

**ECONOMIC DEVELOPMENT AUTHORITY (EDA)
MINUTES OF THE SPECIAL MEETING OF
OCTOBER 24, 2016**

The meeting was called to order at 6:00 pm by Chair Gary Peterson

Members Present: Donna Schmitt, John Murzyn, Marlaine Szurek,, Bruce Nawrocki , Gerry Herringer, Bobby Williams, and Gary Peterson.

Staff Present: Walt Fehst, Joseph Hogeboom, Keith Dahl, and Shelley Hanson.

Also present: Martha Ingram (Legal Counsel) and Jason Aarsvold (Ehlers)

PLEDGE OF ALLEGIANCE- RECITED

CONSENT ITEMS

- 1. Approve the Minutes from October 3, 2016–**

- 2. Approve the Financial Report and Payment of Bills for September 2016 on Resolution 2016-28.**

Questions by Members:

Nawrocki wondered why the Financial Reports didn't indicate the amounts allocated for wages. Hogeboom said he would check with the Finance Director and get back to Mr. Nawrocki with the information.

Motion by Williams, seconded by Schmitt, to waive the reading of Resolution 2016-28 there being an ample amount of copies available to the public. All ayes. MOTION PASSED.

Motion by Williams, seconded by Schmitt, to approve the Minutes and Financial Report and Payment of Bills for September as presented. All ayes. MOTION PASSED.

RESOLUTION NO. 2016-28

A Resolution of the Economic Development Authority of Columbia Heights, Minnesota, Approving the Financial Statements for Month of September, 2016 and the Payment of the Bills for the Month of September 2016.

WHEREAS, the Columbia Heights Economic Development Authority (EDA) is required by Minnesota Statutes Section 469.096, Subd. 9, to prepare a detailed financial statement which shows all receipts and disbursements, their nature, the money on hand, the purposes to which the money on hand is to be applied, the EDA's credits and assets and its outstanding liabilities; and

WHEREAS, said Statute also requires the EDA to examine the statement and treasurer's vouchers or bills and if correct, to approve them by resolution and enter the resolution in its records; and

WHEREAS, the financial statements for the month of September, 2016 has been reviewed by the EDA Commission; and

WHEREAS, the EDA has examined the financial statements and finds them to be acceptable as to both form and accuracy; and

WHEREAS, the EDA Commission has other means to verify the intent of Section 469.096, Subd. 9, including but not limited to Comprehensive Annual Financial Reports, Annual City approved Budgets, Audits and similar documentation; and

WHEREAS, financials statements are held by the City's Finance Department in a method outlined by the State of Minnesota's Records Retention Schedule,

NOW, THEREFORE BE IT RESOLVED by the Board of Commissioners of the Columbia Heights Economic Development Authority that it has examined the referenced financial statements including the check history, and they are found to be correct, as to form and content; and

BE IT FURTHER RESOLVED the financial statements are acknowledged and received and the check history as presented in writing is approved for payment out of proper funds; and

BE IT FURTHER RESOLVED this resolution is made a part of the permanent records of the Columbia Heights Economic Development Authority.

Passed this 24th day of October, 2016.

Motion by: Williams
Seconded by: Schmitt

BUSINESS ITEM

1. Establishment of the Central Valu Center TIF District – Resolution 2016-29, Resolution 2016-30, and Resolution 2016-31.

Dahl explained that Hy-Vee, Inc. (Hy-Vee) has an option agreement with Brixmor to acquire the Central Valu Center located on a 10.14 acre site at 4300 Central Avenue NE (Subject Property). Built in 1962; the Central Valu Center is a 140,281 square foot shopping center that is predominantly vacant. Roughly, less than one third of the shopping center is occupied by tenants, which include Ace Hardware, Dollar Tree, and Meineke Automotive. Hy-Vee originally desired to buy-out all the tenants' lease agreements in an effort to acquire the entire property for redevelopment; however, after unsuccessful negotiations to relocate the tenants, Hy-Vee determined the only possible development option was to renovate the structurally substandard building. The proposed renovation approved by the Planning & Zoning Commission (P&Z) on September 6, 2016 aligns the structure with the same design palette and style already constructed at other Hy-Vee grocery stores across the metropolitan region.

