



Delano

MINNESOTA

City Council Agenda
2/2/2026

Title: Consider Development Agreement for Granite Works 3rd project.

Report From: Phil Kern, City Administrator

Action Requested:	<input type="checkbox"/> Informational	<input checked="" type="checkbox"/> Motion	<input type="checkbox"/> Public Hearing
Form of Action:	<input type="checkbox"/> Resolution	<input type="checkbox"/> Ordinance	<input checked="" type="checkbox"/> Contract/Agreement
	<input checked="" type="checkbox"/> Other	<input type="checkbox"/> NA	

Summary Statement

Staff is presenting the development agreement with Granite Works ME (Michaels Development/Ebert Construction) for the Granite Works 3 project.

Recommended Action

1. Motion approving Development Agreement for Granite Works 3 project.

Core Strategies

<input type="checkbox"/> Comprehensive Services to meet needs	<input type="checkbox"/> Engage and Informed Community
<input type="checkbox"/> Maintain financial sustainability	<input type="checkbox"/> High-Performing team of public servants
<input checked="" type="checkbox"/> Conscientious asset/infrastructure mgmt.	<input type="checkbox"/> Safe and healthy community
<input checked="" type="checkbox"/> Sustainable and planned growth	<input type="checkbox"/> Maintain and protect community strengths

Background

The EDA entered into a contract with Granite Works ME (Michaels Development/Ebert Construction) for the construction of a 72-unit apartment building in 2026 on the third/final Granite Works parcel – Lot 1, Block 1. In December, the City approved the PUD amendment granting approval of the plans for the project. The last remaining approval is the Development Agreement – the contract governing construction, operation, and financing related to the tax increment reimbursement of development expenses.

The Development Agreement attached carries forward the terms of several previous approvals: the overall site development plan, the purchase agreement, and the City Code related to development activities. Among the notable items within the contract are the following:

- The Development Agreement places a construction completion date of September 30, 2027. This allows for an anticipated 13-month construction window and also provides flexibility for impacts of river levels. If water levels are high this spring, it may delay the soil remediation and installation of footings. This timeline provides flexibility in that event.
- The provisions of the TIF Agreement carry forward, providing the developer up to 90% of future TIF collections in reimbursement for soil contamination remediation and infrastructure construction related to

the development. The TIF Agreement requires the parcel maintain a minimum property value of \$14.55M for the duration of the TIF District, which ensures revenue through the TIF collection.

- The agreement requires that a minimum of 50% of the units in the building have rents that are maintained at levels affordable to people making 60% or less of area median income. The rents can adjust annually based on new data related to median income. At the time of the Purchase Agreement (2025), 1-bedroom units would correlate to a rent + utilities calculation of \$1,489 per month. For a 2-bedroom unit, the amount is \$1,788. For a 3-bedroom unit, the amount is \$2,065.
- The agreement also has added in the requirement that the Developer verify that the affordable units are going to people that meet the income requirements. This was not a requirement of the purchase agreement, but in light of the Council discussion in December as part of the PUD review, staff has added the requirement in the Development Agreement that the Developer verify incomes of the people rent the affordable units. The incomes, by the 2025 calculations of Area Median Income (AMI), would mean a single person would qualify at/under \$55,620 in annual income. A family of four would be \$79,440. These income thresholds would also be updated annually based on new data related to AMI.
- The remainder of the agreement is standard to the City's typical development standards and code requirements.

Staff recommends approval of the attached draft agreement. If approved, the agreement would be executed at the time of closing on the sale of the property and initiation of the development process by the Developer.

Financial Consideration

Is there a financial consideration?	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes
Financing Source:	<input type="checkbox"/> Budgeted	<input type="checkbox"/> Budget Modification
	<input type="checkbox"/> New revenue source	<input type="checkbox"/> Use of revenues
	<input type="checkbox"/> Other - reimbursable	

Attachments:

Draft Development Agreement

**LOT 1, BLOCK 1, GRANITE WORKS ADDITION DEVELOPMENT AND TAX
INCREMENT FINANCING AGREEMENT**

**THIS LOT 1, BLOCK 1, GRANITE WORKS ADDITION DEVELOPMENT AND
TAX INCREMENT FINANCING AGREEMENT** (“Development Agreement”) is made and entered into as of this _____ day of _____, 2026, by and between the City of Delano, a Minnesota municipal corporation (“City”), the Delano Economic Development Authority, a Minnesota municipal corporation (“EDA”), and Granite Works ME III, LLC, a Minnesota limited liability company (“Developer”).

