

City of South St. Paul Economic Development Authority Agenda

Monday, October 7, 2019



1. CALL TO ORDER:

2. ROLL CALL:

3. AGENDA:

A. Approval of Agenda

Action – Motion to Approve

Action – Motion to Approve as Amended

4. CONSENT AGENDA:

All items listed on the Consent Agenda are items, which are considered to be routine by the Economic Development Authority and will be approved by one motion. There will be no separate discussion of these items unless a Commissioner or citizen so requests, in which event the item will be removed from the consent agenda and considered at the end of the Consent Agenda.

A. EDA Minutes of September 3, 2019

B. Satisfaction of Mortgage for Applicant #669, Resolution 2019-22

5. PUBLIC HEARINGS:

6. GENERAL BUSINESS:

A. Approval of Tax Increment Revenue Note – 161 Concord Exchange North, Resolution 2019-21

7. ITEMS FOR FUTURE FOLLOW-UP:

General communications of the President and Commissioners are provided and may be considered for inclusion on a future agenda. There will be no discussion or decisions made related to these items at this meeting.

8. ADJOURNMENT:

Respectfully Submitted,

Ryan Garcia, EDA Executive Director

This meeting is being taped by Town Square Television (NDC4).
Replays can be viewed on Government Channel 19.
Replay Times – Friday following Meeting at 1:00 p.m. & 7:00 p.m.
651-451-7834

MINUTES OF
THE ECONOMIC DEVELOPMENT AUTHORITY
CITY OF SOUTH ST. PAUL
DAKOTA COUNTY, MINNESOTA

Regular Meeting
September 3, 2019
City of South St. Paul Council Chambers

1. CALL TO ORDER

Chair Francis called the meeting to order at 9:09 PM.

2. ROLL CALL

Members Present: President Francis, Commissioners Dewey, Flatley, Hansen, Seaberg, Forester and Kaliszewski.

Staff Present: EDA Executive Director Ryan Garcia, City Administrator Joel Hanson, Deputy City Clerk Renee Schmitt and Legal Counsel Peter Mikhail.

3. AGENDA

Motion/Second: Commissioner Kaliszewski moved and Commissioner Dewey seconded approval of the amended agenda.

Motion carried 7 ayes / 0 nays

4. CONSENT

A. EDA Minutes of August 5, 2019.

Motion/Second: Commissioner Forester moved and Commissioner Hansen seconded approval of the consent agenda.

Motion carried 7 ayes / 0 nays

5. PUBLIC HEARINGS

There were no public hearings.

6. GENERAL BUSINESS

A. Review and Approve 2020 EDA levy and budget, Resolution 2019-17.

Motion/Second: Commissioner Hansen moved and Commissioner Dewey seconded approval of Resolution 2019-17.

Motion carried 7 ayes/ 0 nays

B. Review and Approve 2020 HRA levy and budget, Resolution 2019-18.

Motion/Second: Commissioner Seaberg moved and Commissioner Kaliszewski seconded approval of Resolution 2019-18.

Motion carried 7 ayes/ 0 nays

C. Certificate of Completion – 161 Concord Exchange North, Resolution 2019-19

Motion/Second: Commissioner Hansen moved and Commissioner Forester seconded approval of Resolution 2019-19.

Motion carried 7 ayes/ 0 nays

D. Revised Development Agreement with Interstate Development Corporation and Hardman Industrial LLC, Resolution 2019-20.

Motion/Second: Commissioner Seaberg moved and Commissioner Kaliszewski seconded approval of Resolution 2019-20.

Motion carried 7 ayes/ 0 nays

7. FUTURE FOLLOW-UP ITEMS

Commissioner Seaberg noted an article in the national press recently about Opportunity Zones, and asked Mr. Garcia to speak to the City’s existing Opportunity Zone district. Mr. Garcia provided a brief explanation of the geographic extent of the Opportunity Zone.

8. ADJOURNMENT

Motion/Second: Commissioner Kaliszewski moved and Commissioner Forester seconded the motion to adjourn the meeting at 9:25 PM.