In addition to an increased total project cost associated with renovations, Hy-Vee has uncovered extensive contamination and hazardous materials throughout the interior of the structure and in the soil underneath the structure on the Subject Property. The purpose of conducting

environmental investigations is to meet property demolition guidelines as set forth by the Minnesota Pollution Control Agency (MPCA) and the Minnesota Department of Health (MDH). Specifically, the environmental investigation identified and quantified hazardous materials, which require proper removal and abatement prior to any demolition for renovation. The environmental investigation identified the following contaminants: asbestos, lead, petroleum, diesel range organics (DRO), tetrachloroethane, trichloroethylene, and other volatile organic compounds (VOC). The estimated cost for abatement and contamination clean-up of the pollutants on the Subject Property is \$1.98 million, which strains the financial feasibility for Hy-Vee to locate within Columbia Heights without any public financial assistance. Thus, Hy-Vee has requested Tax Increment Financing (TIF) assistance from the Columbia Heights Economic Development Authority (EDA) to offset a portion of the unexpected costs associated with the renovations of the Subject Property.

TIF is a public financial assistance method used by many cities, which uses a portion of the future tax revenue from a specific area to promote development through subsidizing qualified development costs incurred from redevelopment within that specific area. When a TIF district is created, the current value of all the taxable property within the district is frozen at the current base value. Over the life span of the TIF district, the County, City and School District collect taxes from the frozen base value. Meanwhile, the development in the TIF district increases the value of the property within the district. The tax collected from the increase in property value is the “tax increment” revenue that reimburses the qualified development costs from redevelopment.

Upon receiving the request from Hy-Vee for TIF assistance, City Staff and Ehlers, the EDA’s financial consultant, conducted analyses to determine the true extent to which TIF assistance from the EDA would be necessary to make the project financially feasible. At that time, City Staff authorized LHB Architects to formally conduct an analysis of the Subject Property to determine if the Central Valu Center TIF District meets the statutory requirements for a Redevelopment TIF District. The work conducted by LHB Architects was financed entirely by Hy-Vee. The findings of the report and qualifications were included in the TIF Plan in the agenda packet.

Originally, Hy-Vee requested TIF assistance in the amount of \$1.74 million over the course of a 26 year period. Under the TIF Act, the duration of a Redevelopment TIF District cannot exceed a total of 26 years of tax increment. Neither City Staff nor Ehlers determined that a 26 year TIF district period would be necessary for Hy-Vee’s project to become financially feasible or in the best interest of the City. Based on the analyses conducted, City Staff and Ehlers agree that TIF assistance in the amount of \$1,100,000 generated over a 10 year period is substantially sufficient for Hy-Vee’s project. In conjunction with TIF assistance from the EDA, City Staff have also been working with Hy-Vee on applying for contamination cleanup grants offered through the Minnesota Department of Employment and Economic Development (DEED) and the Metropolitan Council (Met Council).

DEED and Met Council have various contamination clean-up grants that offer funding for the redevelopment of polluted and underproductive sites. To be eligible for many of these grants, a site must reduce the potential threat to the public's health, create employment opportunities, and increase the tax base of a municipality. The deadline for these grants is November 1, 2016. City Staff and Hy-Vee will submit grant applications requesting a total amount of \$1.98 million for the abatement and contamination clean-up of the Subject Property. City Staff anticipates funding from grants will be awarded in January 2017, however it is unknown the actual amount that will be awarded to the Subject Property or if an award will be given at all. City Staff is confident that TIF assistance in the amount of \$1,100,000 generated over a 10 year period plus the potential funds from grants will generate the estimated \$1.98 million from the costs associated with the unexpected abatement and contamination cleanup on the Subject Property.

Since the EDA and Council previously established a redevelopment project designated as the Downtown Central Business District (CBD) revitalization plan, a modification to the Downtown CBD Revitalization Plan for the CBD Redevelopment Project and establishment of the Central Valu Center TIF District needs to be approved by the EDA and the Council. The proposed TIF Plan would provide reimbursement to Hy-Vee in the form of "pay-as-you-go" for a portion of the project. The term "pay-as-you-go" refers to Hy-Vee paying for the costs of the project upfront with the promise from the City to reimburse the qualified development costs during the term of the TIF district.

The EDA is the authority authorized to exercise TIF powers, however the EDA may not exercise any TIF powers without the prior approval of the City Council (Council). The Council has scheduled a public hearing to approve the proposed TIF Plan for the modification and establishment of the proposed TIF district on October 24, 2016 at approximately 7:00 PM. Also, before or at the time of approval of a TIF district, the Council shall make certain findings pursuant to Minnesota State Statute 469.175. One specific finding requires that P&Z determines the proposed TIF District conforms to the general plans for the development and redevelopment of the City. On October 4, 2016, the P&Z adopted Resolution 2016-PZ05, a resolution confirming that the Central Valu Center TIF District conforms to the general plans for the development and the redevelopment of the City.