WITNESSETH:

WHEREAS, Developer has entered into an agreement to purchase the Property (as defined below) from the EDA pursuant to a Purchase Agreement between Developer and the EDA dated September 10, 2025, incorporated herein (the “Purchase Agreement”);

WHEREAS, Developer made application to the City and EDA for site plan, building plan and PUD approvals for a multi-family residential building (the “Project”) on property located within the City of Delano, legally described on Exhibit A, attached hereto and incorporated herein (the “Property”);

WHEREAS, on October 20, 2020, the City adopted Ordinance PUD No. 2020-03 establishing a Planned Unit Development (PUD) zoning district for the Granite Works site, which included the Property;

WHEREAS, the City has adopted a TIF plan for TIF District No. R-20-53 within Municipal Redevelopment District No. 13 relating to the Project, to reimburse City and EDA for TIF-eligible expenses (the “TIF Plan”);

WHEREAS, on December 16, 2025, the City adopted Resolution No. R-25-18 approving an amendment to the approved Granite Works PUD and a revised Master Development Plan for Granite Works III;

NOW, THEREFORE, in consideration of the City adopting Resolution No. R-25-18 amended PUD and revised Master Development Plan, including site plan and building plan approval, Developer covenants and agrees as follows:

ARTICLE 1: DEVELOPMENT WORK

1.1. Approvals and Plans. Developer must develop the Property in conformance with the following, subject to such changes and modifications as provided herein:

- a. PUD Ordinance No. 2020-03, dated October 20, 2020; and Resolution No. R-25-18, amending the PUD and revised Master Development Plan, attached as Exhibit B (the “Approvals”); and
- b. City Planner’s Reports dated December 4, 2025 and and Engineer’s Report dated December 3, 2025, attached as Exhibit C (the “Staff Reports”); and
- c. The materials reviewed and approved by the City Council on December 16, 2025, which are on file with the City and identified on the attached Exhibit D (the “Plans” or the “Exhibit D Plans”).

In addition, Developer must grade, construct upon, and improve the aforesaid improvements pursuant to all requirements of this Development Agreement, the Delano City Code, City Engineer, City Planner, City Building Official, and Delano Water, Light & Power Commission. All improvements and other work required by the plans referred to in this section and such other work as is required by the Delano City Code, City Engineer, City Planner, City Building Official and Delano Water, Light & Power Commission are hereafter referred to as the “Development Work.” Developer is responsible for all costs related to the Development Work.

1.2. City Code and Ordinances. Developer acknowledges that Developer is familiar with the requirements of Delano’s Building Zoning and Subdivision Regulations, and other applicable portions of the City Code relating to the development of the Property. Developer agrees to develop the Property in accordance with all applicable City Code requirements.

1.3. Developer’s Responsibility for Code Violations. In the event of a violation of City Code relating to use of the Property or failure to fulfill an obligation imposed upon the Developer pursuant to this Development Agreement, the City shall give 24 hours’ notice of such violation in order to allow a cure of such violation, provided however, City need not issue a building or occupancy permit for construction or occupancy on the Property while such a violation is continuing, unless waived by City. The existence of a violation of City Code or the failure to perform or fulfill an obligation required by this Development Agreement shall be determined solely and conclusively by the Delano City Administrator or a designee.

1.4. No Implied Approval. Developer agrees that this Development Agreement, the Development Work, and any City approvals relating to the Property constitute approval only for the improvements and work specifically identified. Nothing contained herein or any other approvals shall constitute an approval, express or implied, of any additional improvements. In order to proceed with any additional development or improvement on the Property, additional approvals will be required, including but not limited to a separate site plan approval, an additional Development Agreement, and such other terms and conditions as are satisfactory to the City.

1.5. Completion Date. Construction of the Development Work, in accordance with the terms of this Development Agreement, shall be completed no later than September 30, 2027.

1.6. Developer's Right to Proceed With Development Work. Developer may not obtain a grading or building permit, grade or otherwise disturb the earth, remove trees, develop, install utilities or commence other infrastructure improvements, or construct upon the Property in any manner until all of the following conditions have been satisfied:

- a. EDA and Developer have closed on the Purchase Agreement, and Developer has obtained all right, title, and interest to the Property necessary to proceed with the Development Work.
- b. This Development Agreement has been properly executed and recorded at the Wright County Recorder's Office.
- c. Developer has provided the City with proof that all required permits have been obtained.
- d. Developer has conveyed to the City all easements required and those easements have been recorded at the Wright County Recorder's Office.
- e. The minimum Assessment Agreement and Assessor's Certificate referred to in Section 3.7 herein, which establish a minimum market value for ad valorem taxes of \$14,550,000 for the entire life of the TIF District, have been properly executed and recorded against the Property.
- f. The EDA shall have adopted and have continued to maintain, pursuant to terms and conditions the EDA deems acceptable, in its sole discretion, a Redevelopment District on the Property, in compliance with law, including but not limited to in compliance with Minn. Stat. § 469.174, subd. 10.
- g. The EDA shall have adopted and have continued to maintain, pursuant to terms and conditions the EDA deems acceptable, in its sole discretion, a tax increment financing plan for the Property, which qualifies for 26 years of tax increment receipts pursuant to Minn. Stat. § 469.176, subd. 16(4), of a captured net tax capacity deemed adequate by the EDA, in its sole discretion.
- h. The Delano City Clerk has issued a written letter that all conditions of this Section have been satisfied.

1.7. Development and Utility Fees. The City shall pay all applicable City-imposed development and utility fees and charges (excluding building permit) on Developer's behalf. The

City shall first apply all available SAC and WAC credits for the Property and shall pay the balance of the fees and charges out of tax increment funds or other funds deemed appropriate by the City.

ARTICLE 2: DEVELOPER'S REPRESENTATIONS AND UNDERTAKINGS

Developer makes the following representations and undertakings:

2.1. Legal Authority. Developer has the legal authority and power to enter into and perform all obligations of this Development Agreement and all other documents and agreements which are exhibits to or are referred to in this Development Agreement.

