Others Present: Executive Director Lynda Woulfe

Call to Order

President Iverson called the meeting to order at 6:04 pm.

Approval of Agenda

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

Consent Agenda

Lewis moved, seconded by Palmer, to approve the consent agenda item A - H as presented:

- A. Approve June 2, 2014 EDA meeting minutes
- B. Approve Housing Division Bills – Check #16695 and ACH, totaling \$63,108
- C. Approve EDA Bills – Check #96568 to #96892, totaling \$29,304.35
- D. Approve Draft Financial Statements
- E. Approve Resolution EDA R14-006 Application for Payment #1 from Todd Lind Construction for Bridge Park Garage Project
- F. Approve Holding a Special meeting on July 21, 2014 at 5:30 pm
- G. Housing Supervisor Report
- H. Resident Meeting Minutes

Upon call of the roll, Bustrom, Caulk, Palmer, Lewis, and Iverson voted aye, no nays. Motion passed unanimously.

New Business

There was no new business.

Unfinished Business

There was no unfinished business.

Adjournment

Lewis moved, seconded by Caulk, to adjourn the meeting at 6:05 p.m. The motion passed unanimously.

Lisa Iverson, President

ATTEST:

Lynda J. Woulfe, Executive Director

DRAFT

Agenda item 3B

EDA Staff Report

**2014 Bridge Park Garage
Construction Project**

July 21, 2014

BACKGROUND

Todd Lind Construction is submitting Pay Request #2 for work completed through July 9, 2014, on the 2014 Bridge Park Garage Construction Project. The City's building inspector has reviewed the pay request and is recommending payment in the amount of \$11,205.58.

The Council awarded this contract to Todd Lind Construction at its March 17th, 2014, meeting and construction began earlier this spring.

COUNCIL ACTION

Staff recommends to EDA to authorize partial payment request No. 2 to Todd Lind Construction for \$11,205.58.

ATTACHMENTS

Resolution EDA R14-007 Authorizing Partial Payment #2 to Todd Lind Construction.

Resolution EDA R14-007

**RESOLUTION ACCEPTING WORK
AND
AUTHORIZING PARTIAL PAYMENT TO
TODD LIND CONSTRUCTION
(BRIDGE PARK GARAGE CONSTRUCTION)**

WHEREAS, pursuant to a written contract signed with the Cambridge EDA, Todd Lind Construction has satisfactorily completed a portion of the Bridge Pak Garage Construction Project in accordance with such contract and;

WHEREAS, the City's building inspector has reviewed the work through July 9, 2014, and recommends payment in the amount of \$11,205.58 (Partial Payment #2);

NOW THEREFORE, BE IT RESOLVED by the Cambridge EDA that the work completed to date under said contract is hereby accepted and approved and;

BE IT FURTHER RESOLVED that the Executive Director is hereby directed to authorize payment on such contract in the amount of \$11,205.58.

Adopted by the Cambridge EDA this 21st day of July, 2014.

Lisa Iverson, EDA President

ATTEST:

Lynda J. Woulfe, Executive Director

Todd Lind Construction
 440 Emerson Street N, Ste 3
 Cambridge, MN 55008

Invoice

Date	Invoice #
7/1/2014	630

Bill To:

CAMBRIDGE Economic Development
 121 South Fern
 Cambridge, Mn. 55008

Company	Item Description	Amount
24 x 34 GARAGE		2,759.73
24' X 34' FLOATING CONCRETE SLAB AND ONE COURSE 6" BLOCK		3,468.09
LUMBER		588.26
2- 9 X 7 GARAGE DOORS		137.44
GUTTERS AND DOWNSPOUTS		1,490.75
Electrical & Lighting		3,351.08
Construction Labor		
<i>901 16500 11,205.58</i> <i>11,205.58</i> <i>OK</i>		

*Jeff Plester -
 owed
 work done thru
 as of 7/9/14*

2ND DRAW REQUEST

Balance Due \$11,795.35

Phone #	Fax #	Cell #
763-552-LIND (5463)	763-552-5464	612-390-5269

- 590 589.71
11,205.58

4 A & B EDA

Resolution No. EDA R14-008 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. 6-16 and approve Contract for Private Development with Summit Senior Communities, LLC

July 21, 2014

Author: Stan Gustafson

Request

The EDA is requested to adopt Resolution No. EDA R14-008 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. 6-16, And adopt the Tax Increment Financing Plan and approve the Contract for Private Development with Summit Senior Communities, LLC.

Background

Staff has been working with developer Peter Jesh with Summit Senior Communities, LLC about constructing a senior housing complex. Through various studies it indicated a need for additional senior housing facility for this area. Summit Development purchased an outlot in Parkwood Development in 2013 and has been working with staff on this potential development. This lot is zoned for Senior Housing and was one of the State Tax Forfeited property's that was purchased from Isanti County.

Parkwood Development is a Planned Unit Development (PUD) that consists of single family, detached townhomes, attached townhomes, twin homes, senior housing and multi-family. Over the past several years majority of these lots and outlots became State Tax Forfeited property and placed up for sale by Isanti County. Within the past couple years more and more lots and outlots are being sold and are starting to development.

Jay Thompson a consultant with View Point Consulting Group prepared a summary of the Senior Housing needs for this area. The summary report shows a current need for additional senior housing in this area, the types of services needed and future needs as well. The report is focused on the needs in Isanti County or Primary Market Area and the unmet demand. The demographics on aging persons for this area and as for many areas throughout the state are increasing sharply and it makes since for this type of development. This development will provide a current need and future need for senior housing. The development will yield both economic and fiscal benefits for the entire community and provide an attractive place to live.

This concept plan was presented to City Council on May 19, 2014 for discussion. The consensus of the Council was to continue to move forward and we are at the final stages for approval. Planning Commission on their July 1, 2014 meeting reviewed and

approved Resolution R14-01 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. No comments were made from commissioners

Staff received an application from Summit Development for the use of Tax Increment Financing (TIF) for this project. All the information was reviewed by Ehlers the City's Financial Advisor and prepare a "But For" analysis. The request is for a pay as you go TIF district where the developer would be responsible for paying all the cost up front and that no City Bonds will be issued. The TIF district can be set up for a total number of years or a dollar amount or both. The TIF District would be a Housing District and will require a certain number of income qualified units.

This analysis indicates a need for the use of TIF to be able to attract investors to obtain the rate of returned needed for this type of project to proceed. Ehlers recommended that the TIF assistance not be any longer than 10 years.

Summit Development plans to build a 70 unit Senior Housing Development. Cambridge Senior Living's preliminary plan is for a three story 70 unit complex consisting of 22 independent living, 24 assisted living and 24 memory care units. The overall project cost is estimated between \$9 and \$11.5 million or \$128,500 to \$168,000 per unit. This facility will have partial underground parking, elevator, staff lounge, maintenance room, workshop, lobby, dining area, several day rooms, several offices, library, creative arts room, community room, card room and salon. The Tax Increment requested is up to \$843,950.00 or up 10 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.

Of the 70 units, 11 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 2014.**

Mark Ruff of Ehlers & Associates is in attendance to present the Tax Increment Financing Plan.

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. 6-16 and approve Contract for Private Development with Summit Senior Communities, LLC.

PROPOSED ACTION

A motion from the EDA approving Resolution No. EDA R14-008 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. 6-16 as presented and forward to the City Council for their approval.

Attachments:

Contract for Private Development
Tax Increment Financing Plan prepared by Ehlers
EDA Resolution EDA R14-008
Proposed site (TIF Map)
Preliminary Building Plans
Public hearing notice
But For Analysis
Planning Commission Resolution R14-01
Draft Planning Commission Minutes
View Point Consulting Group Summary report

CITY COUNCIL COPY 7-21-14

CONTRACT FOR PRIVATE DEVELOPMENT

By and Between

CITY OF CAMBRIDGE, MINNESOTA

and

SUMMIT SENIOR COMMUNITIES, LLC

Parkwood On the Lakes 4th Addition Outlot C

Dated: _____, 2014

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

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THIS AGREEMENT made and entered into as of this ____ day of _____, 2014, by and between the CITY OF CAMBRIDGE, MINNESOTA, a public body corporate and politic under the laws of Minnesota (“City”) and Summit Senior Communities, 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. 6-16 (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 one new 70 unit three story Senior Housing Building and, in conjunction with the project, intends to construct parking areas, sidewalks, street lighting and , landscaping as identified in Exhibit B (the “Minimum Improvements”) and 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 \$842.950.00 .

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 exempt from consideration as a “business subsidy” to the Developer pursuant to Minnesota Statutes, sections 116J.993 to 116J.995, as amended (the “Business Subsidy Act”) because the assistance is for a housing development; 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 Summit Senior Communities, 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 construction of one 70 unit Senior Housing building to be known as Summit Senior Communities, LLC at Parkwood and the construction of parking areas in conjunction with the one building 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.

“ Minimum Improvements” means the construction of one 70 unit Senior Housing building to be known as Summit Senior Communities, LLC at Parkwood and the construction of parking areas in conjunction with the one building as described in Exhibit B.

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

“Public Development Costs” means costs to construct parking areas, sidewalks, street lighting, landscaping 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 \$842,950.00 (the Note”), a copy of which is attached hereto as Exhibit D.