For the consideration of the EDA tonight, is the approval of four individual items as follows: the modification to the Downtown CBD Revitalization Plan for the CBD Redevelopment Project, the establishment of the Central Valu Center TIF District, the Contract for Private Redevelopment by and between the EDA and Hy-Vee, and an inter-fund loan for administrative reimbursement. Dahl told members that these documents were all included in the agenda packets. There are three separate resolutions for approval subject to Council's approval of the proposed TIF Plan. Resolution 2016-29 is a resolution approving the modification to the Downtown Central Business District Revitalization Plan for the Central Business District Redevelopment Project and the Establishment of the Hy-Vee Tax Increment Financing District.

Resolution 2016-30 is a resolution approving the contract by and between Hy-Vee and the EDA. Resolution 2016-31 is a resolution for an inter-fund loan for administrative reimbursement.

Staff recommends adopting all resolutions as followed: Resolution 2016-29, Resolution 2016-30, and Resolution 2016-31.

Ingram and Aarsvold were present to answer questions.

Questions/comments from members:

Nawrocki asked why there is so much concern after all these years. Dahl told him that requirements regarding contamination and pollution have changed over the years and the concern is not the parking lot area since they are not removing that, but will instead do an overlay. The contamination that must be dealt with is under the subfloor of the building itself. The floor has to be removed along with some of the soils, and then a vapor barrier must be placed down before a new floor can be poured prior to the other remodeling.

Nawrocki then asked why there is language in the document that says we would be acquiring the property. Aarsvold stated it is standard language of the general planning document and says "may be" acquired which allows for flexibility for various situations. It is not the intent of this agreement to acquire the property. Ingram noted that on page 2-2 sub section 2-5 in the last sentence it states "The EDA does not currently intend to acquire the parcel comprising the District."

Aarsvold then reviewed the impact on the tax base and how it affects residential and business properties, as well as the school district. Taxes would continue to be received according to the current value and base. The increase in taxes realized from the renovation of the property would be used to re-pay Hy-vee for their initial investment to do the environmental clean-up necessary to redevelop the site.

Nawrocki asked how much will be paid back to them. Aarsvold told him the documents have been prepared to maximize the TIF funds at 1.1 million dollars, and using a 2% inflation factor, it is estimated to have a 10 year payback.

Williams asked why Hy-vee can't negotiate a lower price with Brixmor to compensate for the necessary clean-up costs. Phil Hoey, a representative from Hy-vee explained that the valuation of the property was established using the income basis as a strip mall with tenants generating rent. If it remained as is, and they continued to rent out space in the mall, remediation would not be needed. Williams then asked what would happen if the City didn't approve a TIF District. Hoey said Brixmor would continue to operate with the current tenants and try to sell to someone else who wouldn't necessarily remodel.

Williams asked how the grants would affect the need for TIF funding. Dahl stated it will take a combination of TIF funds and grant funds to fully fund the estimated clean-up costs of 1.98 million. Hy-Vee has applied to the Met Council for an asbestos abatement grant in the full amount, but realize they will probably only get a portion of it. If they don't get enough in grant funds they will move forward with only the 1.1 million in TIF funds and apply again in mid-May for additional grant monies.

There was a discussion about 7.5 million in TIF funds that is referenced in the Overview Report prepared by Ehlers. Dahl explained that figure is part of the planning document and shows a larger amount if the District was intact for the maximum allowed time of 26 years. Ingram reviewed the specific terms detailed in the Private Development Contract. On page 7 it states that the maximum amount they will receive is 1.1 million, not the larger amount and that the District will be in effect for approximately 10 years. Hy-Vee must prove their expenditures for clean-up and if less is needed, then the maximum amount they receive will be less also. If less funding is needed, the District could be de-certified earlier than the 10 year timeframe we have established.

Peterson asked if the TIF District is approved what the next step is. Ingram stated that the approval of the attached Resolutions will authorize the City Manager to execute the required documents. Any updates will be brought to the City Council, but no further formal action would be needed.

Nawrocki asked again to make sure that no City dollars were going into this project. Ingram told him no City funds would be used to clean-up the site. Hy-Vee will expend the funds necessary to do this and then the Tax Increment payments will reimburse them for those expenses after the fact. Nawrocki asked what would happen if Hy-Vee went out of business or left that site. He was told the TIF payments would terminate, the District would be de-certified, and the tax dollars generated would then go to the taxing districts as they normally would.