2.2. Required Permits. Developer shall obtain, in a timely manner, all required permits, licenses and approvals, and will meet in a timely manner, all requirements of local, state and federal laws and regulations which must be obtained or met before the Development Work may be commenced, or the business to be conducted upon the Property commences operation. Developer shall construct and maintain all improvements in the Property and otherwise conduct all activities on the Property at all times in accordance with the terms of this Development Agreement and all local, state and federal laws and regulations.

2.3. Economic Feasibility. The construction of the Project would not be undertaken by Developer, and in the opinion of Developer would not be economically feasible within the reasonably foreseeable future, without the assistance and benefit to Developer provided for in this Agreement.

2.4. Market Value. Developer will not seek a reduction in the market value (as determined by the City Assessor) of the Project below the minimum market value as provided by the Assessment Agreement referenced in Section 3.7, for so long as the TIF District is in existence.

2.5. License to Enter. Developer grants to the City, and the City's elected officials, agents, employees, officers, contractors and engineers, a license to enter any portion of the Property, to inspect and test all work, including but not limited to the Development Work, and Developer shall be responsible for the costs of all such inspections and tests.

2.6. Additional Erosion Control, Grading and Drainage Requirements. During or at the conclusion of the Development Work, conditions may exist which make it appropriate to impose additional grading, erosion control and drainage requirements for the Property. If the City determines, in its sole discretion, that such additional requirements are appropriate, Developer shall forthwith proceed to implement such additional requirements at Developer's sole cost.

2.7. City Erosion Control Policy. Developer, its successors and assigns, and any person or entity securing any permit to grade or construct on any portion of the Property, agree, at all times, to comply with all terms and conditions of the City's Erosion Control Policy. Developer shall install and maintain, throughout all development and construction activities on the Property, silt fence behind all curbs.

2.8. Indemnification. Developer hereby agrees to defend, indemnify, release and hold harmless the City, its elected and appointed officials, officers, employees, planners, engineers, attorneys, and agents (the "Indemnitees") from all claims, lawsuits, administrative actions, judgments, settlements, injunctions, restraining orders, fines, penalties, and all expenses and damages incurred as a result of or arising from the Development Work, the Property, the Development Agreement, and all reviews, approvals, denials and acts and failure to act that are related thereto, as well as all acts of Developer, and Developer's consultants, contractors, subcontractors, suppliers, and agents. Developer shall defend, indemnify, release, and hold harmless the Indemnitees from all costs, damages and expenses of every kind, including attorney and expert fees and costs, which the Indemnitees may pay or incur as a result of or related to such claims, lawsuits, administrative actions, judgments, settlements, injunctions, restraining orders, fines, penalties, and other expenses and damages. Developer shall not be released from its obligation to release, defend and indemnify the Indemnitees because of any inspection, review or approval by Indemnitee.

2.9. City Inspections. The City may, at its discretion and at Developer's expense, have one or more City representatives, including representatives of the City Engineer's office, inspect the Development Work on a periodic basis and as directed by the City. Developer acknowledges that the number and type of inspections may vary depending upon the circumstances encountered during the Development Work. Developer, its contractors and subcontractors, shall follow all instructions received from the City's representatives. Hourly fees of the City Engineer are set forth in the City's fees schedule.

2.10. Non-Interference with Adjoining Properties. All work performed by Developer and Developer's contractors and subcontractors shall be performed exclusively upon the Property. Any work related to roads, trails, drainage, and utility improvements, which are specified herein to occur on land outside the Property, shall occur exclusively within the appropriate easement boundaries for such work. In no event shall any work performed by Developer or Developer's contractors and subcontractors interfere with other properties, rights-of-way or easements.

2.11. Responsibility for Costs. Except as otherwise specified herein, Developer shall pay all costs incurred by it or the City, including, but not limited to, legal, planning, engineering and inspection expenses relating to (i) any reviews, approvals or denials by the City; (ii) the Development Work; (iii) any development, construction, or acquisition associated with the Development Agreement; (iv) the preparation and review of this Development Agreement and other documents referred to in the Development Agreement or related to the Development Work; (v) monitoring and inspecting the Development Work; and (vi) enforcing the terms of this Development Agreement. Developer shall pay in full all bills submitted to it by the City within 30 days after receipt. If the bills are not paid on time, the City may in addition to and not in lieu of other remedies, direct Developer to cease all Development Work until all such bills are paid in full.

2.12. Ownership of Property. The Property is owned in fee simple by Developer.

2.13. Failure to Proceed. Subject to the provisions of Section 1.5 above, if Developer fails to proceed in accordance with this Agreement within twenty-four (24) months of the date

hereof, Developer, for itself, its successors, and assigns, shall not oppose the City's reconsideration and rescission of any site or building plan approval or any other approval in connection with this or the Property.