Approved: _____, 2019

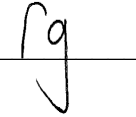
Renee Schmitt

Renee Schmitt, Secretary



EDA Agenda Item Report

Date: October 7, 2019

EDA Executive Director: 

4-B

Agenda Item: Approval of Satisfaction of Mortgage – Applicant #669

Action to be considered:

Motion to approve Resolution No. 2019-22.

Overview:

Applicant #669 received an HRA rehabilitation loan of \$8,200.00 in 2003, with a mortgage recorded at that time. The mortgagee recently paid back the loan in full, thus satisfying the mortgage. Therefore, the EDA is advised to approve Resolution No. 2019-22, which will authorize the designated officers of the City's Housing and Redevelopment Authority to execute all necessary documentation required to record the Satisfaction of Mortgage.

Funding Sources and other fiscal considerations: N/A

South St. Paul Economic Development Authority
Dakota County, Minnesota

RESOLUTION NO. 2019-22

WHEREAS, the City Council transferred all administration of the South St. Paul Housing and Redevelopment Authority (HRA) programs to the South St. Paul Economic Development Authority (“EDA”) by City Council Resolution 2015-197; and

WHEREAS, one of those programs was a rehabilitation loan program, for which there are several outstanding loans; and

WHEREAS, the South St. Paul Housing and Redevelopment Authority of the City of South St. Paul, Minnesota issued a mortgage to Applicant #669 in the amount of \$8,200.00;

WHEREAS, such mortgage recorded on October 28, 2003 in Dakota County has been satisfied in full by the applicant;

NOW, THEREFORE, BE IT RESOLVED by the Economic Development Authority of the City of South St. Paul that:

1. The EDA shall secure the signatures of the appropriate representatives of the HRA to execute the required documents to satisfy the loan and mortgage.

Adopted this ____ day of _____.

President, James P. Francis

Executive Director, Ryan Garcia

(Top 3 inches reserved for recording data)

**MORTGAGE SATISFACTION
by Individual(s)**

**Minnesota Uniform Conveyancing Blanks
Form 20.5.1 (2011)**

DATE: October 7, 2019
(month/day/year)

THAT CERTAIN MORTGAGE owned by the undersigned, dated September 15, 2003, executed by _____
(month/day/year)

Stephen L Vande Voort and Julie A Vande Voort a married couple,
(insert name of mortgagor)

as mortgagor, to Housing and Redevelopment Authority for the City of South St. Paul,
(insert name of original mortgagee)

as mortgagee, and recorded on October 28, 2003, as Document Number 2131585 (or in Book _____
(month/day/year)

of _____ Page _____), in the Office of the County Recorder Registrar of Titles of Dakota
(check the applicable boxes)

County, Minnesota, is with the indebtedness thereby secured, fully paid and satisfied.

(signature) Lori Hansen, Chairperson

(signature) William Flatley, Secretary

State of Minnesota, County of Dakota

This instrument was acknowledged before me on _____, by Lori Hansen, Chairperson and
(month/day/year)

William Flatley, Secretary of the Housing and Redevelopment Authority of the City of South St. Paul

(Stamp)

(signature of notarial officer) Debra M. Breitenfeldt

Title (and Rank): _____

My commission expires: _____
(month/day/year)

THIS INSTRUMENT WAS DRAFTED BY:
(insert name and address)

Housing and Redevelopment Authority
of the City of South St. Paul
125 Third Avenue North
South St. Paul, MN 55075
(651) 554-3270



EDA Agenda Item Report

Date: October 7, 2019

EDA Executive Director: _____

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6-A

Agenda Item: Approval of Tax Increment Revenue Note – 161 Concord Exchange North, Resolution 2019-21

Action to be considered:

Motion to adopt Resolution No. 2019-21.

Overview:

At its meeting on January 8, 2018, the Economic Development Authority (EDA) adopted Resolution 2018-4, approving the execution of a Contract for Private Redevelopment with DRS Investment VI LLC. This Agreement provided the contract terms and conditions for the EDA to provide tax increment finance assistance for the renovation of the building at 161 Concord Exchange North (now, the Drover Apartments). As the EDA will recall, the Agreement provided that the redeveloper could receive no more than \$1,000,000 in tax increment finance assistance between the years 2020 – 2024 (no more than \$200,000 per year), based upon the property's Dakota County Estimated Market Value.