Hoey told members that Hy-Vee cannot mortgage their properties to obtain financing. They can borrow money through a business loan, but not a mortgage. He told the commission members that they have the funds to cover these expenses up front so the clean-up will happen, but setting up the TIF District will help them recover the additional, unexpected costs associated with redeveloping this property.

Schmitt questioned the interest rate in the Agreement. Ingram explained the interest and Administration costs allowed by law. Dahl told members that Hy-Vee has also made a \$10,000 payment to the City to cover the fees to set up the TIF District.

Herringer asked when this District would be de-certified. Ingram told him that it will be de-certified 10 years after the first increment is realized. The contract calls for renovations to be done by July 2019, so it should be de-certified by 2029 at the latest.

Opened for Public Questions

Carolyn Laine asked where the contamination came from. She understands that asbestos was commonly used in building products back in the 1960's when the mall was constructed, but wondered about the other chemicals. She was told that the chemicals found are typically those used by a dry cleaning operation and there is reason to believe that one existed as part of Shopper's City back in the 1960's and 1970's. Plus the original store was destroyed by fire in 1965 which contributed to the chemical residue on the site.

Phil Hoey again explained to members that the whole floor must come out and some soils removed before a vapor barrier can be placed prior to a new floor being replaced. If the store were not being remodeled or improved, this would not be necessary. But if not remodeled or redeveloped then the value would not increase substantially and neither would the tax base for the site. A resident in attendance said it will have to be dealt with at some point, so it might as well be now.

Motion by Williams, seconded by Schmitt, to waive the reading of Resolution 2016-29, there being ample copies available to the public. All ayes. MOTION PASSED.

Motion by Williams, seconded by Schmitt, to adopt Resolution 2016-29, a resolution authorizing a modification to the Downtown Central Business District Revitalization Plan for the Central Business District Redevelopment Project, the Establishment of the Hy-Vee Tax Increment Financing District and the adoption of a Tax Increment Financing Plan Therefor. All ayes. MOTION PASSED.

Motion by Williams, seconded by Schmitt, to waive the reading of Resolution 2016-30, there being ample copies available to the public. All ayes. MOTION PASSED.

Motion by Williams, seconded by Schmitt, to adopt Resolution 2016-30, a resolution awarding the sale of, and providing the form, terms, covenants and directions for the issuance of its Tax Increment Revenue Note, Series 20__ to Hy-Vee, Inc. All ayes. MOTION PASSED.

Motion by Williams, seconded by Schmitt, to waive the reading of Resolution 2016-31, there being ample copies available to the public. All ayes. MOTION PASSED.

Motion by Williams, seconded by Schmitt, to adopt Resolution 2016-31, a resolution authorizing an interfund loan for advance of certain costs in connection with the Central Valu Center Tax Increment Financing District. All ayes. MOTION PASSED.

**COLUMBIA HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY
CITY OF COLUMBIA HEIGHTS
ANOKA COUNTY
STATE OF MINNESOTA**

RESOLUTION NO. 2016-29

RESOLUTION ADOPTING A MODIFICATION TO THE REDEVELOPMENT PLAN FOR THE DOWNTOWN CENTRAL BUSINESS REDEVELOPMENT PROJECT, ESTABLISHING THE HY-VEE TAX INCREMENT FINANCING DISTRICT THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR.

WHEREAS, the Board of Commissioners (the "Board") of the Columbia Heights Economic Development Authority (the "EDA") has proposed to adopt a Modification to the Redevelopment Plan (the "Redevelopment Plan Modification") for the Downtown Central Business Redevelopment Project (the "Project Area") and establish the Central Valu Center Tax Increment Financing District (the "District") and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Redevelopment Plan Modification and the TIF Plan are referred to collectively herein as the "Plans"), all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.090 to 469.1082, and Sections 469.174 to 469.1794, inclusive, as amended (the "Act"), all as reflected in the Plans and presented for the Board's consideration; and

WHEREAS, the EDA has investigated the facts relating to the Plans and has caused the Plans to be prepared; and

WHEREAS, the EDA has performed all actions required by law to be performed prior to the adoption of the Plans; and

WHEREAS, the EDA has requested the City Planning Commission to provide for review of and written comment on the Plans at a meeting scheduled for October 4, 2016; and

WHEREAS, the City Council of the City will hold a public hearing on the Plans on October 24, 2016.

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

1. The EDA hereby finds that the District is in the public interest and is a "redevelopment district" under Minnesota Statutes, Section 469.174, Subd. 10, and finds that the adoption of the proposed Plans conform in all respects to the requirements of the Act and will help fulfill a need to redevelop an area of the State of Minnesota which is already built up and that the adoption of the proposed Plans will help provide employment opportunities in the State and will preserve and enhance the tax base of the City and the State, and thereby serves a public purpose.
2. The EDA further finds that the Plans will afford maximum opportunity, consistent with the sound needs for the City as a whole, for the development or redevelopment of the Project Area by private enterprise in that the intent is to provide only that public assistance necessary to make the private developments financially feasible.