“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 Senior Housing building to be known as the Summit Senior Communities, LLC and the 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 initial costs to construct the Minimum Improvements on the Development Property

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 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 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 Improvements, as described in and limited by Section 3.1 and shall have submitted paid invoices for the costs of construction of the Improvements in an amount not less than the Reimbursement Amount.

(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 5% 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, 2016, 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 \$12,000. 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 Minimum Improvements by October 1, 2015. Subject to Unavoidable Delays, the Developer shall complete the construction of the Minimum Improvements by September 30, 2016. All work with respect to the 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.

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 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) commercial general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual liability insurance) 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) Commercial 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. Such subordination shall not include compliance with the income limits found in Section 3.4.

Section 7.3. Land and Site Improvement Costs. The City agrees to reimburse Developer for Public Development Costs. The City will reimburse the Developer solely for eligible costs in an amount not to exceed \$842,950.00 for improvements to be secured solely by the Available Tax Increment from TIF District 6-16. 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 the TIF District.

(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, 2017 and concluding no later than February 1, 2027 (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 Development Costs exceed the net proceeds of the Note, such excess is the sole responsibility of Developer.

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 Minimum Improvements have been constructed, 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 Peter Jesh, Summit Senior Communities, LLC 1 Southwest 7th St, Chisholm, MN 55719; 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 _____, 2014 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

“ Minimum Improvements” means the construction of one 70 unit Senior Housing building to be known as Summit Senior Communities, LLC , the construction of building & parking areas in conjunction with the Senior Housing building, as described in Exhibit B.

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 Summit Senior Communities, 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 \$842,950.00 as provided in that certain Development Agreement, dated as of _____, 2014, 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, 2017, and on each August 1 and February 1 thereafter to and including February 1, 2027, 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 No. 6-16 (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>
Summit Senior Communities, LLC 1 Southwest 7 th St Chisholm , Minnesota 55719	_____, 20__	_____
_____ _____ _____	_____, 20__	_____
_____ _____ _____	_____, 20__	_____
_____ _____ _____	_____, 20__	_____

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D-1

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*As of June 25, 2014
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. 6-16
(a housing district)**

within

Development District No. 6

City of Cambridge
Isanti County
State of Minnesota

Public Hearing: July 21, 2014
Adopted:



EHLERS

Prepared by: EHLERS & ASSOCIATES, INC.
3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105
651-697-8500 fax: 651-697-8555 www.ehlers-inc.com

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(for reference purposes only)

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**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. 6-16.

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.

Section 2 - Tax Increment Financing Plan for Tax Increment Financing District No. 6-16

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. 6-16 (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 469.133*, inclusive, as amended, and *M.S., Sections 469.174 to 469.1794*, 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 and adjacent and internal rights-of-way. The District is being created to facilitate the construction of 70 units of Assisted Living/Senior Care in the City. Please see Appendix A for further District information. The City has not entered into an agreement with a developer at the time of preparation of this TIF Plan, but development is likely to occur in 2014. 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 parcel located within 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 469.1794*, 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.
- The development will consist of 70 units of senior 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 2016, 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 2041, 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 2014 for taxes payable 2015.

Pursuant to *M.S., Section 469.177, Subs. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2016) 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 2015, assuming the request for certification is made before June 30, 2015. The ONTC and the Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4* and *M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within 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 2016. The tax rate used for calculations is the actual Pay 2014 rate. The tax capacities listed are based on actual Pay 2014 figures. The District will be certified under the actual Pay 2015 rates, which were unavailable at the time this TIF Plan was prepared. 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)	\$74,375	
Original Estimated Net Tax Capacity (ONTC)	\$606	
Estimated Captured Tax Capacity (CTC)	\$73,769	
Original Local Tax Rate	2.00397887	Pay 2014
Estimated Annual Tax Increment (CTC x Local Tax Rate)	\$147,832	
Percent Retained by the City	100%	

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 and an interfund loan. 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	\$3,755,513
<u>Interest</u>	<u>\$375,551</u>
TOTAL	\$4,131,064

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 \$2,279,825. 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 the construction of 70 units of Assisted Living/Senior Care. The City has determined that it will be necessary to provide assistance to the project(s) 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	\$0
Site Improvements/Preparation	\$400,000
Utilities	\$200,000
Other Qualifying Improvements	\$1,304,274
<u>Administrative Costs (up to 10%)</u>	<u>\$375,551</u>
PROJECT COST TOTAL	\$2,279,825
<u>Interest</u>	<u>\$1,851,239</u>
PROJECT AND INTEREST COSTS TOTAL	\$4,131,064

The total project cost, including financing costs (interest) listed in the table on the prior page 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			
	2013/Pay 2014 Total Net Tax Capacity	Estimated Captured Tax Capacity (CTC) Upon Completion	Percent of CTC to Entity Total
Isanti County	24,584,359	73,769	0.3001%
City of Cambridge	5,343,082	73,769	1.3806%
Cambridge-Isanti ISD No. 911	18,344,601	73,769	0.4021%

IMPACT ON TAX RATES				
	Pay 2014 Extension Rates	Percent of Total	CTC	Potential Taxes
Isanti County	0.667543	33.31%	73,769	49,244
City of Cambridge	0.920533	45.94%	73,769	67,907
Cambridge-Isanti ISD No. 911	0.413427	20.63%	73,769	30,498
Other	0.002476	0.12%	73,769	183
Total	2.003979	100.00%		147,832

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the actual Pay 2014 rate. The total net capacity for the entities listed above are based

on actual Pay 2014 figures. The District will be certified under the actual Pay 2015 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 \$3,755,513;
- (2) Probable impact of the District on city provided services and ability to issue debt. No significant impact of the District on police protection is expected. The Cambridge police department does track all calls for service including property-type calls. With any addition of new residents or businesses, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment.

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 \$245,025 in sanitary sewer (SAC) and water (WAC) connection fees.

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 \$774,762;
- (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 \$1,250,961;
- (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:

- Senior Housing Demand Report by Viewpoint Consulting Group: August 30, 2013.
- TIF Application from the developer

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 2018 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 469.133;*
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 469.133*. 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

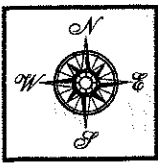
Project Description

A private developer, Summit Senior Communities, has proposed a three story building consisting of 22 independent living rental housing units, 24 assisted living rental units, and 24 memory care units. To qualify for a housing tax increment district, the developer must certify on an annual basis that at least 20% of the units are occupied by persons at or below 50% of median income (approximately \$29,000 for a one person household in 2014). Typically, assisted living units and memory care units with affordability components are paid through a state program known as “elderly waiver”. This program provides payments to the building owners for rent and medical/other services at a level lower than market rate rents.

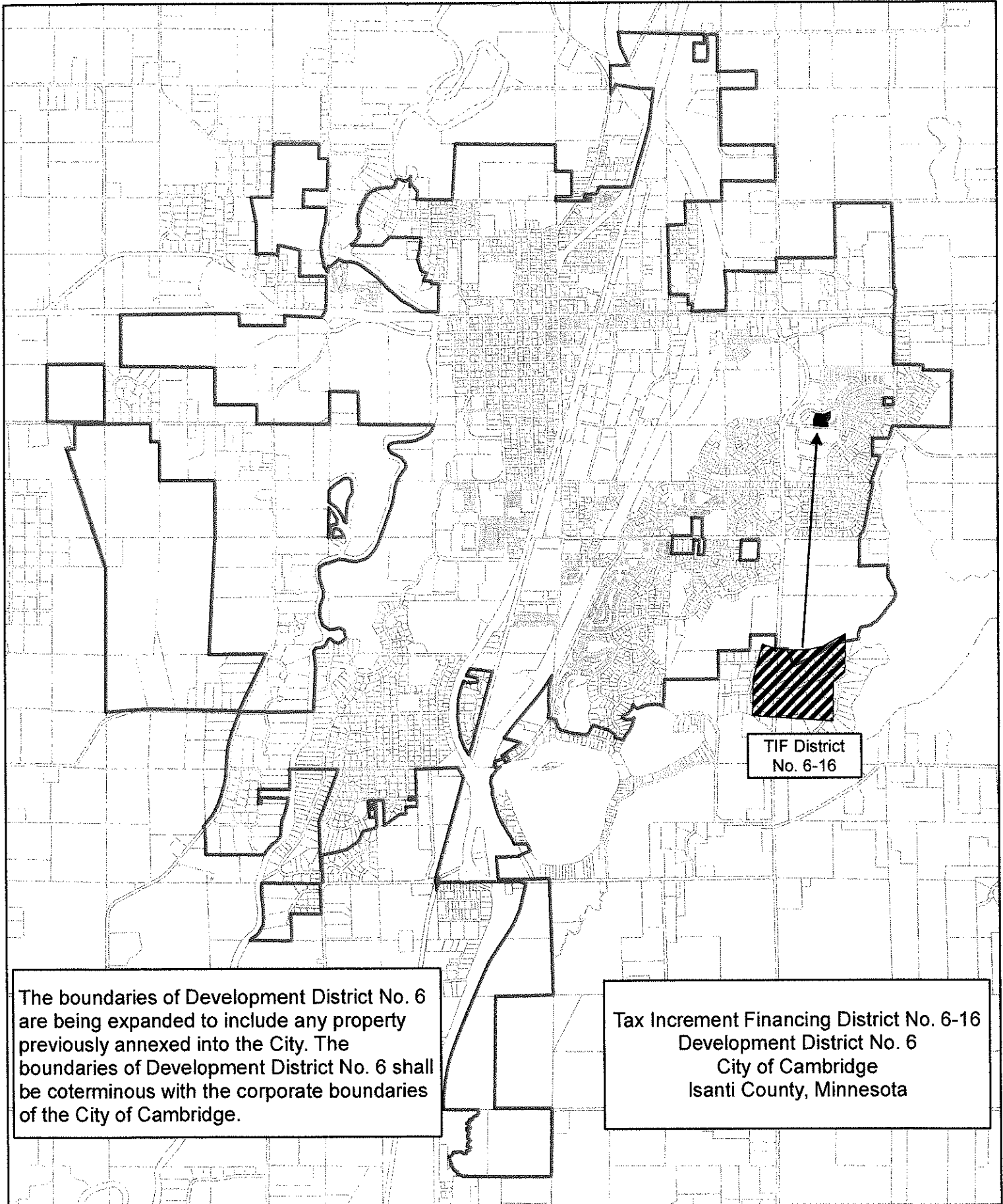
The City expects to offer tax increment for a 10 to 15 year period to the developer on a “pay-as-you-go” basis. The developer has provided financial information which justifies tax increment assistance during the early years of the development.