The Redeveloper has met all obligations and conditions found under Section 3.4 of the Agreement, and the EDA is therefore obligated to issue its Tax Increment Revenue Note (Series 2019B) to DRS Investment VI LLC. Following adoption of Resolution 2019-21, the note will be delivered to the Redeveloper and payment according to the terms of the Note and the Agreement will commence beginning February 2020.

Funding Sources and other fiscal considerations: The Tax Increment Revenue Note Series 2019B is backed by revenues from the Concord Street #2 TIF District. It should be noted that the property was valued at \$920,000 by Dakota County in 2018, and the developer and county have agreed to a minimum annual assessment of \$6,000,000 for the property beginning in 2020, increasing property tax assessable to the property by at least \$75,000 per year.

South St. Paul Economic Development Authority
Dakota County, Minnesota

RESOLUTION NO. 2019-21

RESOLUTION APPROVING THE ISSUANCE OF, AND PROVIDING THE FORM, TERMS, COVENANTS AND DIRECTIONS FOR THE ISSUANCE OF ITS TAXABLE TAX INCREMENT REVENUE NOTE, SERIES 2019B IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$1,000,000

BE IT RESOLVED BY the South St. Paul Economic Development Authority (the “EDA”), as follows:

Section 1. Authorization; Award of Sale.

1.01. Authorization. The South St. Paul Housing and Redevelopment Authority (the “HRA”) heretofore approved the establishment of Tax Increment Financing District No. 2 (the “TIF District”) within the Concord Street Redevelopment Project Area (“Redevelopment Project”), and adopted a tax increment financing plan for the purpose of financing certain improvements within the Redevelopment Project. The EDA is the successor in interest to the HRA and has authority over the TIF District and the Redevelopment Project.

Pursuant to Minnesota Statutes, Section 469.178, the EDA is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Redevelopment Project. The bonds are payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds. The EDA hereby finds and determines that it is in the best interests of the EDA that it issue and sell its taxable Tax Increment Revenue Note, Series 2019B (the “Note”), in the aggregate principal amount of \$1,000,000, for the purpose of financing certain public costs of the Redevelopment Project.

1.02. Agreement Approved; Issuance, Sale and Terms of the Note. The EDA has previously approved the Contract for Private Redevelopment (the “Agreement”) between the EDA and DRS Investment VI LLC, a Minnesota limited liability company (the “Owner”), and authorized the President and Executive Director to execute the Agreement. Pursuant to the terms and conditions of the Agreement, the Note will be issued to the Owner. The Note will be dated as of the date of delivery and will bear no interest. In exchange for the EDA’s issuance of the Note to the Owner, the Owner will pay certain costs related to the Minimum Improvements (the Qualifying Costs, as defined in the Agreement) pursuant to Section 3.3 of the Agreement. The Note will be delivered in the principal amount of \$1,000,000 for reimbursement of the Owner’s costs in accordance with the terms of Sections 3.3 and 3.4 of the Agreement.

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

UNITED STATE OF AMERICA
STATE OF MINNESOTA
DAKOTA COUNTY
SOUTH ST. PAUL ECONOMIC DEVELOPMENT AUTHORITY

No. R-1

\$1,000,000

TAXABLE TAX INCREMENT REVENUE NOTE
SERIES 2018__

<u>Rate</u>	<u>Date of Original Issue</u>
0%	_____, 2018

The South St. Paul Economic Development Authority (the “EDA”), for value received, certifies that it is indebted and hereby promises to pay to DRS Investment VI LLC, or registered assigns (the “Owner”), the principal sum of up to \$1,000,000 as and to the extent set forth herein.

1. Payments. Payment of principal amounts (“Payments”) will be paid beginning on February 1, 2020, and each February 1 and August 1 thereafter until August 1, 2024 (“Payment Dates”), in the amounts, from the sources and subject to the terms and conditions set forth in Section 3 herein.

Payments are payable by mail to the address of the Owner or any other address as the Owner may designate upon 30 days written notice to the EDA. 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. No Interest. The Note will bear no interest.