3. The boundaries of the Project Area are not being expanded.
4. The reasons and facts supporting the findings in this resolution are described in the Plans.
5. The EDA elects to calculate fiscal disparities for the District in accordance with Minnesota Statutes, Section 469.177, Subd. 3, clause b, which means the fiscal disparities contribution will be taken from inside the District.
6. Subject to approval of the Plans by the City Council following its public hearing thereon, the Plans, as presented to the EDA on this date, are hereby approved, established and adopted and shall be placed on file in the office of the Executive Director of the EDA.
7. Subject to approval of the Plans by the City Council, the staff, the EDA's advisors and legal counsel are authorized and directed to proceed with the implementation of the Plans and for this purpose to negotiate, draft, prepare and present to this Board for its consideration all further plans, resolutions, documents and contracts necessary for this purpose. Approval of the Plans does not constitute approval of any project or of a Development Agreement with any developer.
8. Subject to approval of the Plans by the City Council, the Executive Director of the EDA is authorized and directed to forward a copy of the Plans to the Minnesota Department of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes 469.175, Subd. 4a.
9. Subject to approval of the Plans by the City Council, the Executive Director of the EDA is authorized and directed to forward a copy of the Plans to the Anoka Auditor and request that the Auditor certify the original tax capacity of the District as described in the Plans, all in accordance with Minnesota Statutes 469.177.

Approved by the Board of Commissioners of the Columbia Heights Economic Development Authority on October 24, 2016.

President

ATTEST:

Secretary

**COLUMBIA HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY
RESOLUTION NO. 2016-30
RESOLUTION AWARDED THE SALE OF, AND
PROVIDING THE FORM, TERMS, COVENANTS AND
DIRECTIONS FOR THE ISSUANCE OF ITS TAX
INCREMENT REVENUE NOTE, SERIES 20__ TO HY-VEE,
INC.**

BE IT RESOLVED BY the Board of Commissioners (“Board”) of the Columbia Heights Economic Development Authority, Columbia Heights, Minnesota (the “Authority”) as follows:

Section 1. Authorization; Award of Sale.

1.01. Authorization. The Authority and the City of Columbia Heights have heretofore approved the establishment of its Central Valu Center Tax Increment Financing District (the "TIF District") within the Downtown Central Business Redevelopment Project ("Project"), and have adopted a tax increment financing plan for the purpose of financing certain improvements within the Project.

Pursuant to Minnesota Statutes, Section 469.178, the Authority is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Project. Such bonds are payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds. The Authority hereby finds and determines that it is in the best interests of the Authority that it issue and sell its Tax Increment Revenue Note, Series 20__ (the "Note") for the purpose of financing certain eligible redevelopment costs of the Project.

1.02. Approval of Contract; Issuance, Sale, and Terms of the Note. (a) The Authority on this date has considered a Contract for Private Redevelopment (the "Agreement") between the Authority and Hy-Vee, Inc. (the "Owner"). The Authority hereby approves the Agreement and authorizes the President and Executive Director of the Authority to execute such Agreement in substantially the form on file with the Authority, subject to modifications that do not alter the substance of the transaction and are approved by such officials, provided that execution of the Agreement by such officials is conclusive evidence of their approval. All capitalized terms in this resolution have the meaning provided in the Agreement unless the context requires otherwise.

(b) The Authority hereby authorizes the President and Executive Director to issue the Note in accordance with the terms of the Agreement.

(c) The Note shall be issued in the maximum aggregate principal amount of \$1,100,000 to Hy-Vee, Inc. (the "Owner") in consideration of certain eligible Redevelopment Costs incurred by the Owner under the Agreement, shall be dated the date of delivery thereof, and shall bear simple interest at the rate of 5.0%, from the date of issue per annum to the earlier of maturity or prepayment. The Note will be issued in the principal amount of Redevelopment Costs submitted and approved in accordance with Section 3.3 of the Agreement. The Note is secured by Available Tax Increment, as further described in the form of the Note herein. The Authority hereby delegates to the Executive Director the determination of the date on which the Note is to be delivered, in accordance with the Agreement.