Appendix B

Map(s) 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(s) listed below.

<u>Parcel Numbers</u>	<u>Address</u>	<u>Owner</u>
15.176.0030		Summit Senior Communities, LLC

Appendix D
Estimated Cash Flow for the District



Summit Communities
 City of Cambridge, MN
 70 Unit Assisted Living/Senior Care

PROJECT INFORMATION (Project Tax Capacity)										
Area/Phase	New Use	Senior Rental	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed	First Year Payable
			85,000	85,000	70	\$,950,000	Rental	74,375	100%	2017
TOTAL						\$,950,000		74,375	100%	2017

Note:

1. Market values are based upon assessor's estimates April, 2014 email

TAX CALCULATIONS						
	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	State-wide Property Taxes	Market Value Taxes	Taxes Per Sq. Ft./Unit
New Use	74,375	0	74,375	0	6,485	2,221.87
Senior Rental	74,375	0	74,375	0	6,485	2,221.87
TOTAL	148,750	0	148,750	0	12,970	2,221.87

Note:

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

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	155,531
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(6,485)
less Base Value Taxes	(1,215)
Annual Gross TIF	147,831



% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	State Auditor 0.35%	Admin. at 10%	Semi-Annual		PERIOD ENDING Yrs.	Tax Year	Payment Date	
									Gross Tax Increment	Net Tax Increment				
100%	37,188	(606)	-	36,581	200.398%	73,308	(132)	(3,652)	32,870	29,204	0.5	2016	08/01/15	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	32,870	57,558	1	2016	02/01/17	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	113,070	1.5	2017	08/01/17	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	166,966	2	2017	02/01/18	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	219,281	2.5	2018	08/01/18	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	270,093	3	2018	02/01/19	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	319,415	3.5	2019	08/01/19	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	367,300	4	2019	02/01/20	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	413,791	4.5	2020	08/01/20	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	458,927	5	2020	02/01/21	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	502,749	5.5	2021	08/01/21	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	545,294	6	2021	02/01/22	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	586,601	6.5	2022	08/01/22	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	626,704	7	2022	02/01/23	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	665,639	7.5	2023	08/01/23	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	703,440	8	2023	02/01/24	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	740,140	8.5	2024	08/01/24	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	775,771	9	2024	02/01/25	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	810,365	9.5	2025	08/01/25	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	843,950	10	2025	02/01/26	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	876,558	10.5	2026	08/01/26	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	908,216	11	2026	02/01/27	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	938,951	11.5	2027	08/01/27	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	968,792	12	2027	02/01/28	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	997,763	12.5	2028	08/01/28	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,025,891	13	2028	02/01/29	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,053,199	13.5	2029	08/01/29	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,079,712	14	2029	02/01/30	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,105,453	14.5	2030	08/01/30	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,130,444	15	2030	02/01/31	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,154,707	15.5	2031	08/01/31	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,178,263	16	2031	02/01/32	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,201,134	16.5	2032	08/01/32	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,223,338	17	2032	02/01/33	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,244,895	17.5	2033	08/01/33	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,265,825	18	2033	02/01/34	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,286,145	18.5	2034	08/01/34	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,305,873	19	2034	02/01/35	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,325,026	19.5	2035	08/01/35	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,343,622	20	2035	02/01/36	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,361,676	20.5	2036	08/01/36	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,379,204	21	2036	02/01/37	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,395,222	21.5	2037	08/01/37	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,412,744	22	2037	02/01/38	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,428,784	22.5	2038	08/01/38	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,444,358	23	2038	02/01/39	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,459,478	23.5	2039	08/01/39	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,474,158	24	2039	02/01/40	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,488,410	24.5	2040	08/01/40	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,502,246	25	2040	02/01/41	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,515,680	25.5	2041	08/01/41	
100%	74,375	(606)	-	73,769	200.398%	147,831	(266)	(7,365)	66,284	1,528,723	26	2041	02/01/42	
Total										3,749,032	(13,469)	3,735,563		
Present Value From 08/01/2014										1,704,748	(6,137)	1,698,611		
Present Value Rate 5.00%										1,704,748	(6,137)	1,698,611		

Appendix E

Housing Qualifications for the District

INCOME RESTRICTIONS - ADJUSTED FOR FAMILY SIZE (HOUSING DISTRICT) - Isanti County Isanti County MEDIAN INCOME: \$82,900		
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	\$50,400

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. 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 2014.

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. 6-16, as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 6-16 is a housing district as defined in M.S., Section 469.174, Subd. 11.*

TIF District No. 6-16 consists of one parcel. The development will consist of senior rental housing. 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 statewide median income. 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. The developer provided a proforma outlining the project sources and uses as well as a 15 year projection on annual revenues and expenses. City staff and the City's financial advisor reviewed the pro forma and has determined that project is not feasible without tax increment assistance because of several factors including the relatively high amount of equity necessary for financing a rental development, the lease-up time necessary to fill senior housing developments in Cambridge, the relatively low return on equity in the early years of the development, and the below market rents paid to the project by state reimbursement programs for lower income residents provide. The term of assistance for the initial 70 unit development is expected to be much less than the maximum 26 year term of a housing district. Any other affordable developments receiving tax increments will be subject to a financial analysis in the future.

3. *Finding that the TIF Plan for Tax Increment Financing District No. 6-16 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. 6-16 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.

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

RESOLUTION NO. EDA R14-008

**RESOLUTION RECOMMENDING THE CITY COUNCIL ADOPT A
MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT
DISTRICT NO. 6, ESTABLISH TAX INCREMENT FINANCING DISTRICT NO.
6-16 THEREIN AND ADOPT THE TAX INCREMENT FINANCING PLAN
THEREFOR.**

WHEREAS, There is a proposal to adopt a modification to the Development Program for Development District No. 6 (the "Development Program Modification"), establish Tax Increment Financing District No. 6-16 ("TIF District No. 6-16"), 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 469.133, 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:

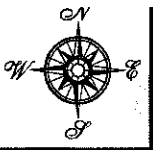
1. The EDA hereby finds that the Program Modification and TIF Plan conform in all respects to the requirements of the Act and will increase employment in the state.
2. The EDA further finds that the Program Modification and TIF Plan will afford maximum opportunity, consistent with the sound needs of 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 21st day of July, 2014.