2.14. Intentionally Deleted.

2.15. Intentionally Deleted.

2.16. Environmental Remediation. Developer shall complete necessary environmental remediation on the Property as required by and in accordance with the Response Action Plan and Construction Contingency Plan prepared by Wenck Associates, Inc. (the "RAP/CCP") and submitted for approval to the Minnesota Pollution Control Agency ("MPCA") ("Remediation"). Seller has obtained a cleanup grant from the State of Minnesota to pay and reimburse for a portion of the Remediation (the "Grant"). The City/EDA shall reimburse Developer for its actual, documented, and objectively reasonable cost of the Remediation above the Grant amount with TIF funds as described in Section 3.5. Any additional contamination discovered during the Development Work on the Property not identified in the environmental reports referenced in the RAP/CCP but ordered for removal by the MPCA will follow the procedures outlined in the RAP/CCP ("Additional Remediation") and shall be remediated by Developer. The City/EDA shall reimburse Developer for 100% of the actual and objectively reasonable cost of such Additional Remediation, reimbursement to be made in the same manner and from the same sources as reimbursement for Remediation.

2.17 Soil Correction. The City/EDA will reimburse Developer for its actual and objectively reasonable soil correction costs below the building foundation elements and the lateral influence zone as determined by a Geotechnical Engineer. The proposed foundation design shall be provided to the City for review prior to performing the work and shall be the most cost efficient option for the foundation design. The costs eligible for reimbursement shall include the removal of buried debris below the foundation elements influence zone; removal of unsuitable load bearing soils below the foundation elements influence zone, and the placement and compaction of suitable load bearing materials within the foundation elements influence zone. The placement and compaction of the suitable load bearing materials shall meet the performance standards provided by the Developer. The City/EDA shall reimburse Developer, with TIF funds as described in Section 3.5, for Developer's actual, documented, and objectively reasonable costs for the soil correction required to meet the standards provided as well as for the cost of removal of granite pieces and removal of existing buildings and foundations required to properly compact the Property for Developer's intended use ("Soil Correction Costs"). Costs related to overdesign or excessive measures beyond the standards provided by the Developer will not be eligible for reimbursement. Soils encountered that are free of debris and meet the Developer's standards for random/non-load bearing fill shall be used on the site for such purposes, and shall not be eligible for reimbursement.

2.18 Affordable Housing Requirement. The Project is a residential PUD requesting design flexibility from the City's base zoning standards, and is therefore subject to the affordable requirements contained in City Code § 51.02, subd. J. In exchange for the City's provision of TIF assistance and other benefits as described in this Agreement, Developer has agreed to provide

affordable dwelling units in excess of City Code requirements. Developer shall therefore provide affordable housing units as follows:

- a. At least fifty percent (50%) of the dwelling units in the Project (36 units) must be "Affordable Units" and may only be occupied by or available for occupancy by persons whose incomes do not exceed sixty percent (60%) of Area Median Income (AMI) as most recently determined by the United States Department of Housing and Urban Development for the Minneapolis-St. Paul-Bloomington Statistical Area. Household incomes will be verified one-time only upon resident application for an Affordable Unit.
- b. Developer must restrict gross rents and incomes in the Project for the Affordable Units to amounts not exceeding the Multifamily Rent and Income Limits set by the United States Department of Housing and Urban Development ("HUD") and promulgated by the Minnesota Housing Finance Agency ("MHFA") (or, if MHFA no longer promulgates such data, then by a similar resource that promulgates the HUD data), as adjusted for family size, as the same may be updated from time-to-time.
- c. The Affordable Units are further subject to the requirements of Delano City Code, Section § 51.02, subd. J.3.I.4.
- d. Developer shall provide to the City on an annual basis and no later than January 31 of each year, a sworn affidavit confirming that the Project is in compliance with the requirements of this Section 2.18. The affidavit shall, among other things, identify the rent being charged for each Affordable Unit and the income of the household occupying each unit, but must not individually identify any occupants. The household income shall be verified one time only upon resident application for an Affordable Unit and that same income shall be used for future reporting purposes.
- e. The obligations of Developer to relating to the provision of Affordable Units will survive and remain in full force and effect through the expiration of the TIF district in 2048.

ARTICLE 3: CITY AND EDA REPRESENTATIONS AND TAX INCREMENT FINANCING

The City and the EDA represent as follows:

3.1. **TIF District**. The TIF District is a "redevelopment district" within the meaning of Minnesota Statutes Section 469.174, Subdivision 10, and was created, adopted and approved in accordance with the terms of the Tax Increment Act, Minnesota Statutes Sections 469.174 through 469.1794.

3.2. **Duration**. The EDA anticipates that the TIF District will remain in existence for twenty-six years, which is the maximum duration allowed by law pursuant to Minnesota Statutes

Section 469.176, Subdivision 1b. The duration of the TIF District commenced with the receipt of first tax increment in 2023 and will expire in the year 2048.

3.3. Redevelopment Program. The redevelopment contemplated by this Agreement conforms to the redevelopment objectives set forth in the Redevelopment Program.

3.4. TIF Assistance. To reimburse Developer for certain qualifying Remediation and Soil Correction costs (in excess of those costs reimbursed through the Grant) and reimburse the EDA and City for certain TIF-eligible expenses related to acquisition of and improvements to the Property, as well as other TIF-eligible expenses, the City and the EDA propose, subject to the further provisions of this Agreement, to apply portions of the tax increments derived from the Property which have been received by the City in accordance with the provisions of Minnesota Statutes Section 469.177 (the “Tax Increments”) as follows:

3.5. TIF Payments.

a. Site Acquisition

1. Pursuant to the TIF Plan, the City/EDA will retain a portion of Tax Increments received semi-annually from the County to recover the \$700,000 value of the Property, as described in the Purchase Agreement between Developer and the EDA dated September 10, 2025, and for other purposes as permitted by law.

b. TIF-Eligible Reimbursement to EDA for Remediation, Soil Correction, and other TIF-Eligible Costs, as well as City/EDA's right to utilize TIF funds for additional TIF-eligible purposes.