Section 2. Form of Note. The Note shall be in substantially the following form, with the blanks to be properly filled in and the principal amount adjusted as of the date of issue:

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

UNITED STATE OF AMERICA
STATE OF MINNESOTA
COUNTY OF HENNEPIN
COLUMBIA HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY

No. R-1

\$ _____

TAX INCREMENT REVENUE NOTE
SERIES 20__

| <u>Rate</u> | <u>Date of Original Issue</u> |
|-------------|-----------------------------------|
| 5.0% | _____, 20__ |

The Columbia Heights Economic Development Authority (the "Authority") for value received, certifies that it is indebted and hereby promises to pay to Hy-Vee, Inc. or registered assigns (the "Owner"), the principal sum of \$_____ and to pay interest thereon at the rate of five percent (5.0%) per annum, solely from the sources and to the extent set forth herein. Capitalized terms shall have the meanings provided in the Contract for Private Redevelopment between the Authority and the Owner, dated as of October 24, 2016 (the "Agreement"), unless the context requires otherwise.

1. Payments. Principal and interest ("Payments") shall be paid on August 1 of the first calendar year in which Available Tax Increment has been paid to the Authority by Anoka County, and on each February 1 and August 1 thereafter to and including February 1 of the calendar year ten years following the first Payment ("Payment Dates") in the amounts and from the sources set forth in Section 3 herein. Payments shall be applied first to accrued interest, and then to unpaid principal. Simple interest shall accrue from the date of issue through and including the first February 1 Payment Date.

Payments are payable by mail to the address of the Owner or such other address as the Owner may designate upon thirty (30) days written notice to the Authority. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. Interest. Interest at the rate stated herein shall accrue on the unpaid principal, commencing on the date of original issue. Interest shall be computed on the basis of a year of 360 days consisting of 12 months of 30 days, and charged for actual days principal is unpaid.

3. Available Tax Increment. (a) Payments on this Note are payable on each Payment Date solely from and in the amount of Available Tax Increment, which shall mean, on each Payment Date, Ninety percent (90%) of the Tax Increment attributable to the Minimum Improvements and Redevelopment Property that is paid to the Authority by Anoka County in the six months preceding the Payment Date.

(b) The Authority shall have no obligation to pay principal of and interest on this Note on each Payment Date from any source other than Available Tax Increment and the failure of the Authority to pay the entire amount of principal or interest on this Note on any Payment Date shall not constitute a default hereunder as long as the Authority pays principal and interest hereon to the extent of Available Tax Increment. The Authority shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final February 1 Payment.

4. Default. If on any Payment Date there has occurred and is continuing any Event of Default under the Agreement, the Authority may withhold from payments hereunder under all Available Tax Increment. If the Event of Default is thereafter cured in accordance with the Agreement, the Available Tax Increment withheld under this Section shall be deferred and paid, without interest thereon, within thirty (30) days after the Event of Default is cured. If the Event of Default is not cured in a timely manner, the Authority may terminate this Note by written notice to the Owner in accordance with the Agreement.

5. Prepayment. The principal sum and all accrued interest payable under this Note is prepayable in whole or in part at any time by the Authority without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular Payment otherwise required to be made under this Note.

6. Nature of Obligation. This Note is one of an issue in the total principal amount of \$_____, issued to aid in financing certain redevelopment costs and administrative costs of a Project undertaken by the Authority pursuant to Minnesota Statutes, Sections 469.001 through 469.047, and is issued pursuant to an authorizing resolution (the "Resolution") duly adopted by

the Authority on October 24, 2016, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 to 469.179, as amended. This Note is a limited obligation of the Authority which is payable solely from Available Tax Increment pledged to the payment hereof under the Resolution. This Note and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Note or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Note or other costs incident hereto.

7. Registration and Transfer. This Note is issuable only as a fully registered note without coupons. As provided in the Resolution, and subject to certain limitations set forth therein, this Note is transferable upon the books of the Authority kept for that purpose at the principal office of the City Finance Director, by the Owner hereof in person or by such Owner's attorney duly authorized in writing, upon surrender of this Note together with a written instrument of transfer satisfactory to the Authority, duly executed by the Owner. Upon such transfer or exchange and the payment by the Owner of any tax, fee, or governmental charge required to be paid by the Authority with respect to such transfer or exchange, there will be issued in the name of the transferee a new Note of the same aggregate principal amount, bearing interest at the same rate and maturing on the same dates.

Except as otherwise provided in Section 3.3(d) of the Agreement, this Note shall not be transferred to any person or entity, unless the Authority has provided written consent to such transfer.