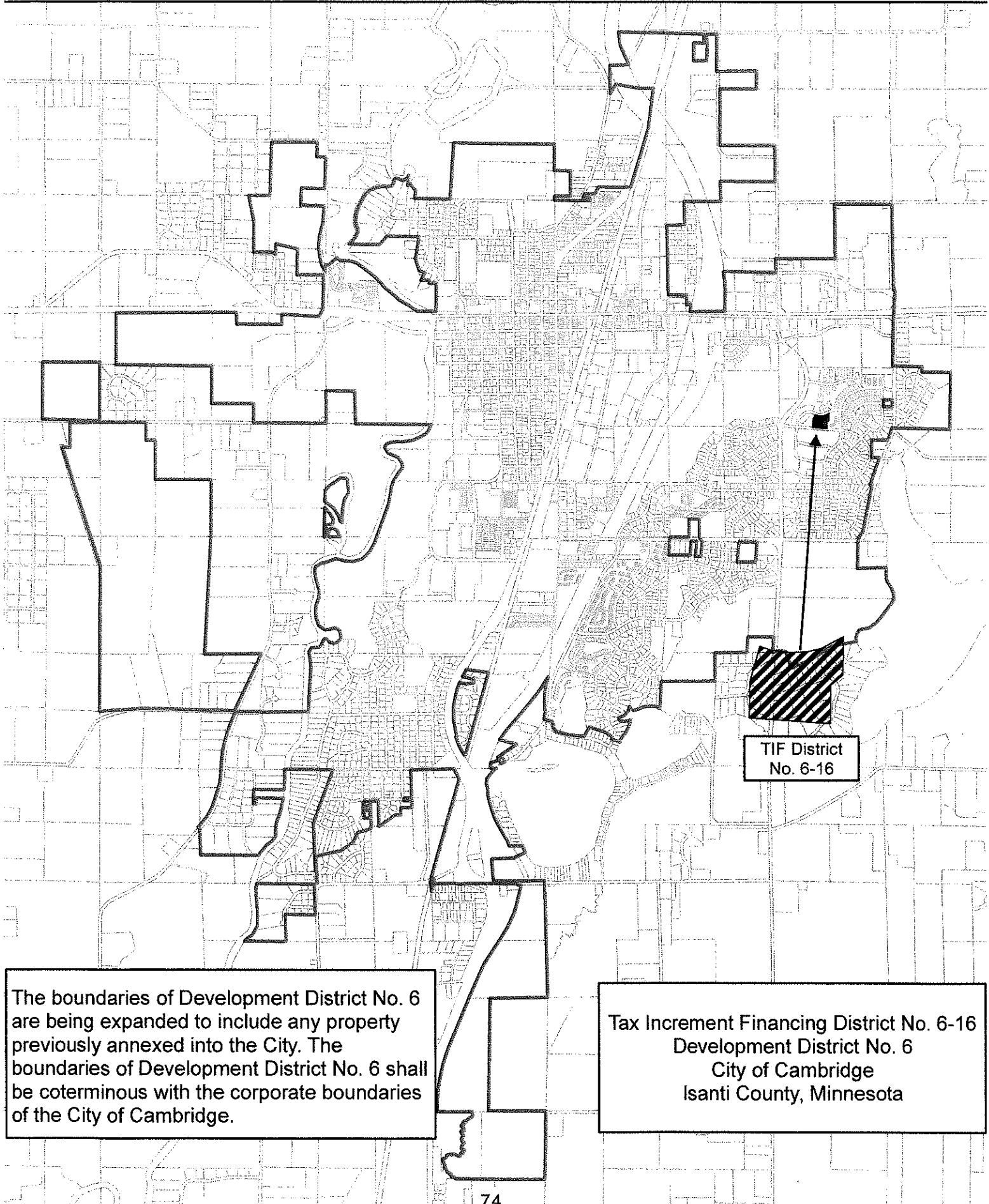
Chair

ATTEST:

Secretary



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

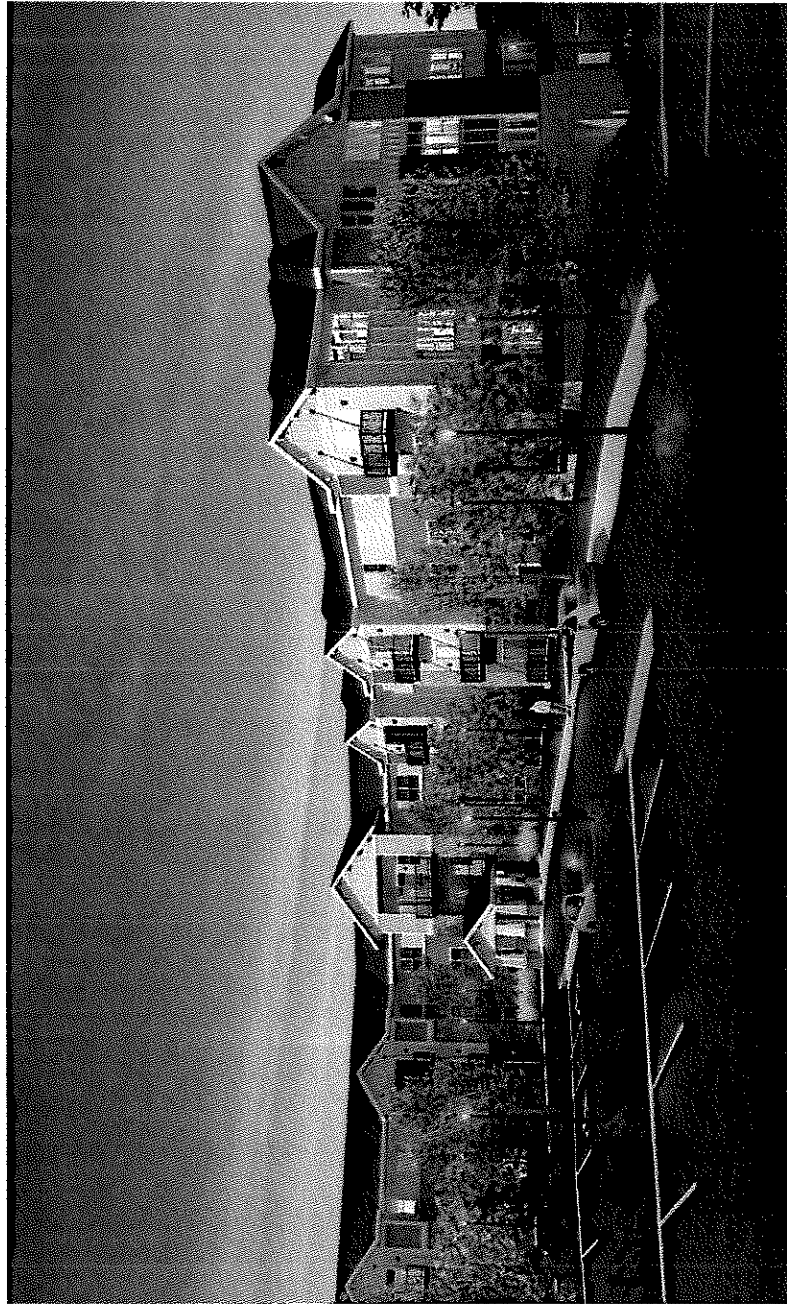


The boundaries of Development District No. 6 are being expanded to include any property previously annexed into the City. The boundaries of Development District No. 6 shall be coterminous with the corporate boundaries of the City of Cambridge.

Tax Increment Financing District No. 6-16
Development District No. 6
City of Cambridge
Isanti County, Minnesota

Cambridge Senior Living

6th Lane SE, Cambridge, MN



ARTIST'S RENDERING OF SIMILAR PROJECT - VILLAGE COMMONS IN SAVAGE, MN



LOCATION MAP

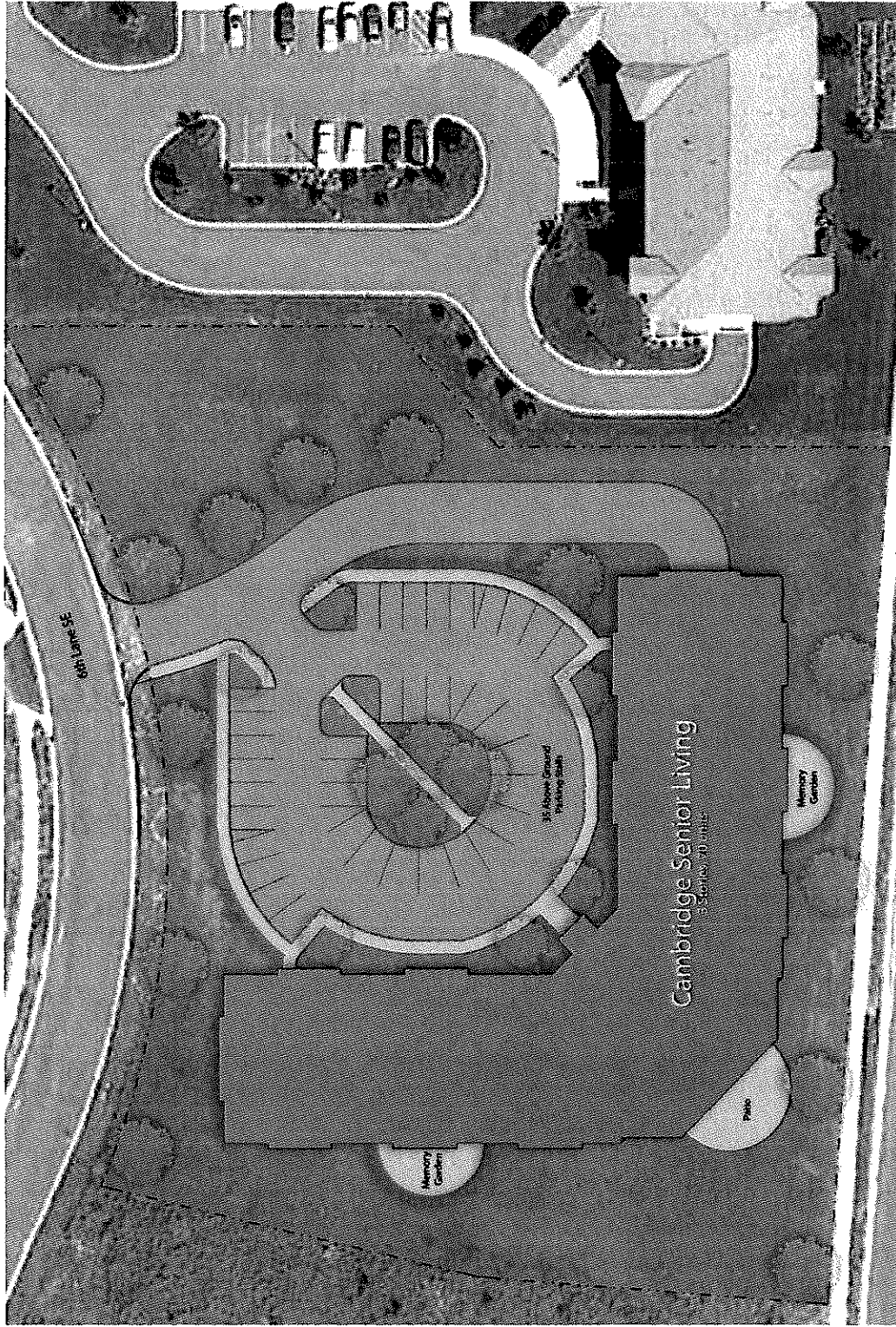
KW
 K&W
 2104 4th Avenue S, Suite B
 Minneapolis, MN 55404
 Tel: (612) 875-6985
 Fax: (612) 875-6986