1. City/EDA will provide Buyer with ninety percent (90%) of the net tax increments generated from the Property and actually received by the City on a pay-as-you-go basis in a cumulative, total amount up to and not to exceed \$2,800,000.00, payable at 4% interest over the remainder of the TIF Period, to reimburse Buyer for its actual, documented, and objectively reasonable expenses incurred in Remediation and Soil Correction as described in Section 2.16 and 2.17, in addition to other site improvements (e.g., utilities, grading, parking, etc.) as permitted by law. If 90% of the tax increment received by the City and paid to Developer does not amount to \$2,800,000, City/EDA will have no obligation to Developer for the difference.
2. In addition to the Developer TIF reimbursement referred to herein, the City/EDA reserves the right, pursuant to the TIF Plan, to use net tax increments for the cost of other TIF-eligible improvements and reimbursement to itself for additional TIF-eligible expenses.

- c. In no event, however, shall the EDA provide any TIF reimbursement to Developer, unless the following conditions precedent are satisfied:
 - 1. The TIF Plan remains in full force and effect, and the TIF Plan has not been challenged for validity in any respect by any person, entity or the State of Minnesota.
 - 2. There has not been an “Event of Default” under this Agreement as defined in Article 4 herein.
 - 3. Following completion of construction of the Development Work by Developer, the minimum market value of the Property, as determined by the County Assessor, is not less than the amount specified in the Assessment Agreement referenced in Section 3.7 herein for any year for which the TIF District is in existence.
 - 4. Developer is in compliance with the affordable housing requirements provided by Section 2.18 of this Agreement.

3.6. Business Subsidy Act. The TIF reimbursement provided for herein is not a “business subsidy” as defined by Minn. Stat. §116J.993, subd. 3, because the EDA is making TIF assistance available to all developers of land located on the Granite Works site and because the assistance is for housing. The Project meets the criteria set forth in Minnesota Statute §116J.993, Subd. 3(2) and (7), and the City and the EDA therefore finds that the financial assistance provided for herein is not a Business Subsidy under the Business Subsidy Act.

3.7. Assessment Agreement. Developer and the EDA shall execute a minimum assessment agreement in the form attached hereto as Exhibit E, as of the date hereof (the “Assessment Agreement”), which shall establish a minimum market value, for purposes of ad valorem taxes, of \$14,550,000 for the entire life of the TIF District, as more fully set forth on Exhibit E. Owner shall cause the Assessment Agreement and an executed Assessor’s Certificate, in the form attached thereto, to be recorded against the Property.

ARTICLE 4: DEFAULT

4.1. Events of Default. The following shall be “Events of Default” under this Development Agreement:

- a. Failure by Developer to comply with or perform any terms, conditions, undertakings, obligations or agreement on its part to be complied with or performed pursuant to this Development Agreement.
- b. If any representation made by Developer in this Development Agreement is inaccurate in any material respect, either when made or at a later date.

- c. If Developer is unable to pay its debts as they become due, or shall file a petition in bankruptcy, or shall make an assignment for the benefit of its creditors, or if a receiver is appointed for Developer or for the whole or any substantial part of the Property or the business to be conducted thereon.
- d. If Developer has an involuntary bankruptcy petition filed against it.
- e. If Developer is in default under any mortgage or other pledge, guarantee or security agreement and the same is not cured within any applicable grace or cure period.
- f. If Developer violates any federal, state or local law or regulation relating to the Property or the Development Work.
- g. If Developer fails to provide the Inclusionary Units as described in Section 2.18.

The party to this Development Agreement alleging that an event of default has occurred shall give the other party written notice of the default and 30 days opportunity to cure or remedy the event of default, except no notice is required if Developer is in default in a manner which affects public health or safety.

4.2. Remedies on Default. Whenever any Event of Default occurs, the City may, in addition to and not in lieu of any other remedies or rights given the City under this Development Agreement or by law or equity, take any one or more of the following actions:

- a. Direct Developer to cease work on the Property.
- b. Suspend City performance under this Development Agreement.
- c. Institute and prosecute an action to specifically enforce performance of any term of this Development Agreement. Developer acknowledges that the rights of the City to performance of the obligations of Developer contemplated in this Agreement are special, unique, and of an extraordinary character, and that, in the event that Developer violates, fails, or refuses to perform any covenant, condition, or provision herein, the City may be without an adequate remedy at law. Accordingly, the City shall be entitled to temporary, preliminary, and final injunctive relief in the event of default.
- d. Withhold any City approvals or assistance, including TIF payments.
- e. Collect from Developer reimbursement for all City costs incurred by the City as a result of any Event of Default, including reasonable attorneys' and engineering fees.

No remedy conferred in this Development Agreement is intended to be exclusive and each shall be cumulative and shall be in addition to every other remedy referred to in this Development Agreement or otherwise available in law or equity. The election of any one or more remedy shall not constitute a waiver of any other remedy.