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 exist, to happen, and to be performed in order to make this Note a valid and binding limited obligation of the Authority according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the Board of Commissioners of the Columbia Heights Economic Development Authority have caused this Note to be executed with the manual signatures of its President and Executive Director, all as of the Date of Original Issue specified above.

**COLUMBIA HEIGHTS ECONOMIC
DEVELOPMENT AUTHORITY**

Executive Director

President

REGISTRATION PROVISIONS

The ownership of the unpaid balance of the within Note is registered in the bond register of the City Finance Director, in the name of the person last listed below.

| Date of Registration | Registered Owner | Signature of City Finance Director |
|-------------------------|--|---------------------------------------|
| _____, 20__ | Hy-Vee, Inc. Federal Tax I.D No. 42-0325638 | _____ |

Section 3. Terms, Execution and Delivery.

3.01. Denomination, Payment. The Note shall be issued as a single typewritten note numbered R-1.

The Note shall be issuable only in fully registered form. Principal of and interest on the Note shall be payable by check or draft issued by the Registrar described herein.

3.02. Dates; Interest Payment Dates. Principal of and interest on the Note shall be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not such day is a business day.

3.03. Registration. The Authority hereby appoints the City Finance Director to perform the functions of registrar, transfer agent and paying agent (the "Registrar"). The effect of registration and the rights and duties of the Authority and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its office a bond register in which the Registrar shall provide for the registration of ownership of the Note and the registration of transfers and exchanges of the Note.

(b) Transfer of Note. Upon surrender for transfer of the Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, a new Note of a like aggregate principal amount and maturity, as requested by the transferor. Notwithstanding the foregoing, the Note shall not be transferred to any person other than an affiliate, or other related entity, of the Owner unless the Authority has been provided with an opinion of counsel or a certificate of the transferor, in a form satisfactory to the Authority, that such transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until such Payment Date.

(c) Cancellation. The Note surrendered upon any transfer shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the Authority.

(d) Improper or Unauthorized Transfer. When the Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Note or separate instrument of transfer is legally authorized. The Registrar shall incur no liability for its refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(e) Persons Deemed Owners. The Authority and the Registrar may treat the person in whose name the Note is at any time registered in the bond register as the absolute owner of the Note, whether the Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Note and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the Authority upon such Note to the extent of the sum or sums so paid.

(f) Taxes, Fees and Charges. For every transfer or exchange of the Note, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such transfer or exchange.

(g) Mutilated, Lost, Stolen or Destroyed Note. In case any Note shall become mutilated or be lost, stolen, or destroyed, the Registrar shall deliver a new Note of like amount, maturity dates and tenor in exchange and substitution for and upon cancellation of such mutilated Note or in lieu of and in substitution for such Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case the Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the Authority and the Registrar shall be named as obligees. The Note so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the Authority. If the mutilated, lost, stolen, or destroyed Note has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new Note prior to payment.

3.04. Preparation and Delivery. The Note shall be prepared under the direction of the Executive Director and shall be executed on behalf of the Authority by the signatures of its President and Executive Director. In case any officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. When the Note has been so executed, it shall be delivered by the Executive Director to the Owner thereof in accordance with the Agreement.

Section 4. Security Provisions.

4.01. Pledge. The Authority hereby pledges to the payment of the principal of and interest on the Note all Available Tax Increment as defined in the Note.

Available Tax Increment shall be applied to payment of the principal of and interest on the Note in accordance with the terms of the form of Note set forth in Section 2 of this resolution.

4.02. Bond Fund. Until the date the Note is no longer outstanding and no principal thereof or interest thereon (to the extent required to be paid pursuant to this resolution) remains unpaid, the Authority shall maintain a separate and special "Bond Fund" to be used for no purpose other than the payment of the principal of and interest on the Note. The Authority irrevocably agrees to appropriate to the Bond Fund on or before each Payment Date the Available Tax Increment in an amount equal to the Payment then due, or the actual Available Tax Increment, whichever is less. Any Available Tax Increment remaining in the Bond Fund shall be transferred to the Authority's account for the TIF District upon the termination of the Note in accordance with its terms.

4.03. Additional Obligations. The Authority will issue no other obligations secured in whole or in part by Available Tax Increment unless such pledge is on a subordinate basis to the pledge on the Note.

Section 5. Certification of Proceedings.

5.01. Certification of Proceedings. The officers of the Authority are hereby authorized and directed to prepare and furnish to the Owner of the Note certified copies of all proceedings and records of the Authority, and such other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall be deemed representations of the Authority as to the facts recited therein.

Section 6. Effective Date. This resolution shall be effective upon approval.

Adopted by the Board of Commissioners of the Columbia Heights Economic Development Authority this 24th day of October, 2016.