Project Number:
 Issue Date:

1327
 SD - 01/23/14

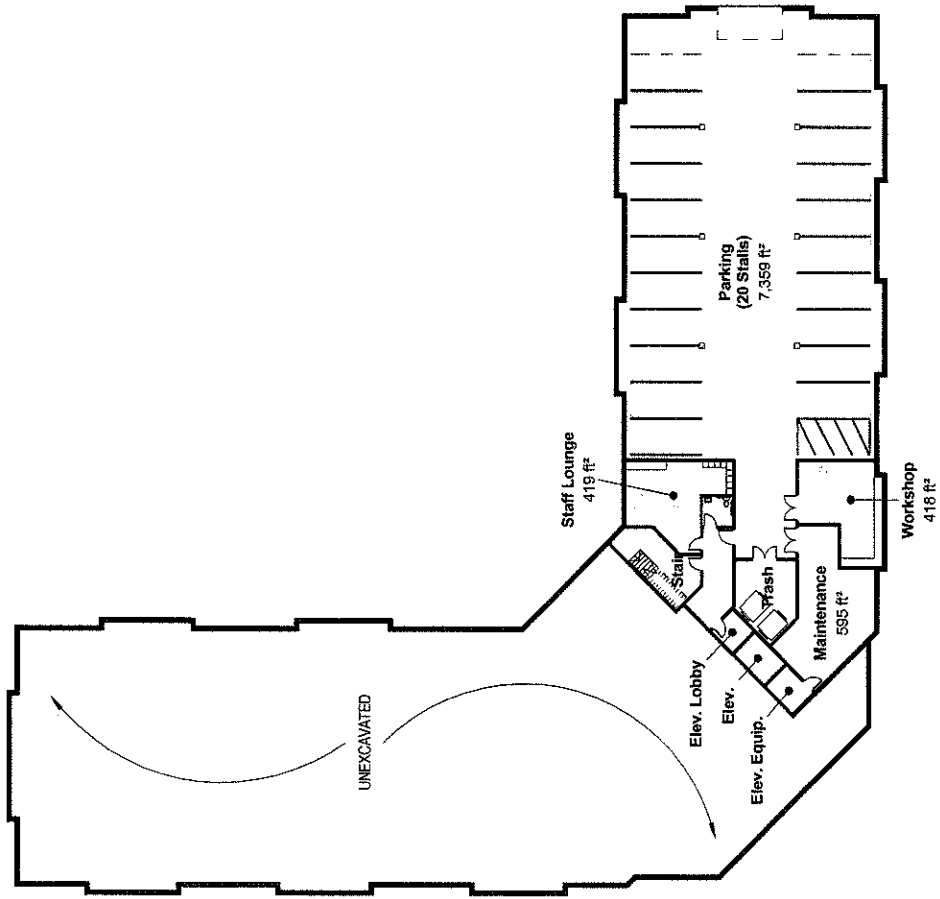
Revision Number:
 Revision Date:

Cover Sheet
 SD000



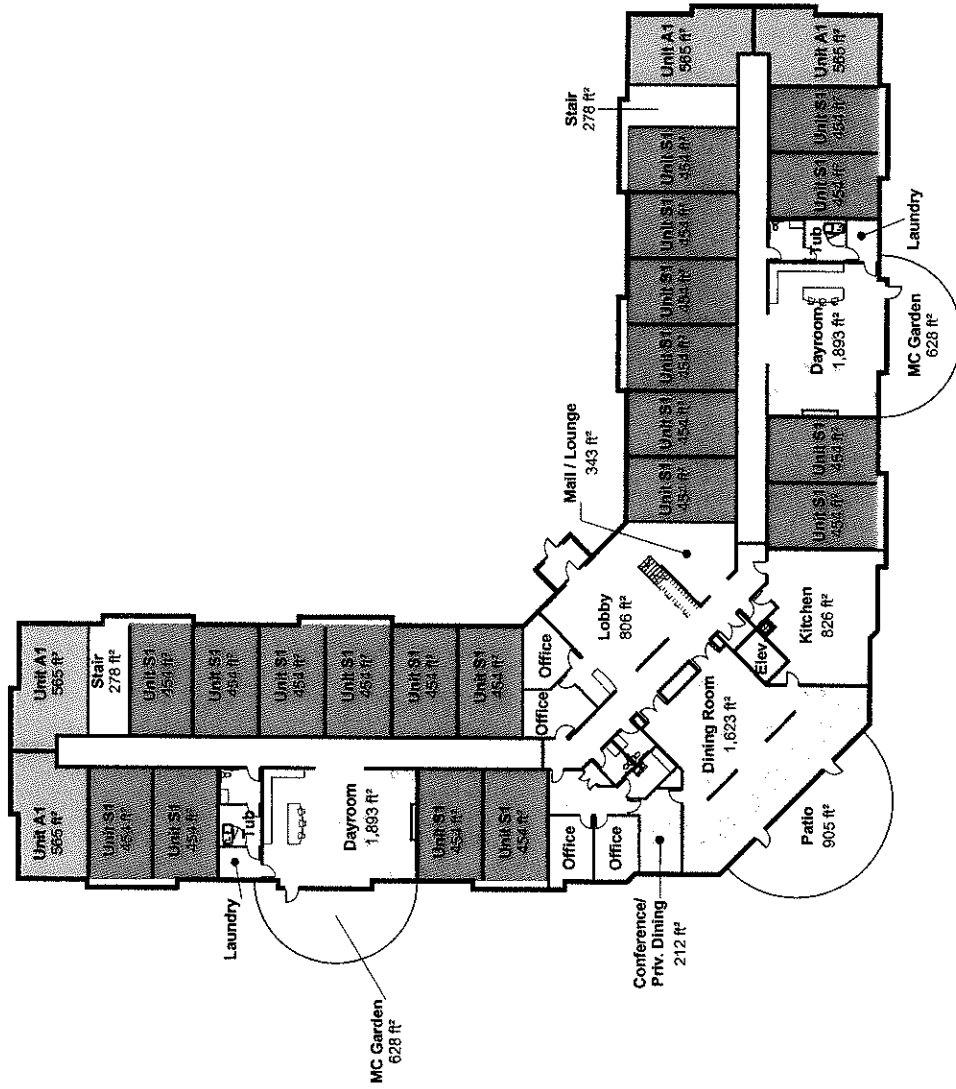
① Site Plan
 1" = 40'-0"

	2104 4th Avenue S. Suite B Minneapolis, MN 55404 Tel: (612) 975-9900 Fax: (612) 975-9900		Project Number: 1327 Issue Date: SD - 01.28.14	Revision Number: Revision Date:	Site Plan SD120
	Cambridge Senior Living				



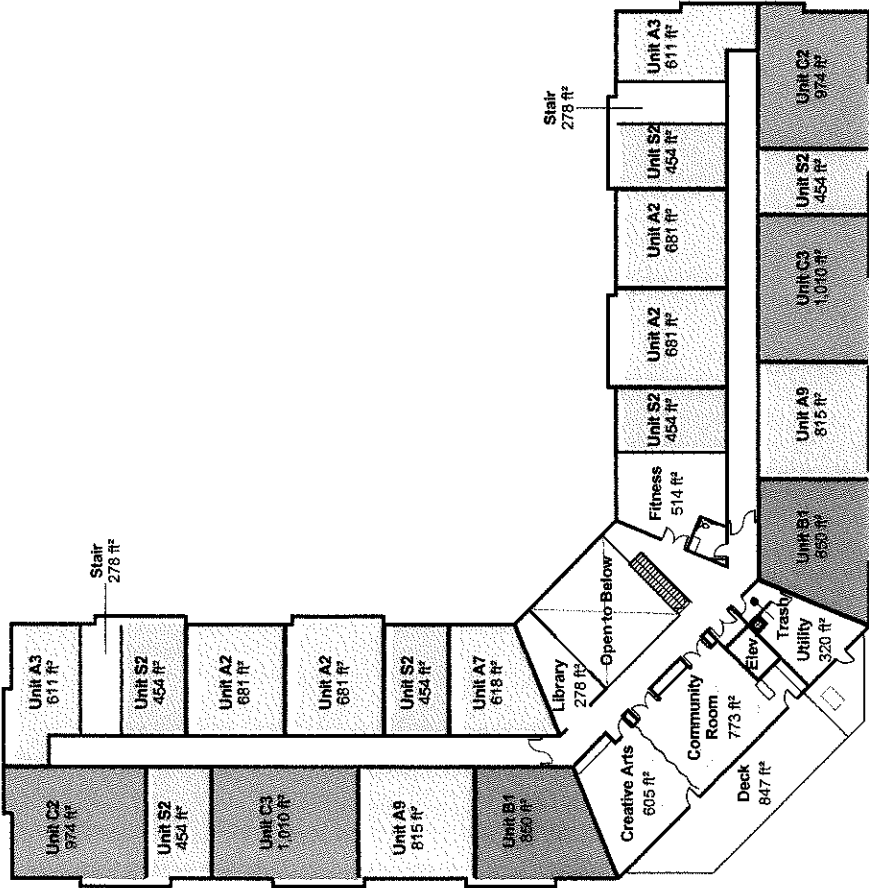
① Level -1
1" = 30'-0"