ARTICLE 5: MISCELLANEOUS

5.1. Cleanup and Damage.

- A. Developer assumes full financial responsibility for any damage which may occur to public property including but not limited to streets, street sub-base, base, bituminous surface, curb, utility system including but not limited to watermain, sanitary sewer or storm sewer when said damage occurs as a result of the activity which takes place during the development of the Property. Developer further agrees to pay all costs required to repair the streets, utility systems and other public property damaged or cluttered with debris when occurring as a direct or indirect result of the construction that takes place on the Property.
- B. Developer shall clean the streets every day or as required by the City Engineer.
- C. Developer agrees that any damage to public property occurring as a result of construction activity on the Property shall be repaired immediately if deemed to be an emergency by the City. Developer further agrees that any damage to public property as a result of construction activity on the Property shall be repaired within 14 days if not deemed to be an emergency by the City.
- D. If Developer fails to so clean the streets or repair or maintain said public property, the City may immediately undertake making or causing it to be cleaned up, repaired or maintained. When the City undertakes such activity, the Developer shall reimburse the City for all of its expenses within thirty (30) days of its billing to the Developer.

5.2. No Third-Party Beneficiaries. Third parties shall not be deemed to be third-party beneficiaries of this Development Agreement.

5.3. Performance Standards. The Property shall be developed and operated in a manner meeting all applicable noise, vibration, dust and dirt, smoke, odor and glare laws and regulations.

5.4. Assignability. Developer shall not assign or convey any interest in the Development Agreement without formal approval of the Delano City Council, except for a collateral assignment to a mortgage lender for security purposes only (which shall not require approval). Any such assignment shall be in writing approved by the City.

5.5. **City Engineer's Certification of Compliance With Grading, Drainage and Erosion Control Plan and Specifications.** No certificate of occupancy for any improvement, structure or building on the Property shall be issued unless and until the City Engineer certifies, in writing to the City (with a copy to the Developer) that such improvement, structure or building has been developed and constructed in accordance with the Development Agreement, including but not limited to the grading, drainage and erosion control plan.

5.6. **Agreement to Bind Successors.** This Development Agreement shall run with the land and shall be binding upon the parties, their heirs, successors or assigns, as the case may be.

5.7. **No Waiver.** Any action or inaction of the City shall not constitute a waiver or amendment to the provisions of this Development Agreement. The City's failure to promptly take legal action to enforce this Development Agreement shall not constitute a waiver or release.

5.8. **All Agreements in Writing.** The parties agree that the terms, conditions, undertakings and representations of this Development Agreement, the exhibits hereto, and the terms of approvals formally adopted by the City constitute all of the agreements and understandings of the parties with respect to the subjects addressed therein. There are no oral or other written agreements or understandings, and no subsequent oral or written understandings shall be valid and binding upon the City unless duly executed by the City and approved by written resolution or motion of the Delano City Council.

5.9. **Severability.** If any portion, section, subsection, sentence, clause, paragraph or phrase of this Agreement is for any reason held invalid by a Court of competent jurisdiction, such decision shall not affect the validity of the remaining portion of this Agreement.

5.10. **No City Liability.** Except for the intentional acts of the City or its employees and contractors, no failure of the City to comply with any term, condition, covenant or agreement herein shall subject the City to liability for any claim for damages, costs or other financial or pecuniary charges.

5.11. **Notices.** Notices to Developer required by this Development Agreement shall be either hand delivered to Developer or mailed to Developer by certified mail at the following address:

Granite Works ME III, LLC
c/o Michael Development Minnesota, LLC
Attention: Michael J. Swenson
971 Sibley Memorial Highway, Suite 300
Lilydale, Minnesota 55118

Ebert Construction
23350 County Road 10
Corcoran, Minnesota 55357
Attn: James Rasmussen

Notices to the City or the EDA required by this Development Agreement shall be hand delivered to the Delano City Administrator or mailed by certified mail to the attention of the Delano City Administrator and at the following address:

City of Delano
Attention: City Administrator
234 Second Avenue North
P.O. Box 108
Delano MN 55328

Notices shall be deemed effective on the date of receipt. Any party may change its address for the service of notice by giving written notice of such change to the other party, in any manner above specified, 10 days prior to the effective date of such change.

IN WITNESS WHEREOF, the parties to this Development Agreement have caused these presents to be executed as of the day and year aforesaid.

(signatures on following pages)

CITY OF DELANO

By _____
Holly Schrupp
Its Mayor

By _____
Alisha Ely
Its City Clerk

STATE OF MINNESOTA)
) ss.
COUNTY OF WRIGHT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2026, by Holly Schrupp, the Mayor of the City of Delano, a Minnesota municipal corporation, on behalf of said corporation.

Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF WRIGHT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2026, by Alisha Ely, the City Clerk of the City of Delano, a Minnesota municipal corporation, on behalf of said corporation.

Notary Public

DELANO ECONOMIC DEVELOPMENT AUTHORITY

By _____
Holly Schrupp
Its President

By _____
Phil Kern
Its Secretary

STATE OF MINNESOTA)
) ss.
COUNTY OF WRIGHT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2026, by Holly Schrupp and Phil Kern respectively the President and the Secretary of the Delano Economic Development Authority, a Minnesota municipal corporation, on behalf of said corporation.