3. Tax Increment. Payments on this Note are payable on each Payment Date in the amount of and solely payable from “Tax Increment,” which will mean, on each Payment Date, the Tax Increment attributable to the EDA’s Tax Increment Financing District No. 2 and paid to the EDA by Dakota County, all as the terms are defined in the Contract for Private Redevelopment between the EDA and Owner dated as of _____, 2018 (the “Agreement”). Tax Increment will not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default by the Owner under the Agreement.

The EDA will have no obligation to pay principal of this Note on any Payment Date from any source other than Tax Increment, and the failure of the EDA to pay the entire amount of principal on this Note on any Payment Date will not constitute a default hereunder as long as the

EDA pays principal hereon to the extent of Tax Increment and in accordance with this Note. The EDA shall pay the Owner \$100,000 on February 1, 2020 and \$100,000 on August 1, 2020 regardless of the Market Value of the Redevelopment Property and Minimum Improvements. In the years 2021, 2022, 2023 and 2024, except as otherwise provided below, payment under this Note shall be dependent on the Market Value of the Redevelopment Property and the Minimum Improvements as of January 2 of the previous year. By way of example, the amount payable under this Note in 2021 will be dependent on the Market Value of the Redevelopment Property and the Minimum Improvements as of January 2, 2020. Payments will be made in accordance with the following:

Market Value of Redevelopment Property and Minimum Improvements as of previous January 2	Payment Amount
Greater than \$8,418,975	\$200,000
\$7,500,000 - \$8,418,975	\$180,000
\$6,735,180 - \$7,499,999	\$160,000
\$6,000,000 - \$6,735,179	\$140,000
Less than \$6,000,000	\$0

Payment under this Note shall not exceed \$200,000 per year. In any year in which the Market Value of the Redevelopment Property and the Minimum Improvements is less than \$8,418,976 and the EDA’s payment under this Note is reduced accordingly, such reduction for that year shall be permanent and the deficiency for that year shall not be made up in any subsequent year. The EDA will have no obligation to pay unpaid balance of principal that may remain after the final Payment on August 1, 2024. All payments under the Note shall be subordinate to the EDA’s payments under the Previous Obligations.

Notwithstanding anything in this Note or the Agreement to the contrary, the EDA’s obligation to make payments to the Redeveloper under this Note in 2024 shall be subject to the conditions and limitations thereon specified in section 9.12(b) of the Agreement.

4. Defined Terms. All capitalized terms used in this Note which are not defined herein shall have the same meaning as given to them in the Agreement unless the context clearly indicates to the contrary.

5. Suspension of Payment for Default. At the EDA’s option, the EDA’s obligation to make any payments under this Note will be suspended upon the occurrence of an Event of Default on the part of the Redeveloper as defined in Section 8.1 of the Agreement, but only if the Event of Default has not been cured in accordance with Section 8.2 of the Agreement.

6. Nature of Obligation. This Note is a single note in the total principal amount of \$1,000,000 issued to aid in financing certain public costs of a Redevelopment Project undertaken by the EDA pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended, and is issued pursuant to an authorizing resolution (the “Resolution”) duly adopted by the EDA on _____, 2018, 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 EDA which is payable solely from Tax Increment and is subject to such restrictions and limitations outlined in the Agreement and herein. This Note will not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the EDA or the city of South St. Paul. Neither the State of Minnesota, nor any political subdivision thereof will be obligated to pay the principal of this Note or other costs incident hereto except out of 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 this Note or other costs incident hereto.

7. Estimated Tax Increment Payments. Any estimates of Tax Increment prepared by the EDA or its financial advisors in connection with the TIF District or the Agreement are solely for the benefit of the EDA, and are not intended as representations on which the Owner may rely.

THE EDA MAKES NO REPRESENTATION OR WARRANTY THAT THE TAX INCREMENT WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF THIS NOTE.