	2124 4th Avenue S. Suite B Minneapolis, MN 55404 tel: (612) 875-5000 fax: (612) 875-5006		Project Number: Issue Date:	1327 SD - 01.29.14	Revision Number: Revision Date:	Garage Level SD300



1 Level 1
1" = 30'-0"

	2104 4th Avenue S. Suite B Minneapolis, MN 55404 Tel: (612) 875-8966 Fax: (612) 875-8966		Project Number: Issue Date:	1327 SD - 01/20/14	Revision Number: Revision Date:	First Floor SD301



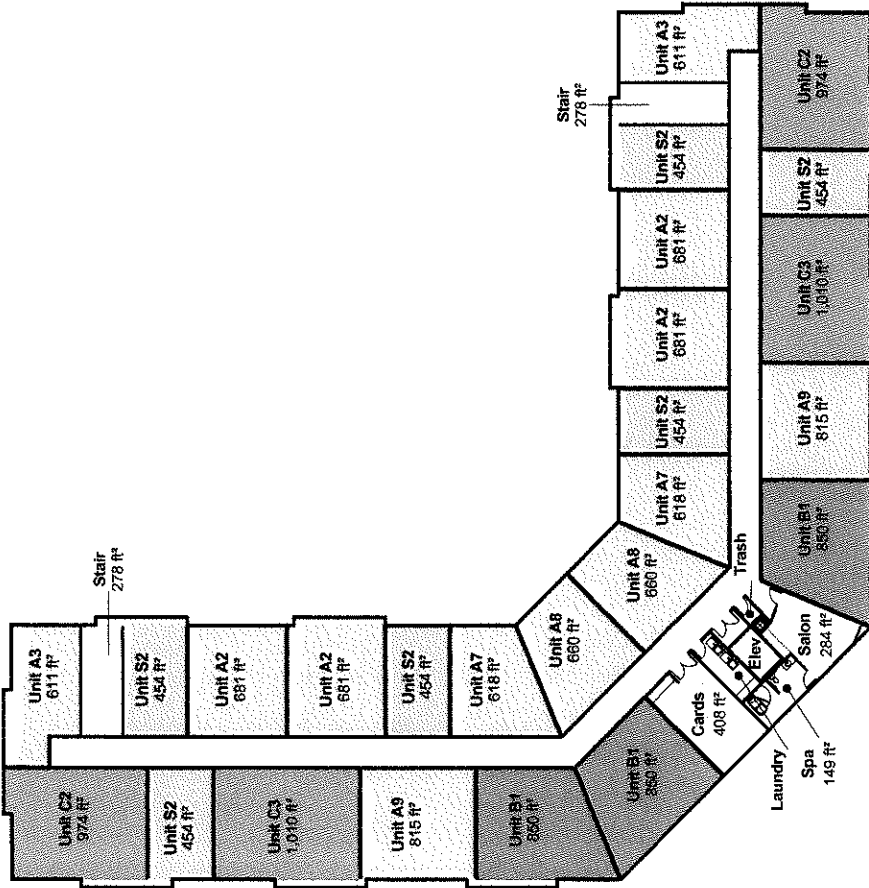
1 Level 2
1" = 30'-0"

Project Number:
Issue Date:

Revision Number:
Revision Date:

2104 4th Avenue S, Suite B
Minneapolis, MN 55404
Tel: (612) 875-0000
Fax: (612) 875-0005





1 Level 3
1" = 30'-0"

Project Number:	1327	Revision Number:	
Issue Date:	SD - 01.26.14	Revision Date:	

2104 4th Avenue S, Suite B
Minneapolis, MN 55404
tel: (612) 979-6900
fax: (612) 979-6886



AFFIDAVIT OF PUBLICATION

STATE OF MINNESOTA)
) ss
COUNTY OF ISANTI)

Charlene Vold being duly sworn on an oath, states or affirms that they are the Authorized Agent of the newspaper(s) known as:

Isanti County News

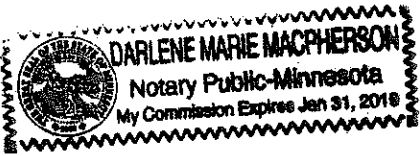
and has full knowledge of the facts stated below:

- (A) The newspaper has complied with all of the requirements constituting qualification as a qualified newspaper as provided by Minn. Stat. §331A.02, §331A.07, and other applicable laws as amended.
- (B) This Public Notice was printed and published in said newspaper(s) for 1 successive issues; the first insertion being on 07/09/2014 and the last insertion being on 07/09/2014.

By: Charlene Vold
 Authorized Agent

Subscribed and sworn to or affirmed before me on 07/09/2014.

Darlene M MacPherson
 Notary Public



Rate Information:

(1) Lowest classified rate paid by commercial users for comparable space:
 \$10.75 per column inch

Ad ID 247345

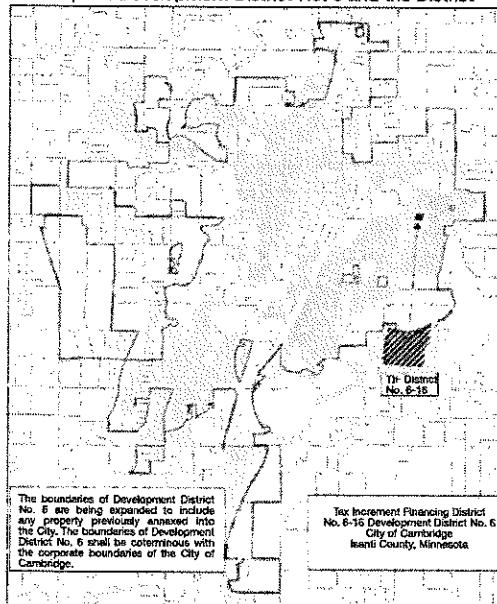
**CITY OF CAMBRIDGE
NOTICE OF PUBLIC HEARING
ISANTI COUNTY
STATE OF MINNESOTA**

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 21, 2014, at approximately 6:00 P.M. at the City Council Chambers in City Hall, 300 Third Ave NE, Cambridge, Minnesota, relating to the City of Cambridge's (the "City") proposed adoption of a Modification to the Development Program for Development District No. 6 (the "Development Program Modification"), the proposed establishment of Tax Increment Financing District No. 6-16 (a housing tax increment financing district) within Development District No. 6, and the proposed adoption of a Tax Increment Financing Plan (the "TIF Plan") therefor (collectively, the "Program and Plan"), pursuant to Minnesota Statutes, 469.124 to 469.133 and Sections 469.174 to 469.1794, all inclusive, as amended. Copies of the Program and 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. 6-16 is located within Development District No. 6 and the City of Cambridge. A map of Development District No. 6 and Tax Increment Financing District No. 6-16 therein is set forth below. Subject to certain limitations, tax increment from Tax Increment Financing District No. 6-16 may be spent on eligible uses within the boundaries of Development District No. 6.

Appendix XXX

Maps of Development District No. 6 and the District

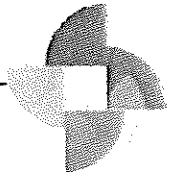
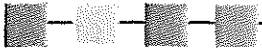


All interested persons may appear at the hearing and present their views orally or prior to the meeting in writing.

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

/s/ City Administrator

Published in the Isanti County News July 9, 2014 247345



Memo

To: Stan Gustafson, City of Cambridge
From: Mark Ruff, Ehlers
Date: April 23, 2014
Subject: Financial and "But For" Analysis for Senior Housing Proposal

The City has received a request for tax increment assistance for a 70 unit senior housing project, located at 8th Avenue SE and Roosevelt Street. The building will include 22 independent living units, 24 assisted living units and 24 memory care units.

This memo is intended to discuss the following:

- Amount of TIF available
- Our review of the underlying economics of the development and its "need" for assistance
- Options for the Council to consider if it moves forward

TIF Available

The development is expected to generate approximately \$148,000 per year in tax increment ("TIF"), as shown in the chart below.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	155,531
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(6,485)
less Base Value Taxes	(1,215)
Annual Gross TIF	147,831

The developer has requested 25 years of tax increment. After the 10% City retainage for administration, this equates to \$3.2M over the life of the district or \$1,500,000 in today's dollars at a 6% interest rate. The request is for pay-as-you-go assistance, so the developer is responsible for paying all of the costs up-front. No City bonds or direct loans would be involved in the transaction. The developer will finance the costs and receive a semi-annual payment from the TIF received by the City. If the TIF decreases, the developer takes the loss. If the TIF increases, the City is not obligated to pay more than the original amount approved.

Because the proposed multi-family project is in a housing district, the TIF must be used to benefit persons with low to moderate incomes. The developer has chosen to have 20% of the units occupied by persons below 50% of median income. These income restrictions will remain

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for the term of the TIF assistance. The developer has indicated that it expects to meet the income restrictions by having 11 of the one bedroom independent living units occupied by persons with incomes of approximately \$29,400 or less for a single person and slightly higher with two people. The rent on the unit is not restricted and is currently expected to be \$1,500 per month. The remaining 3 units required to be income restricted are expected to be assisted living units at \$2,800 per month, paid through a state program known as elderly waiver. This program is designed for persons who have spent all their assets.