Notary Public

GRANITE WORKS ME III, LLC

By _____
Its President

STATE OF MINNESOTA)
) **ss.**
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 202____, by Michael J. Swenson, the President, of Granite Works ME III, LLC, a Minnesota limited liability company, on behalf of the company.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:

Gregerson, Rosow, Johnson & Nilan, Ltd.
100 Washington Avenue South, Suite 1550
Minneapolis, MN 55401
(612) 338-0755

EXHIBIT A
LEGAL DESCRIPTION

Lot 1, Block 1, Granite Works Addition, according to the recorded plat thereof, Wright County, Minnesota.

EXHIBIT B

PUD ORDINANCE NO. 2020-03 DATED OCTOBER 20, 2020;
RESOLUTION NO. _____ DATED DECEMBER 16, 2025

EXHIBIT C

CITY PLANNER'S REPORT DATED DECEMBER 4, 2025 AND CITY ENGINEER'S
REPORT DATED DECEMBER 3, 2025

Commented [JB1]: Does the resolution that city council passed supercede these reports (i.e. as it relates to the parking availability for the AMI units)?

EXHIBIT D
PLANS

Commented [MN2]: This is the correct updated plan set for Phase 3 per the City Engineer

Final Plat of Granite Works Addition

Project Narrative

Preliminary Site Plan dated 11/05/25 by Otto Associates

Preliminary Utility Plan dated 11/05/25 by Otto Associates

Preliminary Grading Plan dated 11/05/25 by Otto Associates

Preliminary Erosion Control Plan dated 11/05/25 by Otto Associates

Landscape Plan dated 11/20/25

Photometric Lighting Plan dated 11/20/25

Renderings, Building Elevations, and Floor Plans plotted 11/07/25 by Cole Group Architects LLC.

EXHIBIT E

FORM OF ASSESSMENT AGREEMENT

THIS AGREEMENT is dated as of _____, 202__ and is between the Delano Economic Development Authority, a Minnesota municipal corporation (“EDA”), and Granite Works ME III, LLC, a Minnesota limited liability company (“Owner”).

IN CONSIDERATION OF the mutual covenants and benefits herein described, the City and the Owner recite and agree as follows:

Section 1. Recitals.

1.01. Project Plan. The EDA has heretofore developed a Redevelopment Program (the “Project Plan”) for Municipal Redevelopment District No. 13 outlining certain redevelopment activities to be undertaken and has adopted a redevelopment Program therefor (the “Redevelopment Program”), which includes the construction of a multifamily housing building on the Land (the “Project”). The Project is to be owned by the Owner.

1.02. Tax Increment Financing District. Pursuant to the Minnesota Tax Increment Financing Act, Minnesota Statutes, Sections 469.174 to 469.1799, as amended (the “TIF Act”), the City has approved a tax increment financing plan (the “Financing Plan”), which is the proposed method for financing site acquisition and site improvements relating to the Project. Pursuant to the Financing Plan, the Tax Increment Financing District Number 13 has been established as a redevelopment district under the TIF Act.

1.03. Implementation. The EDA has authorized and directed its officers to take all actions necessary to implement and carry out the Project Plan and the Financing Plan. The Project Plan and the Financing Plan propose that the City finance certain costs of or related to the Project, payable from tax increment (as defined in the TIF Act) derived from the District (“Tax Increment”).

1.04. Development Agreement. The EDA, the City of Delano, and the Owner have entered into a Development and Tax Increment Financing Agreement, dated as of _____, 202__ (the “Development Agreement”), which provides that the Owner will improve the real property described in Exhibit A hereto (the “Land”) by the construction of the Project thereon. The Development Agreement provides that upon the execution and delivery of the Development Agreement, the EDA and Owner are to enter into this Assessment Agreement.

Section 2. Minimum Market Value.

2.01. Agreed Upon Minimum. The Owner agrees that the minimum market value of the Land and the Project for ad valorem tax purposes, for the assessment made as of January 1, 2025, shall be not less than \$14,550,000 and shall not be reduced by any action taken by the Owner (other than a deed in lieu of, or under threat of, condemnation by the City of Delano, Wright County, or other condemning authority), to less than the said amount, and that during the term of this Assessment Agreement no reduction of the market value therefor below said minimum market

value shall be sought by the Owner or granted by any public official or court except in accordance with Minnesota Statutes, Section 469.177, subdivision 8. This minimum market value shall apply only to the Land, the Project and any other facilities situated on the Land. In the event of involuntary conversion of the Land and the Project for any reason (other than condemnation by a public entity), the minimum market value shall not be reduced to an amount less than said minimum market value

The Owner acknowledges and agrees that the Land and the Project are subject to ad valorem property taxation and that such property taxes constitute taxes on "real property" (as provided in Section 469.174, subdivisions 4 and 7(d) of the TIF Act) and, to the extent reflecting net tax capacity rates of taxing jurisdictions levied against the captured net tax capacity of the District, tax increment.

2.02. Higher Market Value. Nothing in this Assessment Agreement shall limit the discretion of the city assessor of the City of Delano or any other public official or body having the duty to determine the market value of the Land, the Project and other facilities on the Land for ad valorem tax purposes, to assign to the Land, the Project or to any other improvements constructed on the Land, on a nondiscriminatory basis and treated fairly and equally with all other property so classified in the respective counties, a market value in excess of the minimum market value specified in Section 2.01.