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

This Note may be transferred, assigned or pledged without the approval of the EDA; provided that this Note will not be transferred to any person other than an affiliate, or other related entity, of the Owner unless the EDA has been provided with an investment letter in a form substantially similar to the investment letter submitted by the Owner or a certificate of the transferor, in a form satisfactory to the EDA, that the transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. Notwithstanding anything to the contrary in this Note, in no event will a lender providing funds to the Redeveloper and taking an assignment of the Note as security for such funds be required to sign an investment letter at either the time of execution of an assignment or transfer of the Note as a result of the assignment. The holder of the Note may be different than the Owner of the Redevelopment Property.

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 EDA 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 South St. Paul Economic Development Authority, has 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.

**SOUTH ST. PAUL ECONOMIC
DEVELOPMENT AUTHORITY**

President

Executive Director

REGISTRATION PROVISIONS

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

<u>Date of Registration</u>	<u>Registered Owner</u>	<u>Signature of EDA Executive Director</u>
	DRS Investment VI LLC 5201 Eden Avenue, Suite 300 Edina, MN 55436 Attn: Doug Simek Federal Tax ID # _____	_____

[End of Form of Note]

Section 3. Terms, Execution and Delivery.

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

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

3.02. Dates. Principal of the Note will 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 the day is a business day.

3.03. Registration. The EDA hereby appoints the Executive 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 EDA and the Registrar with respect thereto will be as follows:

(a) Register. The Registrar will keep at his office a bond register in which the Registrar will 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 will 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 will not be transferred to any person other than an affiliate, or other related entity, of the Owner unless the EDA has been provided with an investment letter in a form substantially similar to the investment letter submitted by the Owner or a certificate of the transferor, in a form satisfactory to the EDA, that the 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 the Payment Date.

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

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

(e) Persons Deemed Owners. The EDA 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 is overdue or not, for the purpose of receiving payment of, or on account of, the principal of the Note and for all other purposes, and all the payments so made to any registered owner or upon the owner's order will be valid and effectual to satisfy and discharge the liability of the EDA upon the 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 the transfer or exchange.

(g) Mutilated, Lost, Stolen or Destroyed Note. In case the Note becomes mutilated or is lost, stolen, or destroyed, the Registrar will deliver a new Note of like amount, maturity dates and tenor in exchange and substitution for and upon cancellation of the mutilated Note or in lieu of and in substitution for the 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 the 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 EDA and the Registrar will be named as obligees. The Note so surrendered to the Registrar will

be cancelled by him and evidence of the cancellation will be given to the EDA. If the mutilated, lost, stolen, or destroyed Note has already matured or been called for redemption in accordance with its terms, it will not be necessary to issue a new Note prior to payment.

3.04. Preparation and Delivery. The Note will be prepared under the direction of the Executive Director and will be executed on behalf of the EDA by the signatures of its President and Executive Director. In case any officer whose signature appears on the Note ceases to be the officer before the delivery of the Note, the signature will nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery. When the Note has been so executed, it will be delivered by the EDA to the Owner following the delivery of the necessary items delineated in Section 3.4 of the Agreement.

Section 4. Security Provisions.

4.01. Pledge. The EDA agrees to pay the principal of the Note from Tax Increment as defined in the Note. Tax Increment will be applied to payment of the principal of the Note in accordance with the terms of the form of Note set forth in Section 3 of this resolution. The EDA's use of Tax Increment for payment of Note is subordinate to the Previous Obligations and is subject to the Market Value of the Redevelopment Property and Minimum Improvements

4.02. Bond Fund. Until the date the Note is no longer outstanding and no principal thereof (to the extent required to be paid pursuant to this resolution) remains unpaid, the EDA will maintain a separate and special "Bond Fund" to be used for no purpose other than the payment of the principal of the Note. The EDA irrevocably agrees to appropriate to the Bond Fund in each year Tax Increment which is not otherwise obligated. Any Tax Increment remaining in the Bond Fund will be transferred to the EDA's account for the TIF District upon the payment of all principal to be paid with respect to the Note.

Section 5. Certification of Proceedings.

5.01. Certification of Proceedings. The officers of the EDA are hereby authorized and directed to prepare and furnish to the Owner of the Note certified copies of all proceedings and records of the EDA, and the 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 the certified copies, certificates, and affidavits, including any heretofore furnished, will be deemed representations of the EDA as to the facts recited therein.