Economics of the Request

The developer has indicated that it plans to construct a 3-story building with one partial level of underground parking. The developer currently owns the land. We have recreated the developer's pro forma, which is attached. In addition, we have assembled a TIF cash flow based upon the assessor's estimated value for the units, which also is attached.

The total project costs are \$11,765,000, or \$168,000 per unit. The TIF request would be 12.75% of total project costs, at a \$1.5M level of assistance over 25 years.

SOURCES			
	<u>% OF TOTAL</u>	<u>\$/UNIT</u>	<u>TOTALS</u>
DEVELOPER FINANCING SERIES A	80.00%	94,120	9,412,000
DEVELOPER EQUITY	20.00%	23,530	2,353,000
SUBTOTAL	100.00%	168,071	11,765,000
	0.00%	0	
	0.00%	0	
	0.00%	0	
OTHER SOURCES	0.00%	0	0
TOTAL SOURCES	100.00%	168,071	11,765,000

USES				
	<u>Per Unit</u>	<u>% OF TOTAL</u>	<u>SUBTOTAL</u>	<u>TOTALS</u>
Development Budget				11,765,058
Land Acquisition	243	0.14%	17,000	
New Construction	128,571	76.50%	9,000,000	
FF&E	6,206	3.69%	434,434	
Construction Conting.	2,571	1.53%	180,000	
Architect & Eng.	3,929	2.34%	275,000	
Engineer	614	0.37%	43,000	
Finance Fees	750	0.45%	52,500	
Capitalized Interest	2,571	1.53%	180,000	
Marketing	2,516	1.50%	176,124	
Developer Fee	7,143	4.25%	500,000	
Closing Costs	1,429	0.85%	100,000	
Contingency	2,957	1.76%	207,000	
Rent up Reserve	8,571	5.10%	600,000	
		0.00%		0
TOTAL USES	168,072.26	100.00%		11,765,058

While the developer has continued to refine the numbers, they are still estimates at this time. They have not yet received construction bids or finalized their financing. 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.

Analysis of Economics

The first step in this type of 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 and affordability
6. Return on equity

Analysis

1. The land price is well below industry standards for the area. The purchase price is \$17,000, a very low price for over two acres of land that is served with utilities. Therefore the TIF is not being used to subsidize the previous land owner.
2. The unit rents/service costs appear to be within the market range for similar senior housing developments. The rents are expected to increase 3.5% annually. These rent increases are on the upper end of industry standards.
3. The construction costs for the building are on the higher end of industry standards for the metropolitan area. Hard construction is \$128,500 per unit and overall the project is at \$168,000 per unit. We suggest that the developer disclose all construction cost detail including builders profit and overhead and whether those fees are payable to third parties or not. Due to the high projected construction costs, we also recommend the City consider a "look back" provision. This provision would require the developer to reconcile the projected costs of the project with the actual costs. If the costs are lower than expected, the TIF note could be reduced as well.

Construction contingency and soft cost contingency are less than 4%, which is common for this type of project.

4. The developer has indicated that they will be taking a development fee of \$500,000, or 4.25% of project costs. This fee is within the typical range for similar projects.
5. The assumption is a loan for 80% of the project at a 6% interest rate with an amortization of 25 years. Typically we see these types of developments at a 30 or a 35 year amortization. However, the developer has discussed the risks of a rising interest rate environment which may result in a higher interest rate, which offsets the shorter amortization.
6. From a pure economic return on equity analysis, one could make the argument that the developer has demonstrated a need for TIF assistance. Without assistance, Ehlers estimates that the annual rate of return on equity in the first years would be 5.7%. These returns, projected without TIF assistance, are not high enough to attract equity investors

to the project. The question is how much assistance is necessary to make the project viable.

With the TIF assistance at 90% of increment for 10 years, the annual cash on cash return would increase to an average of 10% the first year. We do not recommend that the TIF assistance be longer than 10 years in total and could be shorter pending negotiations with the developer. The main risk for the developer in this type of senior housing is the early years of the development. Slow rent up of the facility is possible, which would significantly reduce the return on equity. However, once the facility is fully occupied, the return on equity is substantial given the forecasted rent increases. This means TIF is not as necessary in the long term.

As a condition of the TIF, the City could also discuss lowering the rents for the independent living one bedrooms to make them more affordable for the renters with a more limited income.

Please let us know if you have questions.

**PLANNING COMMISSION
CITY OF CAMBRIDGE, MINNESOTA**

RESOLUTION NO. R14-01

**RESOLUTION OF THE CITY OF CAMBRIDGE PLANNING COMMISSION
FINDING THAT A MODIFICATION TO THE DEVELOPMENT PROGRAM
FOR DEVELOPMENT DISTRICT NO. 6 AND A TAX INCREMENT
FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 6-16
CONFORM TO THE GENERAL PLANS FOR THE DEVELOPMENT AND
REDEVELOPMENT OF THE CITY.**

WHEREAS, the City of Cambridge (the "City") has proposed to adopt a Modification to the Development Program for Development District No. 6 (the "Development Program Modification") and a Tax Increment Financing Plan for Tax Increment Financing District No. 6-16 (the "TIF Plan") therefor (the Development Program Modification and the TIF Plan are referred to collectively herein as the "Program Modification and TIF Plan") and has submitted the Program Modification and TIF Plan to the City Planning Commission (the "Commission") pursuant to Minnesota Statutes, Section 469.175, Subd. 3, and

WHEREAS, the Commission has reviewed the Program Modification and TIF Plan to determine their conformity with the general plans for the development and redevelopment of the City as described in the comprehensive plan for the City.

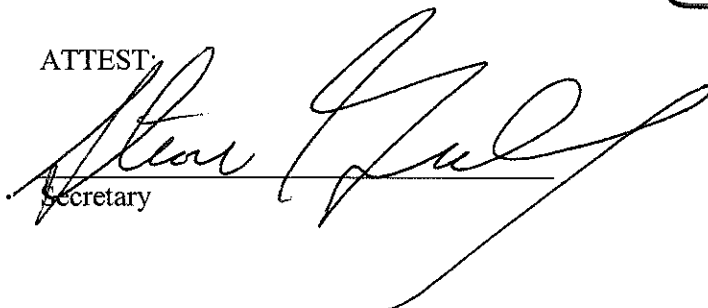
NOW, THEREFORE, BE IT RESOLVED by the Commission that the Program Modification and TIF Plan conform to the general plans for the development and redevelopment of the City as a whole.

Dated: July 1, 2014



Chair

ATTEST:



Secretary

PLANNING COMMISSION MEETING MINUTES

Tuesday, July 1, 2014

Pursuant to due call and notice thereof, a regular meeting of the Cambridge Planning Commission was held at Cambridge City Hall, 300 – 3rd Avenue NE, Cambridge, Minnesota.

Members Present: Chad Struss, Shirley Basta, John Klossner, Corey Bustrom, John Erlandson, and Bob Erickson

Members Absent: Jim Godfrey (excused)

Others Present: Stan Gustafson, Economic Development Director

CALL TO ORDER and PLEDGE OF ALLEGIANCE

Klossner called the meeting to order at 7:00 pm and led the Commission in the Pledge of Allegiance.

APPROVAL OF AGENDA

Basta moved, seconded by Struss to approve the agenda as presented. The motion carried 6/0.

APPROVAL OF MINUTES

June 3, 2014

Struss moved, seconded by Erickson to approve the June 3, 2014 meeting minutes as presented. Motion passed unanimously.

PUBLIC COMMENT

Klossner opened the public comment period at 7:02 pm and without any comments, closed the public comment period at 7:03 pm.

NEW BUSINESS

Approve Resolution R14-01 Finding that a Modification to Development Program for Development District No. 6 and Tax Increment Financing Plan for Tax Increment Finance District No. 6-16 conforms to the General Plans for the Development and Redevelopment of the City

Gustafson explained staff started conversations with developer Peter Jesh with Summit Development in early 2013 about constructing a senior housing complex. Gustafson stated through various studies it indicated a need for additional senior housing for this area. Gustafson stated Summit Development purchased an outlot in Parkwood Development in 2013 and has been working with staff on this potential development. Gustafson stated this lot is zoned for Senior Housing and was a State Tax Forfeited property that was purchased from Isanti County.

Gustafson stated staff brought their concepts to City Council on May 19, 2014 for discussion and the consensus of the Council was to continue to move forward.

Gustafson stated Summit Development has submitted a preliminary plan and application for Tax Increment Financing in Parkwood for a 70 unit Senior Housing Development. Gustafson stated Cambridge Senior Living's preliminary plan is for a three story 70 unit complex consisting of 22 independent living, 24 assisted living and 24 memory care units. Gustafson stated the overall project cost is estimated between \$9 and \$11.5 million which equals approximately \$128,500 to \$168,000 per unit.

Gustafson stated Jay Thompson a consultant with View Point Consulting Group prepared a summary of the Senior Housing needs for this area. Gustafson reviewed the summary report which showed a current need for additional senior housing in the area, the types of services needed along with future needs. Gustafson stated the report is focused on the needs in Isanti County or Primary Market Area and the unmet demand. Gustafson reported the demographics on aging persons for this area are increasing sharply and it would make sense for this type of development.