2.03. Substantial Completion. For purposes of this Assessment Agreement and the determination of the market value of the Land and the Project for ad valorem tax purposes, the Owner agrees that the Project shall be deemed to be completed in accordance with the Development Agreement as of September 30, 2027, whether in fact completed or not.

Section 3. Filing and Certification.

3.01. Assessor Certification. The EDA shall present this Assessment Agreement to the city assessor of the City of Delano and request such assessor to execute the certification attached hereto as Exhibit C. The Owner shall provide to the assessor all information relating to the Land and the Project requested by the assessor for the purposes of discharging the assessor's duties with respect to the certification.

3.02. Filing. Prior to the recording of any mortgage, security agreement or other instrument creating a lien on the Land and in any event not less than 30 days after the execution of this Assessment Agreement, the Owner shall cause this Assessment Agreement and a copy of Minnesota Statutes, Section 469.177, subdivision 8, attached hereto as Exhibit B, to be recorded in the office of the County Recorder or Registrar of Titles of Wright County, and shall pay all costs of such recording.

Section 4. Relation to Development Agreement. The covenants and agreements made by the Owner in this Assessment Agreement are separate from and in addition to the covenants and agreements made by the Owner in the Development Agreement and nothing contained herein shall in any way alter, diminish or supersede the duties and obligations of the Owner under the Development Agreement.

Section 6. Miscellaneous Provisions.

6.01. Binding Effect. This Assessment Agreement shall inure to the benefit of and shall be binding upon the EDA and the Owner and their respective successors and assigns, and upon all subsequent owners of the Land and the Project.

6.02. Severability. In the event any provision of this Assessment Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

6.03. Amendments, Changes and Modifications. Except as provided in Section 5.04, this Assessment Agreement may be amended or any of its terms modified only by written amendment authorized and executed by the EDA and the Owner and otherwise in compliance with Section 469.177, subdivision 8, of the Act.

6.04. Further Assurances and Corrective Instruments. The EDA and the Owner agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged or delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Land or the Project, or for carrying out the expressed intention of this Assessment Agreement.

6.05. Execution Counterparts. This Assessment Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

6.06. Applicable Law. This Assessment Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

6.07. Captions. The captions or headings in this Assessment Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Assessment Agreement.

6.08. Effective Date. This Assessment Agreement shall be effective as of the date of execution of the Development Agreement.

6.09. Termination Date. This Assessment Agreement shall terminate upon the termination of the District in accordance with Minnesota Statutes, Section 469.176, subdivision 1.

6.10. Definitions. Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Development Agreement, unless the context hereof clearly requires otherwise.

IN WITNESS WHEREOF, the EDA has caused this Assessment Agreement to be executed in its name by its duly authorized officers and the Owner has caused this Assessment Agreement to be executed in its corporate name.

DELANO ECONOMIC DEVELOPMENT AUTHORITY

By _____
Holly Schrupp
Its President

By _____
Phil Kern
Its Secretary

STATE OF MINNESOTA)
 ^{) ss.}
COUNTY OF WRIGHT)

The foregoing instrument was acknowledged before me this _____ day of _____, 202_, by Holly Schrupp and Phil Kern, respectively the President and the Secretary of the Delano Economic Development Authority, a Minnesota municipal corporation, on behalf of said corporation.

Notary Public

GRANITE WORKS ME III, LLC

By _____
Its President

STATE OF MINNESOTA)
) **ss.**
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 202_____, by Michael J. Swenson, the President, of Granite Works ME III, LLC, a Minnesota limited liability company, on behalf of the company.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:

Gregerson, Rosow, Johnson & Nilan, Ltd.
100 Washington Avenue South, Suite 1550
Minneapolis, MN 55401
(612) 338-0755

EXHIBIT A to Assessment Agreement

DESCRIPTION OF LAND

Lot 1, Block 1, Granite Works Addition, according to the recorded plat thereof, Wright County, Minnesota

EXHIBIT B to Assessment Agreement

COPY OF MINNESOTA STATUTES, SECTION 469.177, SUBDIVISION 8

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

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

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

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

EXHIBIT C to Assessment Agreement

ASSESSOR'S CERTIFICATE

The undersigned, being the duly qualified and acting assessor of the City of Delano, Minnesota, hereby certifies that.

1. I am the assessor responsible for the assessment of the Land described in the foregoing Exhibit A;

2. I have read the foregoing Assessment Agreement dated as of _____, 202__;

3. I have received and read a duplicate original of the Development Agreement referred to in the Assessment Agreement;

4. I have received and reviewed the architectural and engineering plans and specifications for the Project agreed to be constructed on the Land pursuant to the Development Agreement;

5. I have received and reviewed an estimate prepared by the Owner of the cost of the Land and the Project to be constructed thereon;

6. I have reviewed the market value previously assigned to the Land on which the Project is to be constructed, and the minimum market value to be assigned to the Land and the Project by the Assessment Agreement is a reasonable estimate; and

7. I hereby certify that the market value assigned to the Land and the Project described on the foregoing Exhibit A by the Assessment Agreement is reasonable and the market value assigned to the Land and the Project, for the assessment commencing _____, 202__, shall be not less than \$14,550,000.

Dated _____.

County Assessor, Wright County, Minnesota