President

**COLUMBIA HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY
ANOKA COUNTY
STATE OF MINNESOTA
RESOLUTION NO. 2016-31
RESOLUTION AUTHORIZING AN INTERFUND LOAN FOR ADVANCE OF
CERTAIN COSTS IN CONNECTION WITH THE CENTRAL VALU CENTER
TAX INCREMENT FINANCING DISTRICT.**

BE IT RESOLVED by the Board of Commissioners (the "Board") of the Columbia Heights Economic Development Authority (the "Authority"), as follows:

Section 1. Background.

1.01. The Authority has on this date approved the establishment of the Central Valu Center Tax Increment Financing District (the "TIF District") within the Downtown Central Business Redevelopment Project (the "Project") for the purpose of financing certain improvements within the Project, subject to approval of the TIF District and adoption of a Tax Increment Financing Plan (the "TIF Plan") by the City of Columbia Heights (the "City"), all pursuant to Minnesota Statutes, Sections 469.174 to 469.1794, as amended (the "TIF Act").

1.02. The Authority has determined that it may be necessary to pay for certain costs identified in the TIF Plan consisting of land/building acquisition, site improvements/preparation, public utilities, other qualifying improvements, interest and administrative costs (collectively, the "Qualified Costs"), which costs may be financed on a temporary basis from City or Authority funds legally available for such purposes.

1.03. Under Section 469.178, Subd. 7 of the TIF Act, the City is authorized to advance or loan money from the City's general fund or any other City fund from which such advances may be legally authorized, and the Authority is authorized to advance or loan money from any fund administered by the Authority from which such advances may be legally authorized, in order to finance the Qualified Costs.

1.04. The Authority intends to reimburse itself for the Qualified Costs from tax increments derived from the TIF District in accordance with the terms of this resolution (which terms are referred to collectively as the "Interfund Loan").

Section 2. Terms of Interfund Loan.

2.01. The Authority hereby authorizes the advance of up to \$25,000, or so much thereof as may be paid as Qualified Costs, from the City's Redevelopment Fund or any other fund authorized by the City. The Authority shall reimburse itself for such advances, together with interest at the rate stated below, from tax increments derived from the TIF District. Interest will accrue on the principal amount from the date of each advance. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 are from time to time adjusted. The interest rate shall be 4% and will not fluctuate.

2.02. Payments of principal and interest ("Payments") on the Interfund Loan shall be paid semi-annually on each August 1 and February 1 (each a "Payment Date"), commencing on the first Payment Date on which the Authority has Available Tax Increment (defined below), or on any other dates determined by the Executive Director, through the date of last receipt of tax increment from the TIF District.

2.03. Payments on this Interfund Loan will be made solely from the tax increment from the TIF District received by the Authority from Anoka County in the 6-month period before any Payment Date, net of the amount paid under any agreement with a private developer or otherwise pledged to the payment of any obligation (the "Available Tax Increment"). Payments on this Interfund Loan may be subordinated to any outstanding or future bonds, notes or contracts secured in whole or in part with Available Tax Increment, and are on parity with any other outstanding or future interfund loans secured in whole or in part with Available Tax Increment.

2.04. Outstanding principal and all accrued interest payable under this Interfund Loan are prepayable in whole or in part at any time by the Authority without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Interfund Loan.

2.05. This Interfund Loan is evidence of an internal borrowing by the Authority in accordance with Section 469.178, Subd. 7 of the TIF Act, and is a limited obligation payable solely from Available Tax Increment pledged to the payment hereof under this resolution. This Interfund Loan and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Interfund Loan or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Interfund Loan or other costs incident hereto. The Authority shall have no obligation to pay any principal amount of the Interfund Loan, or accrued interest thereon, which may remain unpaid after the final Payment Date.

2.06. The Authority may amend the terms of this Interfund Loan at any time by resolution of the Board, including a determination to forgive the outstanding principal amount and accrued interest to the extent permissible under law.

Section 3. Effective Date. This resolution is effective upon the date of its approval.

The motion for the adoption of the foregoing resolution was duly seconded by Commissioner _____, and upon a vote being taken thereon, the following voted in favor thereof: and the following voted against the same:

Dated: October 24, 2016

ATTEST:

President

Secretary

EDA Minutes
Page 19
October 24, 2016

OTHER BUSINESS

Hogeboom told members there would be a short meeting at 6:30 on November 7th to amend the Agreement with ACCAP to extend the closing date deadline.

The meeting was adjourned at 6:50 pm.

Respectfully submitted,

Shelley Hanson
Secretary