Gustafson stated staff has received an application from Summit Development for the use of Tax Increment Financing (TIF) for this project and staff sent all the information over to Ehlers the City's Financial Advisor for review and to have a "But For" analysis prepared. Gustafson stated the request is for a pay as you go TIF district where the developer would be responsible for paying all the costs up front and no City Bonds will be issued. Gustafson stated the TIF district can be set up for a total number of years or a dollar amount or both. Gustafson stated the TIF District would be a Housing District and will require a certain number of income qualified units.

Gustafson stated this analysis indicates a need for the use of TIF to be able to attract investors to obtain the rate of returned needed for this type of project to proceed. Gustafson stated Ehlers recommends the TIF assistance not be longer than 10 years.

Gustafson stated this facility will have partial underground parking, elevator, staff lounge, maintenance room, work shop, lobby, dining area, several day rooms, several offices, library, creative arts room, community room, card room and salon.

Gustafson stated this development will provide a current need and future need for senior housing and will yield both economic and fiscal benefits for the entire community and provide an attractive place to live.

Gustafson stated as part of the creation of this district, The Planning Commission is required to find the TIF District is in conformance with the City's general plans for development and redevelopment of the City. Gustafson stated as described above, the program Modification and tax Increment Financing (TIF) Plan for Development District No. 6 and TIF District No. 6-16 is in conformance with the City's Comprehensive Plan.

Bustrom moved, seconded by Basta to approve Resolution R14-01 Finding that a Modification to Development Program for Development District No. 6 and Tax Increment Financing Plan for Tax Increment Finance District 6-16 Conforms to the General Plans for the Development and Redevelopment of the City. Motion passed 6/0.

OTHER BUSINESS / MISCELLANEOUS

City Council Update

Gustafson updated the Commission on the previous City Council meetings.

Parks, Trails, and Recreation Update

Gustafson updated the Commission on the last Parks, Trails, and Recreation Commission meeting.

ADJOURNMENT

Struss moved, seconded by Basta to adjourn the meeting at 7:16 pm. The motion carried unanimously.

Jim Godfrey
Cambridge Planning Commission Chair

ATTEST:

Marcia Westover
City Planner



August 30, 2013

To: Mr. Pete Jesh

From: Jay Thompson
Viewpoint Consulting Group, Inc.

RE: Potential for a new Senior Housing Development in Cambridge, Minnesota

Introduction

This memorandum summarizes our findings regarding the potential for a new senior housing development in Cambridge. The potential demand is estimated based on a review of projected senior demographic trends and an inventory of the existing competitive supply of senior housing. As we understand, the proposed development would be senior housing with services located on an undeveloped parcel in Cambridge.

Senior housing encompasses a wide variety of product types. Housing with services – as proposed for the development in Cambridge, which includes congregate, assisted living, and memory care housing. Congregate properties, better known as **independent living**, offer support services such as meals and housekeeping. These services are either included in the rent or offered a-la-carte so that residents can choose whether or not to pay for them. Independent living projects attract an older and frailer senior population than adult projects (generally seniors age 75 and over).

The most service-intensive housing types are **assisted living and memory care**, as they offer the highest level of services short of a nursing home. Some of the typical services they provide are meals, housekeeping, linen changes, personal laundry, 24-hour emergency response and a wide range of personal-care and therapeutic services. The meals and services are built into the monthly fee, charged through a tiered service package or offered a-la-carte.

This memorandum summarizes potential demand for independent, assisted living, and memory care housing. Please note that the purpose of this memorandum is to broadly assess the depth of demand to determine if potential exists to support a new development in Cambridge. Thus, the findings are preliminary and should be viewed in that light.

Senior Housing Demand Summary

Our initial research indicates that there is potential for a new senior housing building on a site in Cambridge with approximately 70 units, provided it contains a mix of independent, assisted living, and memory care housing. The table below summarizes total demand in Cambridge’s primary market area (or “PMA,” which is defined as Isanti County), the total competitive supply in the PMA, unmet demand in the PMA, and the portion of PMA demand that could potentially be captured by a new development in Cambridge.

Applying penetration rates (number of units divided by the income-qualified senior population) achieved by senior housing in other counties in Minnesota to the senior population in Cambridge’s PMA results in total potential demand. Total demand is summarized in the first column of the table. Subtracting the existing competitive supply of senior housing reveals unmet demand in the PMA – or the number of additional units that could be supported. No single development or location can capture all of the unmet demand.

Cambridge is the commercial and health care center of Isanti County, and a new development in Cambridge could capture an estimated 45% of the unmet demand. This equates to potential for a new development with 25 independent, 22 assisted living, and 26 memory care units. These are market rate units. Additional assisted living units could be supported if residency is allowed to some lower-income seniors who would utilize the Elderly Waiver program to pay for services.

Summary of Market Rate Demand Estimate, Cambridge Site

	<u>Total PMA Demand</u>	<u>Competitive Supply</u>	<u>Unmet PMA Demand</u>	<u>Demand on Subject Site</u>
2012				
Independent Living	145	96	49	22
Assisted Living	127	94	33	15
Memory Care	81	36	45	20
Total	353	226	128	57
2017				
Independent Living	151	96	55	25
Assisted Living	142	94	49	22
Memory Care	95	36	59	26
Total	388	226	162	73
Source: Viewpoint Consulting Group, Inc.				

Summary of Senior Population Growth Trends

Cambridge is a community of approximately 8,200 people located at the intersection of Highways 65 and 95. Cambridge is the county seat of Isanti County, and is its commercial and health care center. It experienced strong growth last decade, as its population increased by 47%, reaching 8,111 in 2010. The remainder of Isanti County is rural in character, with the other largest communities being Isanti (pop. 5,300) and Braham (pop. 1,800).

Given the character of Cambridge, the rural nature of the county, and factoring the availability of senior housing located in surrounding communities such as Princeton and North Branch, the primary market area (“PMA”) for senior housing in Cambridge is estimated as Isanti County. Seniors currently living in the PMA are projected to account for three-quarters of the demand for senior housing in Cambridge, with most of the remaining demand coming from parents of adult children living in the PMA.

The table below shows the strong growth of seniors in the PMA. The age 65 and over population grew by 38% last decade. Age 75+ seniors are the primary market for senior housing with services – they grew by 17% last decade. From 2012 to 2017, the age 75+ population is projected to grow by 14%, reaching over 2,437 in 2017. This growth will lead to increased demand for senior housing.

Not every senior in the PMA can afford the monthly fees at market rate senior housing. Based on a review of incomes and home values, the estimated percentage of age 75+ seniors that could afford market rate housing is 50% for independent housing, 40% for assisted living housing, and 33% for memory care housing. These percentages take into account that some lower-income seniors will spend down assets (often home equity) to live in assisted living and memory care housing.

Senior Population, Cambridge PMA, 2000 to 2017

Age	2000	2010	2012	2017	Change, 2012 to 2017	
					No.	Pct.
55 to 59	1,526	2,340	2,441	2,557	116	4.8%
60 to 64	1,202	1,889	2,010	2,167	157	7.8%
65 to 69	917	1,518	1,663	2,045	382	23.0%
70 to 74	749	1,136	1,237	1,533	295	23.9%
75 to 79	645	773	829	1,002	173	20.8%
80 to 84	521	598	626	702	75	12.0%
85+	560	655	684	734	50	7.3%
Total 65+	3,392	4,680	5,040	6,015	975	19.4%
Total 75+	1,726	2,026	2,139	2,437	298	13.9%
Total Population	31,287	37,816	38,088	38,753	665	1.7%

Sources: ESRI; 2000 Census; Viewpoint Consulting Group, Inc.

Summary of Competitive Supply

Five competitive housing with services properties were identified in the PMA – Isanti County. These properties total 255 units, including 101 independent, 116 assisted living, and 38 memory care units. Estimating that some of the assisted living units are occupied by lower-income seniors utilizing the Elderly Waiver program, the estimated number of competitive market rate units is 226 units.

Three of the competitive properties are located in Cambridge, with the largest property being Gracepointe Crossing. Gracepointe Crossing offers a continuum of care, with 56 independent, 42 assisted living, and 18 memory care units on a campus with skilled nursing care. Gracepointe Crossing is operated by Presbyterian Homes. Riverwood Village offers 45 units of independent living and is located on the Allina Health - Cambridge Medical Center campus. Haven House – otherwise known as Carsten’s Harbour – has 38 assisted living units.

The other two senior housing with services properties in the PMA are in Braham and Isanti. Elmhurst Commons in Braham contains 36 units. Residents can choose to receive independent or assisted living services in their units. Isanti contains one property – Prairie Senior Cottages. Prairie Senior Cottages opened in 2012 and is a stand-alone memory care facility.

Competitive Senior Housing Supply, Cambridge PMA, 2013

<u>Name</u>	<u>City</u>	<u>IL Units</u>	<u>AL Units</u>	<u>MC Units</u>
Elmhurst Commons	Braham	--	36	--
Gracepointe Crossing	Cambridge	56	42	18
Haven House	Cambridge	--	38	--
Prairie Senior Cottages	Isanti	--	--	20
Riverwood Village	Cambridge	45	--	--
Total		101	116	38

While there is an existing supply of five competitive properties totaling an estimated 226 market rate units, the senior population (75+) grew by 17.4% in the PMA last decade, and is expected to continue growing at a fast pace over the next five years and beyond, creating demand for additional senior housing units.

Cambridge Primary Market Area (Isanti County)