Section 6. Effective Date. This resolution will be effective upon execution by the President and Executive Director following authorization by the board of commissioners of the EDA.

Adopted by the board of commissioners of the South St. Paul Economic Development Authority,
this 7th day of October, 2019.

President

Executive Director

UNITED STATES OF AMERICA
STATE OF MINNESOTA
DAKOTA COUNTY
SOUTH ST. PAUL ECONOMIC DEVELOPMENT AUTHORITY

No. R-1

\$1,000,000

TAXABLE TAX INCREMENT REVENUE NOTE
SERIES 2019B

<u>Rate</u>	<u>Date of Original Issue</u>
0%	October 8, 2019

The South St. Paul Economic Development Authority (the “EDA”), for value received, certifies that it is indebted and hereby promises to pay to DRS Investment VI LLC, or registered assigns (the “Owner”), the principal sum of \$1,000,000 as and to the extent set forth herein.

1. Payments. Payment of principal amounts (“Payments”) will be paid beginning on February 1, 2020, and each February 1 and August 1 thereafter until August 1, 2024 (“Payment Dates”), in the amounts, from the sources and subject to the terms and conditions set forth in Section 3 herein.

Payments are payable by mail to the address of the Owner or any other address as the Owner may designate upon 30 days written notice to the EDA. 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. No Interest. The Note will bear no interest.

3. Tax Increment. Payments on this Note are payable on each Payment Date in the amount of and solely payable from “Tax Increment,” which will mean, on each Payment Date, the Tax Increment attributable to the EDA’s Tax Increment Financing District No. 2 and paid to the EDA by Dakota County, all as the terms are defined in the Contract for Private Redevelopment dated January 17, 2018 and First Amendment to Contract for Private Redevelopment dated February 9, 2018 between the EDA and Owner (collectively, the “Agreement”). Tax Increment will not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default by the Owner under the Agreement.

The EDA will have no obligation to pay principal of this Note on any Payment Date from any source other than Tax Increment, and the failure of the EDA to pay the entire amount of principal on this Note on any Payment Date will not constitute a default hereunder as long as the EDA pays principal hereon to the extent of Tax Increment and in accordance with this Note. The EDA shall pay the Owner \$100,000 on February 1, 2020 and \$100,000 on August 1, 2020 regardless of the Market Value of the Redevelopment Property and Minimum Improvements. In

the years 2021, 2022, 2023 and 2024, except as otherwise provided below, payment under this Note shall be dependent on the Market Value of the Redevelopment Property and the Minimum Improvements as of January 2 of the previous year. By way of example, the amount payable under this Note in 2021 will be dependent on the Market Value of the Redevelopment Property and the Minimum Improvements as of January 2, 2020. Payments will be made in accordance with the following:

Market Value of Redevelopment Property and Minimum Improvements as of previous January 2	Payment Amount
Greater than \$8,418,975	\$200,000
\$7,500,000 - \$8,418,975	\$180,000
\$6,735,180 - \$7,499,999	\$160,000
\$6,000,000 - \$6,735,179	\$140,000
Less than \$6,000,000	\$0

Payment under this Note shall not exceed \$200,000 per year. In any year in which the Market Value of the Redevelopment Property and the Minimum Improvements is less than \$8,418,976 and the EDA's payment under this Note is reduced accordingly, such reduction for that year shall be permanent and the deficiency for that year shall not be made up in any subsequent year. The EDA will have no obligation to pay unpaid balance of principal that may remain after the final Payment on August 1, 2024. All payments under the Note shall be subordinate to the EDA's payments under the Previous Obligations.

Notwithstanding anything in this Note or the Agreement to the contrary, the EDA's obligation to make payments to the Redeveloper under this Note in 2024 shall be subject to the conditions and limitations thereon specified in Section 9.12(b) of the Agreement.

4. Defined Terms. All capitalized terms used in this Note which are not defined herein shall have the same meaning as given to them in the Agreement unless the context clearly indicates to the contrary.

5. Suspension of Payment for Default. At the EDA's option, the EDA's obligation to make any payments under this Note will be suspended upon the occurrence of an Event of Default on the part of the Redeveloper as defined in Section 8.1 of the Agreement, but only if the Event of Default has not been cured in accordance with Section 8.2 of the Agreement.

6. Nature of Obligation. This Note is a single note in the total principal amount of \$1,000,000 issued to aid in financing certain public costs of a Redevelopment Project undertaken by the EDA pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended, and is issued pursuant to an authorizing resolution (the "Resolution") duly adopted by the EDA on October 7, 2019, 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 EDA which is payable solely from Tax Increment and is subject to such restrictions and limitations outlined in the Agreement and herein. This Note will not be deemed

to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the EDA or the city of South St. Paul. Neither the State of Minnesota, nor any political subdivision thereof will be obligated to pay the principal of this Note or other costs incident hereto except out of 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 this Note or other costs incident hereto.

7. Estimated Tax Increment Payments. Any estimates of Tax Increment prepared by the EDA or its financial advisors in connection with the TIF District or the Agreement are solely for the benefit of the EDA, and are not intended as representations on which the Owner may rely.

THE EDA MAKES NO REPRESENTATION OR WARRANTY THAT THE TAX INCREMENT WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF THIS NOTE.

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

This Note may be transferred, assigned or pledged without the approval of the EDA; provided that this Note will not be transferred to any person other than an affiliate, or other related entity, of the Owner unless the EDA has been provided with an investment letter in a form substantially similar to the investment letter submitted by the Owner or a certificate of the transferor, in a form satisfactory to the EDA, that the transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. Notwithstanding anything to the contrary in this Note, in no event will a lender providing funds to the Redeveloper and taking an assignment of the Note as security for such funds be required to sign an investment letter at either the time of execution of an assignment or transfer of the Note as a result of the assignment. The holder of the Note may be different than the Owner of the Redevelopment Property.

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 EDA 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 South St. Paul Economic Development Authority, has 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.

**SOUTH ST. PAUL ECONOMIC
DEVELOPMENT AUTHORITY**

President

Executive Director

REGISTRATION PROVISIONS

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

<u>Date of Registration</u>	<u>Registered Owner</u>	<u>Signature of EDA Executive Director</u>
October 8, 2019	DRS Investment VI LLC 5201 Eden Avenue, Suite 300 Edina, MN 55436 Attn: Doug Simek Federal Tax ID #38-4097200	_____

To the South St. Paul Economic Development Authority (the "EDA")
Attention: Executive Director
125 Third Avenue North
South St. Paul, MN 55075

Dated: August 27, 2019

Re: \$1,000,000 Taxable Tax Increment Revenue Note (Concord Street Redevelopment Project)

The undersigned, as Purchaser of \$1,000,000 in principal amount of the above-captioned Taxable Tax Increment Revenue Note (Concord Street Redevelopment Project) (the "Note"), approved by the Board of Commissioners of the South St. Paul Economic Development Authority on _____, 201__, hereby represents to you and to Kennedy & Graven, Chartered, Minneapolis, Minnesota, as legal counsel to the EDA, as follows:

1. We understand and acknowledge that the Note will be delivered to the Purchaser on or about October 8, 2019 pursuant to the Contract for Private Redevelopment and the First Amendment to the Contract for Private Redevelopment by and between the EDA and the Purchaser dated January 17, 2018 and February 9, 2018, respectively (collectively, the "Agreement").

2. The Note is payable as to principal solely from Tax Increment from the EDA's Tax Increment Financing District No. 2, subject to the limitations contained in the Note and the Agreement.

3. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the above-stated Note.

4. We acknowledge that no offering statement, prospectus, offering circular or other comprehensive offering document or disclosure containing material information with respect to the EDA and the Note has been issued or prepared by the EDA, and that, in due diligence, we have made our own inquiry and analysis with respect to the EDA, the Note and the security therefor, and other material factors affecting the security and payment of the Note.

5. We acknowledge that we have either been supplied with or have access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the EDA, the Note and the security therefor, and that as reasonable investors we have been able to make our decision to purchase the above-stated Note.

6. We have been informed that the Note (i) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, or under federal securities

